New Era Leasing and Finance Limited

Risk Management Policy

1. Introduction:

Objectives

Risk is an inherent aspect of the dynamic business environment. Risk Management Policy helps organizations to put in place effective frameworks for taking informed decisions about risks. To minimize the adverse consequence of risks on business objectives the Company has framed this Risk Management Policy. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors.

Importance of Risk Management

A certain amount of risk taking is inevitable if the organization is to achieve its objectives. Effective management of risk helps to manage innovation and improve performance by contributing to:

- Increased certainty and fewer surprises,
- Better service delivery,
- More effective management of change,
- More efficient use of resources,
- Better management at all levels through improved decision making,
- Reduced waste and fraud,
- and better value for money,
- Innovation,
- Management of contingent and maintenance activities.

Requirement as per Companies Act, 2013

Responsibility of the Board: As per Section 134 (n) of the Act, The board of directors' report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the Company.

Responsibility of the Audit Committee: As per Section 177 (4)(vii) of the Act, the Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include evaluation of internal financial controls and risk management systems.

Responsibility of the Independent Directors: As per Schedule IV [Part II-(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

Requirement under Regulation 21 of the SEBI(Listing Obligations and Disclosure Requirements) 2015

The company through its Board of Directors shall constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

Definitions

Company: Means New Era Leasing and Finance Limited

Audit Committee: Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing agreement.

Board of Directors / Board: As per Section 2 of "The Companies Act, 2013", in relation to a Company, means the collective body of Directors of the Company.

RMP / Policy: Risk Management Policy

Risk*: Risk is an event which can prevent, hinder and fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

- Strategic Risk are associated with the primary long-term purpose, objectives and direction of the business.
- Operational Risks are associated with the on-going, day-to-day operations of the enterprise.
- Financial Risks are related specifically to the processes, techniques and instruments utilized to manage the finances of the enterprise, as well as those processes involved in sustaining effective financial relationships with customers and third parties.
- Knowledge Risks are associated with the management and protection of knowledge and information within the enterprise.

(* as defined in Standard of Internal Audit (SIA) 13 issued by the Institute of Internal Auditors)

Inherent Risks: The risk that an activity would pose if no controls or other mitigating factors were in place (the gross risk or risk before controls). The risk management process focuses on areas of high inherent risk, with these documented in the Risk Register.

Residual Risks: Upon implementation of treatments there will still be a degree of residual (or remaining) risk, with the expectation that an unacceptable level of residual risk would remain only in exceptional circumstances.

Risk Appetite: Risk appetite is the amount of risk, on a broad level, an organization is willing to accept in pursuit of value.

2. Risk Organization Structure

For successful implementation of risk management framework, it is essential to nominate senior management individuals to lead the risk management teams. Periodic workshops will be conducted to ensure awareness of the policy and the benefits of following them. This will ensure that risk management is fully embedded in management processes and consistently applied. Senior management involvement will ensure active review and monitoring of risks on a constructive 'no-blame' basis.

3. Risk Management Committee

The Company has not formulated a committee as such. The Board of Directors may individually, severally or jointly review the risk management plan as devised, from time to time and disclose the risks if any in the Annual Report of the Company.

