

SUNIDHI SECURITIES & FINANCE LTD

RISK MANAGEMENT POLICY

Purpose of this document

1. The policy forms part of the SSFL's internal control and governance arrangements.
2. The policy explains the SSFL's underlying approach to risk management, documents the roles and responsibilities of the Board/Committee and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.
3. In addition, it describes the process the Board/Committee will use to evaluate the effectiveness of the SSFL's internal control procedures.

Underlying approach to risk management

4. The following key principles outline the SSFL's approach to risk management and internal control:
 - the Board/Committee has responsibility for overseeing risk management within the SSFL as a whole
 - an open and receptive approach to solving risk problems is adopted by the Board/Committee
 - staff and key volunteers supports, advises and implements policies approved by the Board/Committee
 - the SSFL makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
 - all staff are responsible for encouraging good risk management practice within their areas of work
 - key risks will be identified by the Board/Committee/key employees and closely monitored on a regular basis.

Role of the Board/Committee

5. The Board/Committee has a fundamental role to play in the management of risk. Its role is to:
 - a. Set the tone and influence the culture of risk management within the SSFL. This includes:
 - communicating the SSFL's approach to risk
 - determining what types of risk are acceptable and which are not
 - setting the standards and expectations of staff with respect to conduct and probity.
 - b. Determine the appropriate risk appetite or level of exposure for the SSFL.
 - c. Approve major decisions affecting the SSFL's risk profile or exposure.
 - d. Identify risks and monitor the management of fundamental risks to reduce the likelihood of unwelcome surprises.
 - e. Satisfy itself that the less fundamental risks are being actively managed, with the appropriate controls in place and working effectively.
 - f. Annually review the SSFL's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

Role of Key Staff and Volunteers

6. Roles of key staff and volunteers are to:

- a. Implement policies on risk management and internal control.
- b. Identify and evaluate the fundamental risks faced by the SSFL for consideration by the Board/Committee.
- c. Provide adequate information in a timely manner to the Compliance Officer on the status of risks and controls.
- d. Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board/Committee.

Risk management as part of the system of internal control

7. The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the SSFL to respond to a variety of operational, financial, and commercial risks. These elements include:

a. Policies and procedures.

Attached to fundamental risks are a series of policies that underpin the internal control process. The policies are set by the Compliance Officer and implemented and communicated to staff. Written procedures support the policies where appropriate.

b. Reporting.

Comprehensive reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Board/Committee.

c. Business planning and budgeting.

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources.

d. External audits and Third party reports.

External audit provides feedback to the Board/Committee on the operation of the internal controls reviewed as part of the annual audit.

From time to time, the use of external consultants will be necessary in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

e. Risk Management Process.

SSFL operates a risk management process/framework as follows:

- A review/appraisal of the previous year's risk management report
- A 'risk identification' exercise for the year ahead
- Evaluation of identified risks using risk assessments
- Manage risks through application of risk management techniques
- Record and monitor risks using risk registers
- Assigning responsibility for risks to appropriate personnel.

Risk identification is not an annual process. Board/Committee/Staff members are encouraged to report and update risk registers and carry out assessments throughout the year.

Annual review of effectiveness

8. The Board/Committee is responsible for reviewing the effectiveness of internal control of the SSFL, based on information provided by the senior employees. Its approach is outlined below.
9. For each fundamental risk identified, the board will:
 - review the previous year and examine the SSFL's track record on risk management and internal control
 - consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.
10. In making its decision the Board/Committee will consider the following aspects.
 - a. Control environment:
 - the SSFL's objectives and its financial targets
 - organisational structure and calibre of the staff/key volunteers
 - culture, approach, and resources with respect to the management of risk
 - delegation of authority
 - Client reporting.
 - b. On-going identification and evaluation of fundamental risks:
 - timely identification and assessment of fundamental risks
 - prioritisation of risks and the allocation of resources to address areas of high exposure.
 - c. Information and communication:
 - quality and timeliness of information on fundamental risks
 - time it takes for control breakdowns to be recognised or new risks to be identified.
 - d. Monitoring and corrective action:
 - ability of the SSFL to learn from its problems
 - commitment and speed with which corrective actions are implemented.
11. The delegated member of staff responsible for risk management will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Board/Committee.