(Approved by the Board as on 28th August 2020)

VARA FINANCE PRIVATE LIMITED

RISK MANAGEMENT POLICY

1. Preamble

The Board of Directors **("Board")** of Vara Finance Private Limited (**"Company" or "VFPL"**), has adopted the following policy which encompasses practices relating to identification, assessment, monitoring and mitigation of various risks to the business. Risk Management Policy of the Company seeks to minimize unfavorable impact on the business objectives and develop stakeholder value. Further, the risk management practices seek to sustain and enhance long-term competitive advantage for the Company. It will be the responsibility of the Board to ensure that the guidelines are adhered to. The internal controls required to be put in place by NBFCs as per these guidelines shall be subject to supervisory review.

2. Purpose

This Policy has been framed in accordance with the Risk Management framework as issued by Reserve Bank of India (**"RBI"**) and amendments thereon. The purpose of this policy is to address unanticipated and unintended losses to the human resources & financial assets of the Company without unnecessarily limiting the activities that advance its mission and goals. VFPL has introduced effective risk management systems that address the issues relating to various risks. The effective management of risk is vital to the continued growth of the Company.

3. Principles

For risk management to be effective, all operations/departments of the Company must apply the following principles to the context of the business and its objectives:

- Risk management must create and protect value
- Risk management is integrated into organizational processes.
- Explicit risk management helps decision-makers make informed choices.
- Risk management is focused on the sources of uncertainty around the achievement of objectives
- Risk management must be tailored to the context and fit for purpose
- Risk management is dynamic, iterative and responsive to change.

4. Policy

VFPL recognizes that Risk management as one of the key drivers of growth and further to enhance corporate governance. Accordingly, the Board has framed the following Risk Management Policy:

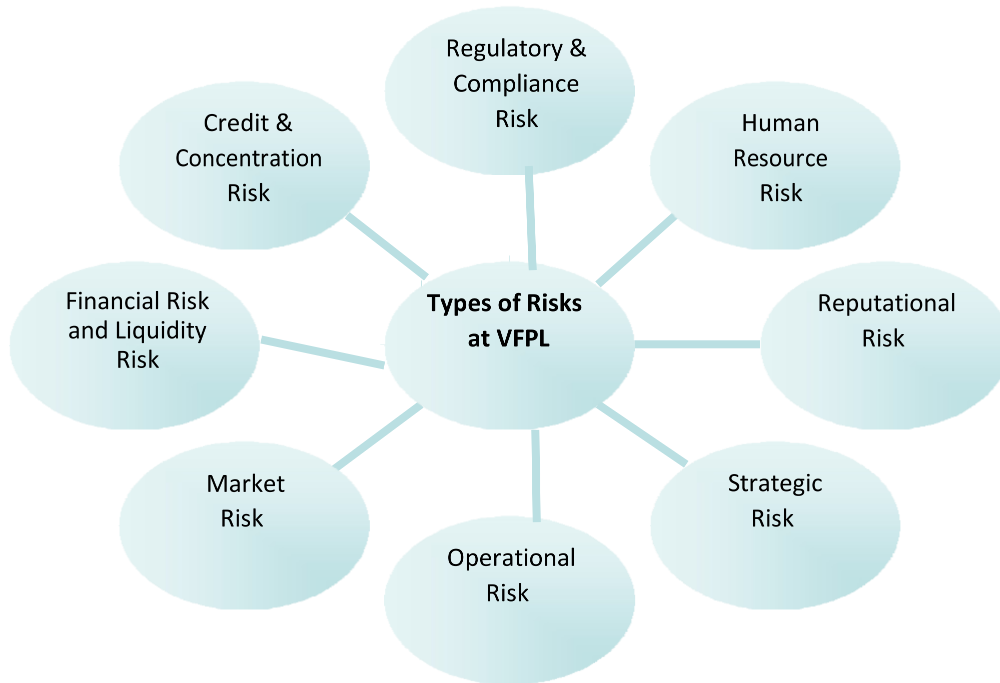
- To continuously thrive for available risks in the organization which directly or indirectly effect the functioning of the organization.
- To ensure the protection of rights & values of Shareholders by establishing a well- organized Risk Management Framework.
- Selecting, maintaining and enhancing the risk management tools used by the Program to provide analyses that inform and support the investment actions of the entire Organization.

