



Since 1986

VALUVANADU CAPITAL LIMITED

RISK MANAGEMENT POLICY

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Policy Owner : HOD, Risk Management Department

Prepared by : Risk Management Department

Approved by : MD, WTD & CFO

Risk Management Policy

1) Introduction:

Valuvanadu Capital Limited, a distinguished entity established under the provisions of the Companies Act 1956, operates within the financial sector under the regulatory oversight of both the Reserve Bank of India (RBI) and the Ministry of Corporate Affairs. While the company's core focus lies in the realm of gold loans, it has strategically expanded its portfolio to encompass a diverse array of financial products, including Business Loans, Mortgage Loans, and Personal Loans. Recognizing the inherent risks associated with its multifaceted operations, the Board, during its meeting convened on 09.01.2024, has sanctioned a comprehensive Enterprise Risk Management Policy and Framework to adeptly navigate and mitigate potential risks in the dynamic business landscape.

2) Aim / Scope:

The main objective of the policy is to keep the Board of Directors and Top Management appraised of the applicable risks promptly and regularly. This risk management policy aims to protect the reputation of the organization, enable the Company to make consistently profitable and prudent business decisions across all its offices and ensure an acceptable risk-adjusted return on capital or any other equivalent measure. In a nutshell it seeks to ensure growth with profitability within the limits of risk absorption capacity.

3) Risk Management Committee:

The implementation of the Risk Management Policy by the Risk Management Department and the various business units will be overseen by the Risk Management Committee (RMC) of the Company. The RMC shall meet at least once in a year to review the Risk Management Policy, document and improve risk management practices, ensure appropriate/adequate reporting to the Board, review the functioning of the Risk Management Department and any other matter as the Committee may deem fit.

4) Risk Management Department:

The Company has set up a Risk Management Department (RMD) headed and manned by competent personnel for the purpose of managing risk related issues across the organization. The primary responsibility for managing risk on a day to day basis will lie with the respective business units of the Company. The broad responsibilities of the RMD are:

- i) Implementing the Risk Management Policy as approved by the Board of Directors. Reviewing the provisions of the policy periodically and recommending to the Board of Directors appropriate modifications or improvements if required.
- ii) Championing the cause of risk management and instilling a culture of risk awareness across the length and breadth of the organization.
- iii) Identifying the various risk points in the organization and assessing or measuring their impact on the business.
- iv) Devising proactive and reactive strategies for controls and mitigation of risks.
- v) Designing or assisting in the designing of work processes or activities having risk implications, getting them approved, assisting in implementation of the processes and engaging in periodical review of the effectiveness of such processes.
- vi) Development of 'models' for assessment of loss in projected circumstances.
- vii) Preparing reports to Top Management, Audit Committee and Board of Directors on risk matters.
- viii) Appraising uncovered / residual risks to the Management / Board.

5) THE MAJOR RISKS:

Like most other financial undertakings / businesses, the Company is faced with the same 3 broad categories of risks as listed under.

I) Credit Risk:

Credit risk is perceived to be relatively lower due to the secured nature of loans taken up by the Company.

II) Market Risk – Comprising Price and Liquidity

a) Price & Interest Rate:

Even though the Company does not on its own account take 'open position' in gold market risk is inherent due to the criticality of the value of collateral. The degree of comfort will depend on the Loan to Value at which loan is sanctioned followed by the subsequent price movements. Significantly downward

movement in the gold prices especially when accompanied by non-servicing of interest can impact the Company's financials significantly.

Gold loans are granted for a tenor of a maximum one year which is essentially short term. Interest rates to be charged on the gold loans are fixed from time to time based on the overall cost of borrowings / funds from the various funding sources *inter alia*.

In terms of other loans with maturity from 1 to 7 years price and interest rate risk is relatively high.

b) Liquidity, Maturity Mismatch:

These are offset to a significant extent by the short term nature of the gold loans and the corresponding funding avenues for such assets In terms of other loans with maturity from 5 to 7 years liquidity rate risk is relatively high.

III) Operational Risk:

Given the inherent nature of the gold loan business, operational risk is perceived to be comparatively higher and calls for implementation, development and continuous review of the existing internal checks and controls.

IV) Residual Risks

Certain special risks relating to Information Technology, Regulatory, Competition, Reputation etc. although forming part of Operational Risk have been dealt with separately in the following paragraphs.

