

## **Risk Management and Nomination Committee (“the Committee”) Terms of Reference**

In the normal course, NBFCs are exposed to many various risks. The managements of NBFCs have to base their business decisions on a dynamic and integrated risk management system and process, driven by corporate strategy. NBFCs are exposed to several major risks in the course of their business – fraudulent transaction risk, reputational risk, credit risk, interest rate risk, liquidity risk and operational risk. It is, therefore, important that NBFCs introduce effective risk management systems that address the issues relating above risks and to understand the importance of appointment of directors with ‘fit and proper’ credentials and ensure that he/she is well recognised in the financial sector to so that the Company can ensure that he/she shall be capable enough to take decisions which are not be prejudicial to the interest of its present and future investors or depositors.

### **1. Objective of Committee**

1.1 The Risk Management and Nomination Committee (“the Committee”) is a formal sub-Committee of the Board of the MFSL (“the Board”).

1.2 The total process of risk management and Nomination in the MFSL, which includes the related system of internal control, is the responsibility of the Board.

1.3 The Committee is constituted to assist the Board in the discharge of its duties and responsibilities in this regard.

1.4 The duties and responsibilities of the members of the Committee are in addition to those as a member of the Board of Directors.

### **2. Composition**

2.1 The Board of Directors has reconstituted composition vide Board meeting held on December, 21, 2016.

### **3. Reporting lines**

3.1 The Committee reports directly to the Board.

### **4. Terms of Reference**

4.1 To assist the Board in the execution of its risk management accountabilities, the Committee shall be charged with the following general responsibilities:

4.1.1 To assist the Board in setting risk strategy policies in liason with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting;

4.1.2 To review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed;

4.1.3 To review and assess the nature, role, responsibility and authority of the risk management function within the MFSL and outline the scope of risk management work;

4.1.4 To ensure that the MFSL has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the MFSL’s appetite or tolerance for risk;

4.1.5 To ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually for the purpose of making its public statement on risk management including internal control;

4.1.6 To oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that the MFSL's objectives are attained;

4.1.7 To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;

4.1.8 To monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;

4.1.9 To provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by the Audit Committee to the Board on all categories of identified risks facing MFSL.

4.1.10 To review the risk bearing capacity of the MFSL in light of its reserves, insurance coverage, guarantee funds or other such financial structures;

4.2 The Committee shall in particular be charged with the following responsibilities in connection with the Nomination:

4.2.1 To understand the importance of appointment of directors with 'fit and proper' credentials

4.2.2 To ensure that the person being appointed into management is well recognised in the financial sector so that the Company can be benefited from his/ her suggestions/ Guidance relating to the business continuation and development and it can be ensured decisions of the management are not prejudicial to the interest of any person relating to the Company.

4.2.3 To review key Result areas and key performance expected from the proposed Director.

## **5. VALIDITY AND TERMINATION**

5.1 The authority and terms of reference of the Risk Management & Nomination Committee may be terminated or amended by the Board.

## **6. MEETINGS**

6.1 Meetings shall be held at least four times per year. Additional meetings may be convened at the request of any one of the members of the Committee.

6.2 The schedule of meetings of the Committee shall be aligned with the schedule of meetings of the Board in such a way that the meetings of the Committee shall be scheduled before the meetings of the Board, for effective reporting to the Board.

## **7. REPORTING PROCEDURES**

7.1 The Chairman of the Risk Management and Nomination Committee shall report from time to time to the Board on the deliberations of the Committee.