5. Identification, Measurement and Assessment of Risk

- Management's responsibility, as delegated by the Board, is to operationalize the Risk Management Program and ensure that formal procedures are put in place to identify and define risk with input from representatives across the businesses.
- Measurement of risk is completed considering both quantitative and qualitative means using the

likelihood and impact criteria as developed by Management and as reviewed by the Board.

- The management has identified certain inherent and residual risks which have been divided in accordance with likelihood and its impact on the business.
- Following risks have been identified by the organization:



- **Strategic Risk –** This risk is related to the overall business strategies and the related economic/business environment
- **Operational Risk**- Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies, outsourcing of activities to vendors.
- **Market Risk-** Risks related to changes in various markets in which the Company operates.
- **Financial Risk and Liquidity Risk -** These risks includes movement in interest rates and also liquidity risks inherent to the business
- **Reputational Risk** – Where the practices followed by the Company are not in consonance with industry as well as internally prescribed standards.
- **Credit & Concentration Risk** – Where the overall industry has considerable exposure to one service provider and hence the NBFC may lack control over the service provider.
- **Regulatory & Compliance Risk** – Where privacy, consumer and prudential laws are not adequately complied with by the service provider
- **Human Resource Risk**- Where the employee related factors are not handled cautiously such as safety, security, compensation, etc.

6. Risk Categorization and Mitigation Factors

The following broad categories of risks have been identified in our risk management framework along with possible mitigation factors:

- **Strategic Risk**

  - ***Risk:*** It is the risk to earnings and capital arising from lack of responsiveness to changes in

the business environment and/or adverse business decisions, besides adoption of wrong strategies and choices.

- ***Mitigation:*** The management is proactive in its approach towards changes in economic/business environment as the business strategies are regularly discussed with the senior officials of the organization so that adequate steps can be taken. Also, important strategic matters are referred to the Board, consisting of members with diversified experience in the respective fields, for intense deliberations, so as to derive the benefit of collective wisdom. The management has also obtained Director's and Officers liability insurance in order to protect the Board and Senior management from taking decisions during the course of their duties which might adversely affect the business.

➢ **Operational Risk**

- ***Risk:*** Risks inherent to business operations including those relating to client acquisition, service delivery to clients, business support activities, information security, physical security, human resource and business activity disruptions.

- ***Mitigation:***

✓ **Document Storage and Retrieval:** VFPL recognizes the need for proper storage of documents as also their retrieval for audit and statutory requirements. The Company is maintaining all the original documents in a fire proof vault at a dedicated space allocated for specific purpose.

✓ **Scanned Copies:** We have also started storing scanned copies of the loan documents for easy retrieval especially for audit purposes where physical documents are not required.

✓ **Whistle Blower/Fraud Prevention Policy-** VFPL encourages all its employees to report any non-compliance of stated company processes or policies without fear as we have a clearly stated "no-retaliation" policy. We have a formal policy that details the manner in which such issues are handled – background investigation, holding a hearing by a committee, and ensuring that action as per the committee's recommendations is carried out. All issues reported are categorized for nature and severity:

♦ Financial or Non-Financial
♦ Major or Minor
♦ Procedural Lapse or Gross Violation
♦ Breach in Process or Disciplinary Issue

The Compliance Manager maintains a record of all the entire case history which is signed off by senior management on closure.

✓ **Internal Audits:** Internal Audit at Branch Offices and at the Corporate/Regional Offices which will be carried out on a yearly basis. by an independent audit firm appointed by the Board. The scope of this Internal Audit covers all key functions including HR, Operations, Credit, Administration, Finance and Accounts. The firm also audits the company's adherence to all Statutory and Regulatory Guidelines that have been prescribed for NBFC-ND-NSIs. The scope of these audits are reviewed periodically and modified to keep pace with a dynamic business environment. All significant audit observations of Internal Audits and follow-up actions are presented to the Board Audit Committee.