6.I.A) CREDIT RISK

a) General:

Credit risk denotes the risk of loss arising from a default committed by the borrower to repay the principal and interest as per the contractual obligation. The objective of credit risk management is to ensure the overall health of the credit portfolio through an evaluation of the credit process, creditworthiness of each customer, new or existing, assessment of the risks involved and ensuring a measured approach to address the risks. Credit risk in gold loans is managed through a strong dual combination of collateral valuation and 'emotional attachment'. Scope for violations will be restricted through system based controls wherever feasible and desirable. In the business of gold loans, the security is in the possession of the lender and is also comparatively liquid. Despite some positive and comforting features there

are still some important risks related to 'Credit' that need to be recognized, controlled and mitigated as are dealt with in the following paragraphs.

Credit risk management will include a continuous review of the existing controls and monitoring of the systems for identification and mitigation of the various risk factors. In the case of Loan Against Immovable Property credit risk is generally high. This is managed mainly by strong credit appraisal methods and conservative valuation of security provided for the loans. **Unsecured loans are considered as the other high risk category loans in which the systematic follow up mechanism is in place and trustworthiness of the borrower are also verified to mitigate the risk in unsecured loans.** The risk management department shall ensure that the total outstanding of the Unsecured Loans shall not exceed 25 % of the total loan outstanding.

b) Loan / Auction Policies:

Loans will be governed by the Loan Policy approved by the Management. Credit quality may be adversely affected mainly by the diminution in collateral value with or without non-servicing of interest/EMI by the borrower.

Credit risk management systems and practices will be in line with the approach laid down by the Loan and Auction policies.

The Loan Policy covers inter alia:

- i) The nature, type and tenor of the loan products.
- ii) Restrictions on lending.
- iii) Documentation.
- iv) Appraisal of security
- v) Loan to value
- vi) Limits and delegation of loan sanctioning powers including assumption of large exposures.
- vii) Custodial arrangements for the security pledged.
- viii) Monitoring loans, recovery and auction.

c) The 'Emotional Factor in gold ornaments:

The major business of the Company is granting loans to individuals against the security of Household Used Jewellery (H.U.J) made of gold. H.U.J forms the basic foundation on which lending against gold jewellery is undertaken by the Company. It would be reasonable in the context of current social values and beliefs to believe that such H.U.J would continue to carry the 'emotional attachment' of the owner and act as a

psychological pressure against defaults. However, as social mores and jewellery fashion undergo changes the Company is alive to the possibility of the 'emotional attachment' quotient waning over a period of time for a small segment of the customers.

d) Credit appraisal

Gold ornaments offered by loan applicants for availing loan there against will be correctly appraised for actual gold content i.e. purity. Employees at the branches will be provided regular and effective training from time to time to improve their gold appraisal skills using traditional tests such as nitric acid, smell, colour, sound etc. As unscrupulous persons and racketeers have developed techniques to camouflage the ornaments with a thick coating of pure gold to mislead the less experienced appraisers the Company will also improve upon the existing methodologies of pre-disbursement drills and continuously develop new techniques to prevent potential loss and facilitate early identification of suspicious cases.

In case of Loan Against Immovable Property credit appraisal is done by experienced officials based on cash flow analysis and previous credit history of the customers.

e) Unique Customer Identification number:

A unique customer identification number will be provided to each customer to facilitate tracking exposures of individual customers, studying the nature of transactions and prevent the creation of new customer accounts for an existing customer. Similarly, each loan availed by the customer will be given a unique account number which will be captured under the Customer ID number. The system will indicate the overall loan position of each customer with details of individual loans and other important details such as interest accrued, number/ type/ weight of ornaments etc.

f) Assuming and monitoring large individual exposures:

Like all other lending institutions, large exposures to individual borrowers carry relatively higher credit risk. Assumption of large exposures to individual borrowers will be controlled through suitable fixation of exposure limits at branch level, prescription of procedures for appraisal & sanction of limits beyond the stipulated ceiling at branches and effective monitoring of the accounts of borrowers who have been sanctioned large exposures. Sanction of large exposures will be subject to suitable checks, prudent practices and adequate controls for which there will be a structured delegation of sanctioning powers.

g) Blacklisting of defaulters / fraudsters:

Borrowers who have a questionable track record of dealings or who have availed loans which subsequently indicate serious negative features such as spurious / low purity ornaments, stolen gold, fraudulent operation through multiple IDs, hard core defaulters, fictitious persons, collusion with employees etc. will not be entertained for future loans.

