

KEN FINANCIAL SERVICES LIMITED

RISK MANAGEMENT POLICY

Introduction

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the activities of Ken Financial Services Limited (the Company).

Risk Management is an essential element in achieving business goals and deriving benefits from market opportunities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Objective

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. This policy seeks to define a process for adoption so that a structured, disciplined and consistent risk strategy, providing guidance for risk activity within the Company by embedding Enterprise Risk Management within the culture of the business. The policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

This Policy is framed under the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement which requires the Company to lay down procedures for risk assessment and risk minimization.

Definitions

“Audit Committee or Committee” means the Committee of the Board of Directors of the Company constituted from time to time under the provisions of the Listing Agreement and Section 177 of the Companies Act, 2013.

“Board” means Board of Directors of the Company as defined under the Companies Act, 2013.

“Company” means Ken Financial Services Limited.

“Risk” is defined as the chance of a future event or situation happening that will have an impact upon company’s objective favorably or unfavorably. It is measured in terms of consequence and likelihood.

“Risk Assessment” refers to the systematic process of identifying and analyzing risks.

“Risk Management” is a continuous process of analyzing and managing the opportunities and threats faced by the Company in its efforts to achieve its goals, and to ensure the continuity of the business.

“Risk Management Process” refers to the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risk.

Risk Appetite

A critical element of the Company’s Risk Management Framework is the risk appetite. It represents the amount of risk the Company is willing to undertake in the achievement of its strategic objectives.

The key determinants of risk appetite are as follows:

- (i) shareholder and investor preferences and expectations;
- (ii) expected business performance (return on capital);
- (iii) the capital needed to support risk taking;
- (iv) the culture of the organisation;
- (v) management experience along with risk and control management skills;
- (vi) longer term strategic priorities.

Risk appetite is communicated through the Company’s strategic plans. The Board and management monitor the risk appetite of the Company relative to the Company’s actual results to ensure an appropriate level of risk tolerance throughout the Company.

Risk Management Framework

The Company believes that risk should be managed and monitored on a continuous basis. As a result, the Company has designed a dynamic risk management framework to allow managing risks effectively and efficiently, enabling both short term and long term strategic and business objectives to be met.

The Company’s approach to risk management is summarized as below:

A. Identification of Risks

To ensure key risks are identified, the Company:

- ❖ defines the risks in context of the Company's strategy;
- ❖ documents risk profiles, including a description of the material risks; and
- ❖ regularly reviews and updates the risk profiles.

B. Assessment of Risks

The Risk assessment methodology shall include:

- ❖ collection of information;
- ❖ identification of major risks;
- ❖ rating of each risk on the basis of Consequence, Exposure & Probability;
- ❖ prioritization of risks;
- ❖ function-wise exercise on risk identification, risk rating, control;
- ❖ function-wise setting the level of responsibility and accountability.

C. Measurement and Control

Identified risks are then analyzed and the manner in which the risks are to be managed and controlled are then determined and agreed. The generally accepted options are;

- ❖ accepting the risk (where it is assessed the risk is acceptable and where avoiding the risk presents a greater risk through lost opportunity);
- ❖ managing the risk (through controls and procedures);
- ❖ avoiding the risk (through stopping the activity);
- ❖ transferring the risk (through outsourcing arrangements);
- ❖ financing the risk (through insurance arrangements).

D. Continuous Assessment

The Company's Risk Management Framework requires continuing cycle of implementing, monitoring, reviewing and managing the risk management processes.

Risk Profile

The identification and effective management of risks is critical in achieving strategic and business objectives of the Company. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

1. Technological risks;
2. Strategic business risks;
3. Operational risks;
4. Quality risk;
5. Competition risk;
6. Foreign exchange risk;
7. Realization risk;
8. Cost risk;
9. Financial risks;
10. Investment risks;
11. Human resource risks; and
12. Legal/ regulatory risks.

Governance Structure

The Company's Risk Management Framework is supported by the Board of Directors, Senior Management and the Audit Committee.

➤ Board of Directors

The Board will undertake the following actions to ensure risk is managed appropriately.

- The Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committee and senior management;
- Ensure that the appropriate systems for risk management are in place;
- Participate in major decisions affecting the organization's risk profile;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms.

➤ Senior Management

The Company's senior management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. The senior management shall:

- assist the Board in discharging its responsibility in relation to risk management.
- implement the action plans developed to address material business risks across the Company and individual business units;
- senior management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees;
- report regularly to the Board of Directors regarding the status and effectiveness of the risk management program.

➤ **Audit Committee**

- The Committee is delegated with responsibilities in relation to risk management and the financial reporting process of the Company;
- The Committee is also responsible for monitoring overall compliance with laws and regulations.

Review

The Board will review this Policy from time to time to ensure it remains consistent with the Board's objectives and responsibilities.

Amendment

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

Communication of this Policy

This Policy shall be posted on the website of the Company.