✓ **Internal Financial Control**: In compliance with requirement of the new Companies Act 2013, the company has appointed an external advisory firm with key focus on Corporate Governance, IT Infrastructure, Enterprise Risk Management, Anti-Fraud Program and Financial Reporting, Process Flow Charts, Standard Operating Procedures, Risk Control Matrices, Control Design, Operating Effectiveness, Continuous Monitoring.

✓ **Technology Infrastructure:** The company has leverage of cloud-based technologies and all its business applications are hosted in secure data centers with mirrored redundancies such that in the

event of any system going down, an alternate system is made operational within hours. At the facilities where back- office and financial operations take place, alternate/back-up connectivity has been provisioned such that in the event connectivity is lost with one service provider, the alternate connection can be utilized.

✓ **Outsourcing Policy:** The Company has established an Outsourcing policy in accordance with RBI guidelines wherein a detailed check is done for all the outside vendors before any work is outsourced.

➢ **Market Risk**

- ***Risk:*** Risks emanating out of the choices we make on markets, resources and delivery model that can potentially impact our long-term competitive advantage. Risks relating to inherent characteristics of our industry including competitive structure, technological landscape, extent of linkage to economic environment and regulatory structure

- ***Mitigation:*** Management regularly reviews its business model including the areas it wants to operate. The management carries out regular competitive analysis of its peers in the industry so as to remain in competition and change its markets if required.

➢ **Reputational risk**

- ***Risk:*** Reputational risk is related to adverse perception of the image or the company, on the part of customers, counterparties, shareholders, investors and regulators. It refers to the potential adverse effects, which can arise from the company's reputation getting tarnished due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints leading to negative publicity. Presence in a regulated and socially sensitive industry can result in significant impact on Company's reputation and brand equity as perceived by multiple entities like the RBI, Central/State/Local authorities, banking industry and the customers. The risk can emanate from:

  ✓ Non-Compliance with Regulations

  ✓ Customer Dissatisfaction

  ✓ Misrepresentation of facts and figures in public

- ***Mitigation:*** Considering the business model the following aspects have been put in place to reduce vulnerability related to reputational risk:

✓ **Compliance with Fair Practices Code:** All employees are trained and instructed to follow fair practices as per RBI prescribed guidelines in all their dealings with the customers.
✓ **Grievance Redressal Mechanism (GRM):** The Company has a defined GRM in place and the same is communicated to all customers at the time of sanction of loan. This is also available on the website of the Company.
✓ **Delinquency Management:** The Company does not resort to any coercive recovery practices and all recoveries are made in accordance with the Recovery policy and Fair Practice Code of the Company.
✓ **Stringent Selection Criteria:** Vendors, employees and other associates of the Company are selected after confirming to the stringent criteria's prescribed by the management.
✓ **Reference Check:** The management carries out a reference check for all the vendors from the market before having them on Board so as to ensure utmost integrity while carrying out their duties.
✓ **Legal Obligations:** All employees, vendors and associates are required to sign legal contracts wherein specific clauses related to non-disclosure are entered so as to ensure the Company from any reputational risks.

➢ **Credit and Concentration Risk**

Credit Risk: Credit risk for VFPL's core-business of Gold Loans - is perceived to be relatively lower due to the fully secured nature of loans. While it is primarily a "fully secured" proposition, it is also recognized that 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.

VFPL generally extends gold loans for a period of 6 months and a small portfolio has a maximum tenor of 1 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.

- ***Mitigation:*** A strong credit risk management process helps in containing the portfolio quality of the company. Key elements of the credit risk management include a structured and standardized credit approval process supported by a strong system, effective training programs, legal and technical due diligence, monitoring and robust credit risk management strategy at a senior management level.

There shall be a structured and standardized credit approval process to ascertain the credit worthiness of the borrower. The Company shall develop internal evaluation team to make credit decisions more robust and in line to manage collateral risk. The Company shall follow a process of time-to-time revisiting the credit policy and processes, on the basis of experience and feedback.