The system will be configured to 'block' such customers from availing new loans. Expedited recovery of such loans will be emphasized upon through structured, prompt and intensive tracking of the borrowers.

h) Supervision, Follow up, Recovery of Loans including Auction of security:

Loan applicants will be explained the important terms and conditions of the loan before sanction so that there is no cause for misunderstanding and also as a measure of excellence in customer service.

In case of gold loan Borrowers will be persuaded to service interest periodically as it not only generally ensures the adequacy of collateral coverage during the currency of the loan but also helps establish the creditworthiness and bonafide intentions of the borrowers to fulfil their repayment obligations.

Auction is recognized only as a last resort to safeguard the Company's interests. Auction procedures, where inevitable, will be completed expeditiously and shall comply with Auction Policy and Fair Practice Code of the Company. Deferment of auction, where resorted to, will be based on assessment of various risk factors at the relevant time and also be compliant with the provisions of the Auction Policy.

Debt recovery / collection agents, if deployed, will be subject to strict due diligence checks especially because of the complaint prone nature of this recovery method and its possible negative impact on the Company's reputation.

6.II.B) MARKET RISK: PRICE & INTEREST RATE:

a) General:

Market risk is defined as the risk to the earnings due to adverse movements in the price and / or interest rates. In the Company's case even though the collateral of gold ornaments is not owned by the Company a substantial fall in gold prices could induce a small segment of borrowers to default if the total dues comprising principal plus accrued interest are more than the realizable value of the security provided. Such borrowers would obviously have only 'commercial' attachment to the gold ornaments carrying no 'emotions'. Similarly, upward movements in the interest rates

on borrowings could impinge earnings if the interest rates charged on loans are not correspondingly adjusted.

b) Mitigation

Market risk (price) is addressed through:

- i) An appropriate LTV which provides adequate cushion to withstand fall in market price.
- ii) Inculcating a culture of recovery & collection amongst employees and borrowers.
- ii) System of incentives for employees and rebate for borrowers.
- iv) Marking to market the collateral and regular monitoring of risk accounts / branches.
- v) Assessment and early recovery action on accounts and customers faced with depletion of collateral value culminating with acceleration of the auction process as provided in the Auction Policy.
- vi) Constant follow up in case of defaulted EMI Loans

Market risk (interest) is addressed through:

- i) Fixing / reviewing interest rates on loans based on cost of funds from time to time.
- ii) **Providing short term loans against long term borrowings.**
- iii) Adding risk premium for higher LTV loans.

c) Monitoring & Responsibility

Market risk will be periodically monitored by the **Head of Risk Management** for which suitable MIS reports will be available. Risk Management Dept will periodically analyze the data of outstanding loans and work out the projections of auction leading to under recoveries of interest or principal loss based on the repayment trends, prospects of recovery and movements in the market price of gold. Appropriate models for studying the impact of changes in interest rates on the earnings of Company will be developed and periodically reviewed.

6.II.C) MARKET RISK: LIQUIDITY & MATURITY MISMATCH

a) General:

Liquidity risk may be defined as the inability of a business concern to promptly discharge its repayment obligations or is forced to meet its obligations by incurring substantial loss. Liquidity implies that the Company is able to meet its present and future cash flows satisfactorily without any adverse impact on business operations or

the overall financial position. Like all financial institutions liquidity risk assumes critical importance for the Company especially because inability to meet repayment obligations promptly could also signify a serious threat to its market reputation giving rise to a chain reaction which can cascade into further liquidity constraints.

b) Mitigation

The broad strategies adopted by the Company to address the risk are as under.

- i) Majority Loans schemes are of short term nature.
- ii) Implementing a robust collection and recovery mechanism. This would include an efficient auction procedure for expeditious realization of security.
- iii) Efficient cash management system to ensure optimum cash holding and reduce idle cash.
- iv) Calibrating business growth based on the funding level / options available.
- v) Maintaining an adequate level of undrawn borrowing limits from banks for contingencies.
- vi) Plough back of a major portion of the net profit into the business.
- vii) Investing in fixed assets only to the bare minimum.
- viii) Reducing the level of non- performing loans.