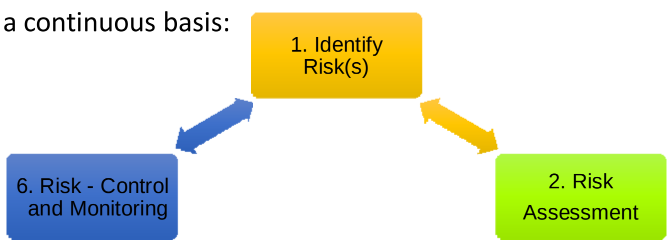
4. Risk Management Framework

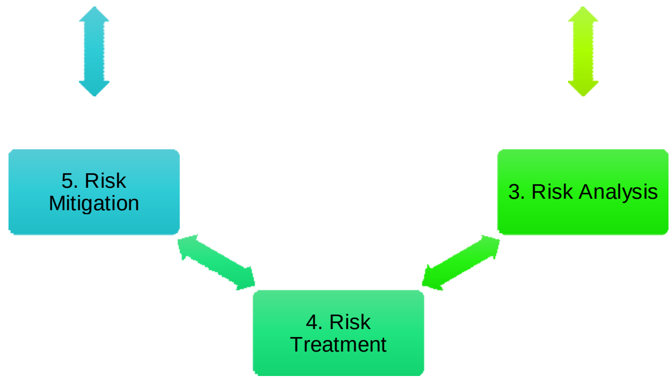
Process

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

Steps in Risk Management

Risk management is a shared responsibility. The risk management process model includes the following key activities, performed on a continuous basis:





Risk Identification

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc.

Risk Assessment

Risk assessment is the process of risk prioritization or profiling. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential Impact may include:

- Financial loss;
- Non-compliance to regulations and applicable laws leading to imprisonment, fines, penalties etc.
- Loss of talent;
- Health, Safety and Environment related incidences;
- Business interruptions / closure;
- Loss of values, ethics and reputation.

Risk may be evaluated based on whether they are internal and external, controllable and non-controllable, inherent and residual.

Risk Analysis

Risk Analysis is to be conducted using a risk matrix for likelihood and Impact, taking the existing controls into consideration. Risk events assessed as "high" or "very high" criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.

Risk Treatment - Mitigation

Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis needs to be evaluated. Action plans supporting the strategy are recorded in a risk register along with the timelines for implementation.

Control and Monitoring Mechanism

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides a foundation for the development of an effective risk register, containing both the definitions and the guidance necessary for the process of assessing and mitigating risks identified within functions and associated processes.

In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated, such risk shall form part of consolidated risk register along with the business justification and their status shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.

Risk Reporting

Identification of new and emerging risks / review of existing risks

Risks to be reported to Audit Committee

While the Company will be monitoring, evaluating and responding to risks. Only significant risks (or those that could become significant) need to be reported to the Audit Committee and Board.

Significant risks include those risks that have a high likelihood or significant impact (i.e. having risk exposure 15 or more) or where there is limited ability for mitigation by the Company. These risks are identified and assessed based on the Company's expertise, judgement and knowledge.

Risks with high risk score or exposure rating will be identified and summarized in Consolidated Risk Register.

Risk Management Officer will place Consolidated Risk Register to the Audit Committee and Risk Management Committee. However, Risk Management Officer can present all the identified risk to the Audit Committee as per the need.

Process of risk reporting

The Risk Identification Form (RIF) will be used to highlight emerging risks or add new risks to the risk register throughout the year. On an ongoing basis, when a new or emerging risk is identified, Risk owners of respective department will notify to Risk Champion by submitting the RIF.

A copy of RIF should also be mailed to designated mail id of Chief Risk Officer for discussion and inclusion in the Risk Registers. After submission of RIF, the form will be assigned a unique number which will be communicated back to the Risk Owners via acknowledgement of receipt.

RIF will be reviewed by concerned Risk Champion for evaluation. Post approval of RIF by Risk Champion, it is sent to Chief Risk Officer by Risk Champion for including it in the risk register.

After review of the RIF and in consultation with Risk Champion, Chief Risk Officer will determine whether the risk contained in this report warrants inclusion in the risk register.

Risk included in risk register in the quarter will be reported to Risk Management Committee (RMC) in the quarterly meeting.

Risk reporting of adverse event

All adverse events and near misses must be recorded in Event Recording Register.

The adverse event reporting form (Risk alert Form) should be completed as soon as possible after the event, within one working day, unless there are exceptional reasons for delay, for example the event was identified retrospectively following a complaint or claim. All adverse events, as may be decided as significant by risk owner in consultation with risk champion, should be reported, even if some time has passed since the event occurred. The final decision of an adverse event to be reportable or not lies with the Chief Risk Officer.

It is imperative that person(s) reporting the adverse event reports the fact. There is no place for any opinion or assumptions. It is important that details are accurate and factual for any future review.

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