Portfolio Concentration Risk: Portfolio Concentration Risk is the risk to the company due to a very high credit exposure to a particular business segment, industry, geography, location, etc though in the context of Gold Loans, it pertains predominantly to geographical concentration.

Mitigation: VFPL intends to maintain a diversified exposure in advances across various sectors and geographies but to mitigate the risks that could arise due to political or other factors within a particular state. The Company has steadily diversified into various sectors and geographies and consequently the portfolio has become diversified. As a part of credit appraisal process, before establishing any new relationship, various factors are taken including credit history, project size, other borrowings, etc. are considered. Various 3rd party verifications are also carried to secure credit facilities. Various loan covenants are also established in the documents to secure the loans.

➢ **Regulatory and Compliance Risk**

- ***Risk:*** The company is exposed to risk attached to various statutes and regulations. The company is mitigating the risk through regular review of legal compliances carried out through internal as well as external compliance audit. VFPL is present in an industry where the Company has to ensure compliance with regulatory and statutory requirements. Non-Compliance can result in stringent actions and penalties from the Regulator and/or Statutory Authorities and which also poses a risk to Company's reputation. These risks can be:

✓ Non-Compliance with RBI Regulations
✓ Non-Compliance with Statutory Regulations
✓ Non-Compliance with covenants laid down by Lenders

- ***Mitigation:***

✓ Internal Audit also conducts audit of compliance function on a quarterly basis wherein all regulatory compliances are reviewed in detail.
✓ Quarterly Compliance Certificate certified by the Chairman is submitted to the Board on

quarterly basis.

- **Human Resource Risk**

- *Risk:* VFPL's Human Resource adds value to the entire company by ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence. Our growth has been driven by our ability to attract top quality talent and effectively engage them in right jobs. Risk in matters of human resources are sought to be minimized and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialization. Employees are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas etc. It is believed that a satisfied and committed employee will give of his best and create an atmosphere that cannot be conducive to risk exposure. Employee- compensation is always subjected to fair appraisal systems with the participation of the employee and is consistent with job content, peer comparison and individual performance

- ***Mitigation:***

✓ Human Resource Policy and initiatives: Various programs and initiatives are carried out by the HR to retain talent and motivate them on a regular basis.

- **Financial Risk**

- **Interest Risk:** Interest rate risk is the risk where changes in market interest rates might adversely affect an NBFC's financial condition. The changes in interest rates affect company in some way. The immediate impact of changes in interest rates is on company's earnings (i.e. reported profits) by changing its Net Interest Income (NII). As such VFPL is into funding of loans which are always fixed rate loans. The company manages this risk on NII by pricing its loan products to customers at a rate which covers interest rate risk. The risk from the earnings perspective can be measured as changes in the Net Interest Income (NII) or Net Interest Margin (NIM). Measurement of such risk is done at the time of deciding rates to be offered to customers. Once interest rate risk is measured, lending rates are finalized. Given the interest rate fluctuation, the company has adopted a prudent & conservative risk mitigation strategy to minimize interest risk.

  Mitigation Policy: The following is the interest policy implemented by the company in order to reduce risk.
    - Interest rate will be quoted only on annualized basis.
    - The rate of interest will be determined after considering cost of debt, operation cost, risk factor, tenure,market liquidity, competition etc.
    - Based on the following factors like, value of the collateral offered by customers, tenure of the loan, financial position of the customer, credit reports of the customer, stability in earnings etc., company may charge discrete interest rate for different customers.
    - Any changes in interest rate will be applicable only on prospective basis.
    - The company may levy penal interest for any delay or default in making payments of any dues besides normal interest and will be mentioned in bold in the loan agreement.
    - Decision for waiver of any charge or interest would normally not be entertained by the company and it is the sole and absolute discretion of the company to deal with such requests.