6.III.D) OPERATIONAL RISK

a) General: Operational risk has been defined by the Basel Committee on Banking Supervision as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Thus operational risk arises from 4 broad causes: **people, processes, systems and external factors**. Examples of 'Operational Risk' are frauds committed by employees, physical damage to assets, failure of IT hardware / software, incorrect data, manipulation of data, misuse of customer information, improper maintenance of records, lack of or breakdown in internal controls, changes in laws / regulations etc. Corporate Governance is also recognized as operational risk. As in the case of all other financial institutions, operational risk assumes critical importance in the Company's business. More so because the Company holds huge quantity of gold ornaments owned by the various borrowers and is contractually obligated to return the gold ornaments in the same condition to the borrower as soon as the loan account is closed. As the Company operates in a fully computerized accounting environment the health and efficiency of the Information Technology platform and architecture becomes extremely critical. However, the IT related risks are covered under a separate paragraph. The important

'operational risks' to which the Company is exposed are listed in the following paragraphs.

b) Storage of gold ornaments, Concept of joint custody:

Gold ornaments will be stored in a safe and secure manner in burglar proof safes of acceptable grade manufactured by reputed companies or in steel almirahs or storage bins kept within the 'strong' rooms built as per specifications. The principle of 'joint custody' will apply for custody of the valuable as well as for the operations of the safe / strong room. In normal circumstances the 'joint custodians' would comprise the Branch Head and the Assistant Branch Head. Gold held elsewhere such as Auction Centres, Head Office etc. shall also be subject to similar storage and custodial controls. To minimize the scope for pilferage suitable tamper proof packing of the pledged ornaments for each account having distinctive numbers will be in place which will also facilitate verification – both preliminary and detailed.

c) Locking arrangements:

Suitable and standardized locking arrangements for branches and other offices especially where valuables and records are stored will be in place. Such locking arrangements shall clearly state the persons responsible for various activities and the manner in which the locking will be ensured and custody of the keys. A well defined procedure for handling 'duplicate' keys will be in place to quickly and efficiently cope with loss of 'original' keys.

d) Verification of gold:

Gold ornaments will be kept segregated account wise and subject to periodical verification by **Internal/Risk** Auditors and other authorized officials at such frequency as may be decided from time to time considering the risk factors. External agencies, such as lending banks or external auditors, may also be permitted access for verification of gold as may be stipulated in the loan agreement or terms of engagement. Clear instructions with suitable controls will be in place while permitting outside agencies access to verification. A history of verification of each pledge will also be maintained.

e) Insurance:

Adequate insurance cover of the collateral (gold ornaments) will be obtained from a reputed Insurance Company encompassing risks such as burglary, fire and transit. As full compensation to the borrowers would have to be made the gold will be covered at replacement value which would include, apart from the metal value,

the making charges of the jewellery. The clauses / covenants of the policy will be scrutinized minutely and fully understood by the concerned officials.

f) Opening and location of branches:

While branches will be located after the business potential is ascertained on the basis of an objective survey the assessment /perception of security threat will be given due weightage in the selection of premises considering the contractual liability of the Company to return the pledged gold to the borrowers without loss. Title of the lessor or landlord to the property will be confirmed and a legally enforceable 'lease agreement' executed by authorized persons before possession of the premises taken. In case of already existing premises with high risk perception or facing other operational problems appropriate mitigatory steps will be taken.

g) System & Procedures / Process improvements / Automation:

Definition of proper system & procedure for the various functions ensures uniformity in work processes, reduces errors, builds internal checks, speeds up work and enhances the overall efficiency. The absence of proper systems and procedures for various business / accounting functions can be a fertile ground for commission of irregularities and perpetration of frauds. The Company, therefore, recognizes the importance of appropriate systems and procedures and will put in place structured and well defined work processes in all risk prone activities with inbuilt internal controls and checks. Such existing systems and procedures will be continuously reviewed to confirm its effectiveness and to plug the gaps, if any, across all offices of the Company.

Some important processes such as the appraisal of gold, sanction of loans, delivery of gold to borrowers with or without production of pawn ticket / to third party / legal heirs, retention of gold after closure of account, seizure of gold by police, verification procedure etc. will be dealt with comprehensively considering the seriousness of risks involved and keeping in view possible future legal complications.

Process improvements will include automation of input / output, wherever possible, and will be continuously developed to improve accuracy, reduce labour, allocate more time for customer orientation and eliminate the scope for manipulation of data.

h) Frauds:

Control systems will be defined and developed in a manner to prevent commission of frauds by employees and customers and also facilitate early detection of frauds. Control mechanisms, as far as feasible and desirable, will be

system driven so that there is a clear trail to analyse the root cause and identify the culprits. Information regarding commission of frauds will be promptly provided to all concerned functionaries so that steps for recovery of loss, identification and punishment of the fraudsters and plugging of loopholes are immediately taken up. A 'root-cause' analysis will be performed by the concerned departments and appropriate steps taken to prevent recurrence of similar mishaps through suitable tightening of the control systems. A repository of information and analysis of major instances of fraud, giving the root causes along with remedial measures taken, will be compiled and periodically updated as a knowledge base as an educative and preventive tool.

i) Cash Holding:

Subsequent to the directions issued by RBI, all transactions, effective from 1st October 2024 are made through bank accounts of the customers. This has reduced the risk involved with the cash holding at branch level. Only cash for the immediate requirements will be held at the branch level. Excess cash, if any, will be transferred to the bank account on a daily basis. Cash-in-transit will be subject to adequate security, controls and monetary ceilings in line with the insurance policy.

