RISK MANAGEMENT POLICY – SUPERIOR FINLEASE LIMITED

RISK MANAGEMENT FRAMEWORK

The Company has adopted a system based approach for risk management, with the clear objectives of identification, evaluation, monitoring and minimisation of the identified risks.

The Company has established the Risk Management Committee comprising of Managing Director, Independent Directors for assessment and evaluation of the risks associated with the business through its risk document. The management periodically reviews the risk management framework to identify the major business risks as applicable to the Company and works out their mitigation strategy.

The major risks faced by business are the repayment of principal and amount of interest, regulatory risks, inflation and market risk.

Risk Management Objectives and underlying principles:

Every entity exists to create value for its organization in terms of profits, assets or otherwise and such value is eroded by management decisions either strategic or operational. It helps the management to deal effectively and efficiently with the projected future events and enables the management to respond in a manner that reduces the likelihood of downside outcomes and increases the upside.

The Objectives of the Company can be classified into Strategic:

Organizational Growth

- Sustenance and Growth of Strong relationships with dealers/customers
- Expanding our presence in existing markets and penetrating new geographic markets
- Continuing to enhance our industry expertise
- Enhance our capabilities through technology alliances and acquisitions

Operations:

- Consistent Revenue growth

- Consistent profitability
- Further develop Culture of Innovation

Reporting:

- Maintain high standards of Corporate Governance and public disclosure.

Compliance:

- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/standards

SUPERIOR FINLEASE LIMITED RISK MANAGEMENT POLICY AND PROCESS:

RISK POLICY: Outlines systematic process of understanding, measuring, controlling and communicating a project organization's risk exposures to achieve its objectives.

ENTERPRISE RISK MANAGEMENT: Enterprise Risk Management (ERM) is the systematic process of understanding, measuring, controlling and communicating an organization's risk exposures to achieve its objectives.

RISK MANAGEMENT ASSESSES RISK AS: Inherent and Risk on residual basis

- Controllable / Non Controllable
- Internal factors / External factors
- Enterprise-level and Business unit processes
- Likelihood/Probability and Impact / consequences

Risk Identification and Categorization: Identification of Risks and categorize into Strategic, Operations, Financial and Compliance Domains, further Identification of Risk Owners persons closest to the risk.

Analysis and Quantification of Risks faced and appetite / capacity to absorb the same Risk Mitigation / Transfer Planning and Maintenance of Risk Register. All high value risks reported to the Board

Risk Mitigation / Transfer Planning and Maintenance of Risk Register: All high value risks reported to the Board, reported to management

<u>Risk Monitoring and continuous review:</u> <u>Regular Monitoring by MIS</u>

Risk Assessment: Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed.

Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks. To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

Assesses risks from these perspectives:

- Likelihood/Probability
- Impact
- Assesses risk on both an inherent and a residual basis.

<u>Types of Risks:</u> Internal or Controllable risks

- Fund Management/ Lenders Tie Up
- People Management
- Project cost
- Accidents/ Safety Risk

External/Third Party or non controllable risks

- Contractor's Financial position
- Act of God
- Government Policies/Regulations
- Contractor's Performance/ Deliverables
- Security Risk

RISK MONITORING AND MITIGATION PLANNING

For each and every identified risk, plans were devised to mitigate the consequences of the same:

- Identify Causes and Consequences.
- Rate gross risk in term of possibility and impact (without controls or controls totally ineffective)
- Identify Primary Controls (preventive) and Secondary Controls
- Rate control effectiveness (to reduce possibility and impact).
- Risk software calculate: Net Risk Rating = Gross Risk – Control Effectiveness.
- Set Risk Targets
- Identify management actions to mitigate the risks

<table>
<tr><th colspan="3">RISK LEVEL</th></tr>
<tr><td rowspan="2">High</td><td rowspan="2">Act immediately to mitigate the risk. If these controls are not immediately accessible, set a timeframe for their implementation</td><td>An achievable timeframe to be established ensure controls are implemented.</td></tr>
<tr><td>Risk (and not cost) must be the primary consideration in determining the timeframe.</td></tr>
<tr><td>Medium</td><td>Take reasonable steps to mitigate the risk. Until elimination, substitution or engineering controls, institute administrative/personal controls.</td><td rowspan="2">Interim measures until permanent solutions can be implemented:
• Develop administrative controls to limit the use or access.
• Provide supervision and specific training related to the issue of concern.</td></tr>
<tr><td>Low</td><td>Take reasonable steps to mitigate and monitor the risk. Institute permanent controls in the long term</td></tr>
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OVERVIEW OF RISK MANAGEMENT PROCESS