- **Liquidity Risk:** Measuring and managing liquidity needs are vital for effective operations of an NBFC. The importance of liquidity transcends individual institutions, as liquidity shortfall in one institution can have repercussions on the entire system. Board/ALM Committee

should measure not only the liquidity positions of company on an ongoing basis but also examine how liquidity requirements are likely to evolve under different assumptions. Experience shows that assets commonly considered as liquid, like government securities and other money market instruments, could also become illiquid when the market and players are unidirectional. Therefore, liquidity has to be tracked through maturity or cash flow mismatches. For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted as a standard tool.

- ✓ **Maturity Mismatch:** Liquidity Risk arises largely due to maturity mismatch associated with assets and liabilities of the company. Liquidity risk stems from the inability of the company to fund increase in assets, manage unplanned changes in funding sources and meet financial commitments when required.
- ✓ **External Source of funds:** Due to the high reliance on external sources of funds, VFPL is exposed to various funding and liquidity risks comprising:
- ✓ **Funding Concentration Risk**—Concentration of a single source of funds exposes the Company to an inability to raise funds in a planned and timely manner and resort to high cost emergency sources of funds. Further, concentration of funding sources can also result in a skewed maturity profile of liabilities and resultant Asset-Liability mismatch.
- ✓ **Asset-Liability Mismatch**—A skewed asset-liability profile can lead to severe liquidity shortfall and result in significantly higher costs of funds; especially so during times of crises.
- ✓ **Market Perception Risk**—Due to inherent industry characteristics, the Company is exposed to perception risks, which can lead to decline in ability of a lender to increase exposure to the Gold Loan sector and result lack of adequate and timely inflow of funds.
- ✓ **Leverage Risk**— A high degree of leverage can severely impact the liquidity profile of the company and lead to default in meeting its liabilities.

Mitigation Policy:

- o The company will be maintaining a high capital adequacy ratio over and above the limits prescribed by the regulators.
- o The company ensures to keep liquidity to cover unexpected repayment obligation.
- o Promoting fund infusion by way of Non-Convertible Debentures (NCD) and subordinated debts so that due dates for interest and maturity can be pre-known.
- o Funding from long term sources and lending as short term loans.
- o Reducing the percentage of unsecured lending so that repayment up to a level is not affected.

Liquidity Risk Management

Policy, Strategies and Practices

In order to ensure a sound and robust liquidity risk management system, the Board of the VFPL shall frame a liquidity risk management framework which ensures that it maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources. It shall spell out the entity-level liquidity risk tolerance; funding strategies; prudential limits; system for measuring, assessing and reporting/ reviewing liquidity; framework for stress testing; liquidity planning under alternative scenarios/formal contingent funding plan; nature and frequency of management reporting; periodical review of assumptions used in liquidity projection; etc.

Key elements of the liquidity risk management framework are as under:

i) Governance of Liquidity Risk Management

Successful implementation of any risk management process has to emanate from the top management in the VFPL with the demonstration of its strong commitment to integrate basic operations and strategic decision-making with risk management. A desirable organisational set up for liquidity risk management should be as under:

a) Board of Directors

The Board shall have the overall responsibility for management of liquidity risk. The Board shall decide the strategy, policies and procedures of the VFCL to manage liquidity risk in accordance with the liquidity risk tolerance/limits decided by it.

b) Risk Management Committee

The Risk Management Committee, which reports to the Board and consisting of Chief Executive Officer (CEO)/ Managing Director and heads of various risk verticals shall be responsible for evaluating the overall risks faced by the VFPL including liquidity risk.

c) Asset Liability Management (ALM) Support Group

The ALM Support Group consisting of the operating staff shall be responsible for analysing, monitoring and reporting the liquidity risk profile to the ALCO. Such support groups will be constituted depending on the size and complexity of liquidity risk management in an NBFC.

ii) Liquidity risk Tolerance

VFPL shall have a sound process for identifying, measuring, monitoring and controlling liquidity risk. It should clearly articulate a liquidity risk tolerance that is appropriate for its business strategy and its role in the financial system. Senior management should develop the strategy to manage

liquidity risk in accordance with such risk tolerance and ensure that the VFPL maintains sufficient liquidity.