Cash counting machines and fake note detectors will be provided at branches where cash transactions are substantially high. All employees will be trained to distinguish between genuine and forged currency note.

j) Security Arrangements – Physical & Electronic:

Security arrangements to protect the employees, the assets of the Company and especially the gold pledged by borrowers are critical.

Norms for providing Security: In this technology driven age the adoption of advanced technology based electronic security systems will supplement the physical security arrangements. The Company will put in place an effective mechanism to monitor the security arrangements including adoption of centrally monitorable security solutions. Guidelines on storage and retention of CCTV video images at the central and local location for retrieval will be in place. To ensure a risk based approach to security arrangements at critical offices gradation of branches on the basis of risk factors will be ensured.

Appropriate drills to test and review the efficacy of security arrangements will be devised and implemented.

k) Critical Fixed Assets / Devices:

Critical fixed assets such as computers & accessories, surveillance cameras, burglar alarms, safes etc. will be provided as per considered needs, effectively monitored and maintained in satisfactory working condition. An effective after sales service capability of vendors / suppliers will be ensured before acquisition or placement of purchase orders. Further, suitable annual maintenance contracts with service level agreement will be in place for the devices both as a preventive and curative measure for complaints.

l) Human Resources:

Every business has an important HR interface with risk management systems of varying degrees. The business of lending, as of now, is significantly labour intensive. Consequently, business development is highly dependent on the quality and effectiveness of employees at various levels in the organization structure. HR policies will provide a suitable governance structure to enable the Company to grow and proactively meet with the emerging challenges in business. Policies and action plans relating to recruitment, compensation, incentives, posting, training, skill development, specialization, employee mix, promotion, transfers, succession planning, resignations, terminations, outsourcing of work, employee grievances, industrial relations and disciplinary action will be made and reviewed periodically so as to be conducive in implementing risk management systems and improve their effectiveness. Such policies will also comply with statutory requirements. Roles and responsibilities of the various functionaries in the organization will be clearly laid down and will conform with the overall objectives and goals of the business from time to time. Suitable, realistic and challenging benchmarks will be in place for the various business units and the individuals within.

m) Know Your Customer & Anti Money Laundering norms:

The Company will adopt a KYC Policy in line with MCA/RBI directives. Strict compliance with KYC norms as laid down in the policy will be ensured by the Operations Dept. Compliance will be monitored on a day to day basis by the Risk Management Dept. Cash Transaction Reports / Suspicious Transactions Report will be submitted to the Financial Intelligence Unit.

n) 'Whistle Blower' policy:

As a step towards prevention and early identification of irregular and fraudulent acts the Company will put in place a suitable 'Whistle Blower' policy which will encourage and reward employees across the organization who proactively escalate unacceptable and unethical work practices or behaviour they observe.

o) Risk Awareness across the Organisation:

The Company will ensure that awareness and understanding of the various risks is created at all levels in the organization through appropriate methods.

p) Responsibility:

The responsibility for managing the various operational risks will lie with the Head Of the Operations, relevant Functional Departmental Heads, and Head of Risk Management.

6.IV.E) INFORMATION TECHNOLOGY RISK:

The Company has a fully computerized environment for conducting its business operations. As of now the IT segment of the Company is outsourced. The Company will adopt a Comprehensive IT Policy encompassing acceptability of various usages, asset management, applications management, infrastructure management and IT security.

