

RISK MANAGEMENT POLICY

KRA LEASING LIMITED

Risk Management Policy guidelines are devised in the context of the future growth objectives, business profile envisaged and new business endeavors including new products and services that may be necessary to achieve these goals and the emerging global standards and best practices amongst comparable organizations. This Policy is meant to ensure continuity of business and protection of interests of the investors and thus covers all the activities within the Company and events outside the company which have a bearing on the Company's business. The Policy shall operate in conjunction with other operating or administrative policies.

Section 134(3) of the Companies Act, 2013, as amended ("**the Act**") requires a statement to be included in the report of the Board of Directors (the "**Board**") of the Company indicating development and implementation of a risk management policy for the Company, including identification therein of elements of risk, if any, which, in the opinion of the Board, may threaten the existence of the Company.

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a proactive approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

CLASSIFICATION OF RISKS

- a) **Strategic Risk:** It includes range of internal and external events (like Government policy, Competition, Court Rulings, Changes in senior leadership or a Change in Stakeholder requirements) that can adversely impact the company's strategic growth and destroy shareholder value.
- b) **Business Risk:** It includes the risks associated specifically with the company and having an adverse impact on the company's capability to execute activities critical for business growth, thereby affecting its near-term performance.
- c) **Operational Risk:** These are those risks which are associated with operational uncertainties, force majeure events like floods affecting operations, internal risks like attrition etc.

RISK MANAGEMENT FRAMEWORK

The Company believes that risks should be managed and monitored on a continuous basis. As a result, the Company has designed a dynamic risk management framework to manage risks effectively and efficiently, which contains the following processes

A. Risk identification and assessment

Mechanisms for identification and prioritization of risks include risk survey, industry benchmarking, incident analysis, business risk environment scanning, and focused discussions with the Board. Risk register and internal audit findings also provide inputs for risk identification and assessment. Risk survey of executives across units, functions and subsidiaries is conducted on an annual basis to seek inputs on key risks. Further, periodic assessment of business risk environment is carried out to identify significant risks to the achievement of business objectives and prioritizing the risks for action. Scenario-based risk assessments are also carried out. Operational risks are assessed primarily on three dimensions, namely, strength of underlying controls, compliance to policies and procedures and business process effectiveness. The risks identified must be displayed in a structured form, indicating, amongst others, the name and scope of the risk, qualitative description, nature of risk, risk treatment and financial impact of risk.

B. Risk Evaluation

Risk evaluation is carried out to decide the significance of risks to the Company. Estimated risks are compared against the established risk criteria. The risk criteria include key focus areas namely: strategy, growth, cost, talent, reputation, leadership, and regulatory compliance.

C. Risk Reporting and Disclosures

Risks to the achievement of key business objectives, trend line of risk level, impact and mitigation actions are reported and discussed with the Board on a periodic basis. Key external and internal incidents with potential impact are reported, Periodic update is provided to the Board highlighting key risks, their impact and mitigation actions. Key risk factors are disclosed in regulatory filings.

D. Risk Mitigation and Monitoring

For identified top risks, dashboards are created that track external and internal indicators relevant for risks to indicate the risk level and its likelihood of occurrence. The trend line assessment of top risks, analysis of exposure and potential impact are carried out periodically. Mitigation plans are finalized, owners are identified and progress of mitigation actions are monitored and reviewed. Further, for those business objectives, whose achievement is at risk, periodic reviews are conducted to deploy actions.

E. Integration with Strategy and Business Plan

Identified risks to the business objectives in the short-term, medium-term and long-term are used as one of the key inputs for the development of strategy and annual business plan. Key strategic initiatives are identified to mitigate specific risks.

AUTHORITY

The Company's Risk Management framework is supported by the Board of Directors and the management of the Company. The Board is delegated with responsibilities in relation to risk management and the financial reporting process of the Company. The Board shall have free access to management and management information. The Board, at its sole authority, may seek the advice of outside experts or consultants were judged necessary. The Board is also responsible for monitoring overall compliance with laws and regulations.

RISK APPETITE

A critical element of the Company's Risk Management framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives.

The key determinants of risk appetite are as follows:

- a) Shareholder and investor preferences and expectations;
- b) Expected business performance (return on capital);
- c) The capital needed to support risk taking;
- d) The culture of the organization;
- e) Management experience along with risk and control management skills; and
- f) Longer term strategic priorities.

Risk appetite is communicated through the Company's strategic plans. The Board and the management of the Company monitor the risk appetite of the Company relative to the Company's actual results to ensure an appropriate level of risk tolerance throughout the Company.

BOARD OF DIRECTORS

The Board will undertake the following actions to ensure risk is managed appropriately:

- a) The Board shall be responsible for framing, implementing and monitoring the risk management plan for the Company;
- b) Ensure that the appropriate systems for risk management are in place;

- c) Participate in major decisions affecting the organization's risk profile;
- d) Have an awareness of and continually monitor the management of strategic risks, financial risks, operational risks, investment risks, people's risk, legal and regulatory risks & compliance risks;
- e) Be satisfied that processes and controls are in place for managing less significant risks;
- f) Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly; and
- g) Ensure risk management is integrated into board reporting and annual reporting mechanisms

MANAGEMENT

The management of the Company is responsible for monitoring and whether appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met;

This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks;

Reporting to the Board of Directors consolidated risks and mitigation strategies on a half yearly basis.

DISCLOSURE

This Policy will be communicated to all concerned persons of the Company.

REVIEW AND AMENDMENT

The Board shall review this Policy from time to time to ensure it remains consistent with the Board's objectives and responsibilities, and in accordance with applicable laws.

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder and/or any other laws in this regard shall automatically apply to this Policy.

PENALTY FOR NON-ADHERENCE OF THE CLAUSE OF THE POLICY

Non-Adherence to any of the Clause as mentioned in this Policy will attract penalty of one lakh rupees in respect of each offence and if he persists in such failure or refusal, with further fine which may extend to 25,000 for every day, after the first during which the offence continues as prescribed under Section 58B(2) of Reserve Bank of India Act, 1934 .

DISCLAIMER

The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and in having a complete / proper management's perception of risks. This policy may be amended and modified, subject to appropriate provisions of law, rules, regulations and guidelines from time to time.