iii) Liquidity Costs, Benefits and Risks in the Internal Pricing

VFPL should endeavour to develop a process to quantify liquidity costs and benefits so that the same may be incorporated in the internal product pricing, performance measurement and new product approval process for all material business lines, products and activities.

iv) Off-balance Sheet Exposures and Contingent Liabilities

The process of identifying, measuring, monitoring and controlling liquidity risk should include a robust framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons. The management of liquidity risks relating to certain off-balance sheet exposures on account of special purpose vehicles, financial derivatives, and, guarantees and commitments may be given particular importance due to the difficulties that many NBFCs have in assessing the related liquidity risks that could materialise in times of stress.

v) Funding Strategy - Diversified Funding

VFPL shall establish a funding strategy that provides effective diversification in the sources and tenor of funding. It should maintain an ongoing presence in its chosen funding markets and strong relationships with fund providers to promote effective diversification of funding sources. An NBFC should regularly gauge its capacity to raise funds quickly from each source.

vi) Collateral Position Management

VFPL shall actively manage its collateral positions, differentiating between encumbered and unencumbered assets. It should monitor the legal entity and physical location where collateral is held and how it may be mobilised in a timely manner. Further, an NBFC should have sufficient collateral to meet expected and unexpected borrowing needs and potential increases in margin requirements over different timeframes.

vii) Stress Testing

Stress testing shall form an integral part of the overall governance and liquidity risk management culture in NBFCs. An NBFC should conduct stress tests on a regular basis for a variety of short-term and protracted NBFC-specific and market-wide stress scenarios (individually and in combination). In designing liquidity stress scenarios, the nature of the NBFC's business, activities and vulnerabilities should be taken into consideration so that the scenarios incorporate the major funding and market liquidity risks to which the NBFC is exposed.

viii) Contingency Funding Plan

VFPL shall formulate a contingency funding plan (CFP) for responding to severe disruptions which might affect the VFPL's ability to fund some or all of its activities in a timely manner and at a reasonable cost. Contingency plans should contain details of available/ potential contingency funding sources and the amount/ estimated amount which can be drawn from these sources, clear escalation/ prioritisation procedures detailing when and how each of the actions can and should be activated, and the lead time needed to tap additional funds from each of the contingency sources.

ix) Public disclosure

VFPL shall publicly disclose information on a quarterly basis on the official website of the company and in the annual financial statement as notes to account that enables market participants to make an informed judgment about the soundness of its liquidity risk management framework and liquidity position.

Some other key elements are:

- ✓ **Lender Exposure Updates:** The exposure profile to the lenders is regularly updated to ensure that skewness does not creep in in respect of the sources of external funds.
- ✓ **Floating Rates:** VFPL currently borrows all its loans on a floating basis as against the entire lending on a fixed rate basis. This minimizes the impact of any adverse impact in the event of a credit shock in the banking system and any continuing effects of the same on overall interest rates in the economy and on VFPL.
- ✓ **Defined Leverage Levels:** VFPL targets a leverage of maximum 2x in light of the business model and adequately safeguard itself against the impact of adverse market conditions. It also affords VFPL reasonable time to tie-up timely equity infusion.
- ✓ **Capital Adequacy:** VFPL targets to maintain healthy levels of capital adequacy - historically, in excess of 50%. The Company maintains a strong capital position with the capital ratios well above the thresholds defined by the regulatory authorities through continuous and timely capital infusion.

B. Internal Controls

VFPL will have appropriate internal controls, systems and procedures to ensure adherence to liquidity risk management policies and procedure. Management should ensure that an independent party regularly reviews and evaluates the various components of the NBFC’s liquidity risk management process.