6.V.F) REGULATORY / COMPLIANCE RISK

a) General:

The Company is an NBFC coming under the regulatory purview of the Reserve bank of India and Ministry of Corporate Affairs. In addition the Company is also required to comply with various central, state and commercial laws applicable in the conduct of the various activities of the business.

b) Meeting with compliance requirements:

The Company recognizes that the regulatory landscape is under periodical review and this requires the Company to be proactively prepared, as best as possible, to meet with the challenges posed by the changes. There is also an element of unpredictability over possible future regulatory action. The Company will respond effectively and competitively to regulatory changes, maintain appropriate relationship with the regulators / authorities, strengthen the reliance on capital and improve the quality of in-house compliance. All reports, returns and disclosures stemming from regulations will be submitted promptly and accurately to reflect the

correct position. Business processes will be defined in a manner to ensure comprehensive regulatory compliance considering the multitude of regulatory agencies the Company has to deal with.

c) Responsibility:

Competent and knowledgeable specialist officers will be recruited to ensure compliance. The responsibility for ensuring compliance with regulatory requirements and directives on a day to day basis will rest with the Business Heads. Such compliance will be overseen and confirmed by the Compliance Officer appointed by the Company and the Internal Audit Dept of the Company.

6.VI.G) COMPETITION RISK:

a) General:

Competition risk represents the challenges to business arising from an increasing number and intensity of other existing or new firms engaged in the same business which threaten business growth and could eat away the market share of the Company's business. The Company faces intense competitive pressures from NBFCs and of late from Banks which have taken up to gold loans intensively especially in the light of the phenomenal growth registered by gold loan NBFCs.

b) Coping with competition:

The Company will broadly address the risks of competition by:

- i) Accepting and recognizing the presence of competitors as a fact of business. Such competition could be universal and area specific.
- ii) Identifying the major and nearest competitors for benchmarking performance.
- iii) Assessing the business strategies of competitors and ensuring suitable counter veiling mechanisms to meet such threats.
- iv) Studying and comparing (with) the performances of the competitors with judiciously collected information and data.
- v) Continuously reviewing existing products and services to ensure that they are in tune with market demand and customer expectations keeping in view the regulatory guidelines.
- vi) Recognizing the need to reduce unproductive costs and improve the productivity of employees to make the offerings more competitive.

- vii) Studying or anticipating customer preferences and accordingly developing new products and services with visible value addition to be ahead of other market players.
- viii) Ensuring transparency and fairness in dealings with customers and adopting/ promoting customer service excellence as an important selling tool.

c) Responsibility:

The Head, Marketing Department will be responsible to initiate measures to meet the threats of competition. The Company will not be induced to adopt any unethical practices to meet with competition even if other market participants do so. Risk Management Dept will study the risk implications of the various products / services or their features periodically or as and when required.

6.VII.H) REPUTATION RISK:

a) General:

Reputation risk is the loss caused to the Company due to its image or standing being tarnished by certain incidents or actions arising from its business operations. Such incidents or actions may be attributable to the Company or any employee(s) or executive(s) committed either consciously or otherwise. Reputation risk could result in loss of revenues, diminished shareholder value and could even result in bankruptcy in extreme situations. Reputation loss can be caused by mere negative perceptions and could occur even if the Company is actually not at fault. Reputation risk is considered even more threatening to Company value as compared to say credit risk. In fact good reputation is an intangible asset like goodwill. The Company recognizes that while reputation is built over years it can get blotted in a flash. The Company, therefore, considers protecting its reputation of paramount importance.

b) Causes:

Some common examples of actions resulting in fall in reputation are grossly incorrect financial statements, deliberate dishonest actions of employees especially those in senior management, recruitment of persons without proper screening process, frequent serious and/or large value frauds, window dressing of business position, data security breaches, violation of customer secrecy, dealing with criminals and extending loans for unlawful activities, poor security arrangements, obsolete system / procedures / practices, dealing with vendors having bad reputation, adopting illegal or unethical business practices, evasion of taxes, charging exorbitant interest rates, dishonouring commitments etc.

c) Mitigation:

Risks to the Company's reputation will be addressed by:

- i) Instituting a strong risk management system including fraud prevention and creating a culture of risk awareness across the organization.
- ii) A commitment to transparency, morality and accuracy in operations including the correctness of financial statements for public use.
- iii) Maintaining a robust and effective communication channel across the organization including all stakeholders such as Directors, Shareholders, Regulators, Lenders, Customers, Employees, and Vendors etc.
- iv) Encouraging and rewarding ethical behaviour amongst employees. Ensuring immediate but fair action against employees indulging in unethical action or behaviour.
- v) Ensuring prompt compliance with regulatory directives and other laws both in letter and spirit.
- vi) Institutionalising customer service excellence supplemented with an efficient complaint redressal mechanism.

d) Responsibility:

The responsibility for protecting the reputation of the Company and taking steps to enhance the Company's standing will lie across all functionaries in the organization which will be regularly overseen by the Top Management.