CAPITAL TRADE
LINKS LTD.
CIN : L519090DL1984PLC019622

RISK MANAGEMENT POLICY

1.) PREAMBLE

The Board of Directors ("Board") of Capital Trade Links Limited ("Company" or "CTL"), 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 unfavourable 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.

2.) PURPOSE

This Policy has been framed in accordance with the Risk Management framework as issued by Reserve Bank of India ("RBI") vide Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 ("RBI Circular") 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. CTL 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 organisational 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.) KEY COMPLIANCE REQUIREMENTS

Section 134: 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.

Section 177: 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 risk management systems. The role of the audit committee shall include the reviewing the company's financial and risk management policies.

Schedule IV: Independent directors should satisfy themselves that systems of risk management are robust and defensible.

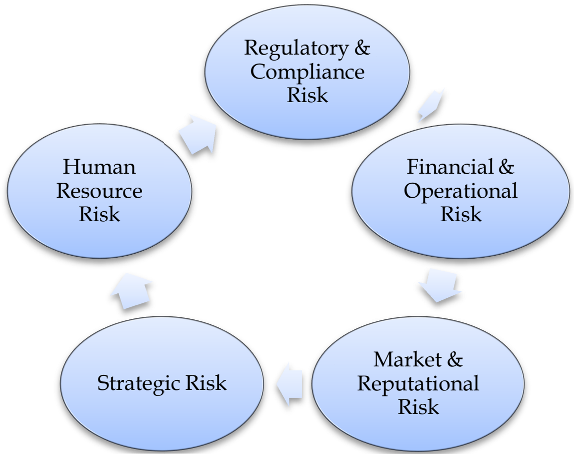
5.) POLICY

CTL 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.

6.) 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- 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.

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.

7.) 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.

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 Regulation
- 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.

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.

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:

a) **Whistle Blower/Fraud Prevention Policy**- CTL 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:

b) Financial or Non-Financial

c) Major or Minor
d) Procedural Lapse or Gross Violation
e) 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.

b) Internal Audits: Internal Audit at the Corporate Offices which were carried out 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-NDs. 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.

c) 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.

d) 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 backoffice 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.

e) 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.

FINANCIAL RISK:

Risk: Financial Risk involves risk related to Interest, Liquidity, Maturity Mismatch, External Source of Funds, Funding Concentration Risks, Asset-Liability Mismatch, Market Perception Risk, Leverage Risk,

Mitigation: The key liquidity management policies being followed at CTL include Regular ALM Meetings, lender Exposure Updates, Floating Rates, Defined leverage levels, Capital adequacy, etc.

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. CTL 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 ROC, SEBI Regulations, etc.

Mitigation: The company has implemented a Compliance Management System with inbuilt workflows to track, update and monitor compliances. 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 CFO is submitted to the Board on quarterly basis.

HUMAN RESOURCE RISK

Risk: CTL'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: Various programs and initiatives are carried out by the HR to retain talent and motivate them on a regular basis.

8.) 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.

9.) 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 time to time 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.

10.) ACCESS AND CHANGES TO RISK MANAGEMENT POLICY

Risk management policy shall be accessible to all personnel in risk organization structure of the Company. Any changes to this policy shall be approved by Risk Management Committee with an intimation to the Audit Committee.