C. Maturity Profiling

a) For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted as a standard tool. The Maturity Profile should be used for measuring the future cash flows of VFPL in different time buckets. The time buckets shall be distributed as under:

i. 1 day to 30/31 days (One month)
ii. Over one month and upto 2 months
iii. Over two months and upto 3 months
iv. Over 3 months and upto 6 months
v. Over 6 months and upto 1 year
vi. Over 1 year and upto 3 years
vii. Over 3 years and upto 5 years
viii. Over 5 years

b) Within each time bucket, there could be mismatches depending on cash inflows and outflows. While the mismatches up to one year would be relevant since these provide early warning signals of impending liquidity problems, the main focus shall be on the short-term mismatches, viz., 1-30/31 days. The net cumulative negative mismatches in the Statement of Structural Liquidity in the maturity buckets 1-7 days, 8-14 days, and 15-30 days shall not exceed 10%, 10% and 20% of the cumulative cash outflows in the respective time buckets. NBFCs, however, are expected to monitor their cumulative mismatches (running total) across all other time buckets upto 1 year by establishing internal prudential limits with the approval of the Board. NBFCs shall also adopt the above cumulative mismatch limits for their structural liquidity statement for consolidated operations.

c) The Statement of Structural Liquidity may be prepared by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows. A maturing liability shall be a cash outflow while a maturing asset shall be a cash inflow.

d) In order to enable the VFPL to monitor their short-term liquidity on a dynamic basis over a time horizon spanning from 1 day to 6 months, VFPL shall estimate their short-term liquidity profiles on the basis of business projections and other commitments for planning purposes.

D. Currency Risk

Exchange rate volatility imparts a new dimension to the risk profile of an VFPL balance sheets having foreign assets or liabilities. The Board of VFPL should recognise the liquidity risk arising out of such exposures and develop suitable preparedness for managing the risk.

E. Managing Interest Rate Risk (IRR)

VFPL shall manage interest rate risk as per the extant regulatory prescriptions.

F. Liquidity Risk Monitoring Tools

The Statement of Structural Liquidity is currently one of the prescribed monitoring tools.In addition to this, the following tools shall be adopted by the Board of the VFPL for internal monitoring of liquidity requirements:

a) Concentration of Funding

This metric is meant to identify those significant sources of funding, withdrawal of which could trigger liquidity problems. The metric thus encourages diversification of funding sources and monitoring of each of the significant counterparty, significant product / instrument and significant currency.

b) Available Unencumbered Assets

This metric provides significant information on available unencumbered assets, which have the potential to be used as collateral to raise additional secured funding in secondary markets. It shall capture the details of the amount, type and location of available unencumbered assets that could serve as collateral for secured borrowing in secondary markets.

c) Market-related Monitoring Tools

i. This includes high frequency market data that can serve as early warning indicators in monitoring potential liquidity difficulties at the VFPL.
ii. The Board / committee set up for the purpose shall monitor on a monthly basis, the movements in their book-to-equity ratio for listed NBFCs and the coupon at which long-term and short-term debts are raised by them. This also includes information on breach/penalty in respect of regulatory liquidity requirements, if any.

7. Responsibility

Responsibility for risk management is shared across the organization. Key responsibilities include:

- Controlling the risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the organization provides, the safety of the workplace and other benefits all depend to an extent on our ability to control risk.
- The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented an effective risk management framework. Detailed work on this task is delegated to the Audit Committee and reviewed by the full Board.
- The Audit Committee assists the Board in overseeing the group's risk profile and is responsible for overseeing management's actions in the identification, management and reporting of material business risks.

8. Reporting Requirements

The Organization, Enterprise reporting process will evolve as requirements and risk management leading practice evolve. Annual content will include a risk profile setting out the most significant risks faced by the enterprise, and for each risk will:

- describe the risk;
- document the key activities and controls to mitigate/manage the risk;
- identify the residual risk;
- refer to action plans taken to address any weaknesses; and
- draft a risk appetite statement for each key strategic risk.

Further, on a quarterly basis, updated information materially affecting the risk profile (e.g. market developments) will be provided which will enable the Board to understand the likely future risk profile of the Enterprise. These will be reported to the Board by the Audit Committee as soon as practicable and at least quarterly. The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate risk level and type of mitigation to be applied. This assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies as and when required. In case it is felt that the funds are not safe, the funds should be recalled immediately without delay.