



# **Edel Finance Company Limited**

## **Reputational Risk Management Policy**

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<b>Version No.</b>	<b>1</b>
<b>Previous versions and dates of approval</b>	<b>-</b>

## 1. Objective:

The Reputational Risk is multidimensional and reflects the perception of market participants and others. Furthermore, it exists throughout the Company and exposure to reputational risk is essentially a function of the adequacy of the Company's internal risk management processes, as well as the manner and efficiency with which management responds to external influences on organization-related transactions. This Policy is formulated to ensure effective identification, mitigation and management of reputational risk.

## 2. Reputational risk

*Reputational risk shall mean the risk arising from negative perception on the part of customers, shareholders, investors, debt-holders, media reports that can adversely affect an organization's ability to maintain existing, or establish new business relationships and continued access to sources of funding.*

## 3. Organisation structure

The organisation structure for supporting Reputational risk management governance is as under:

- Board of Directors
- Group Risk Management Committee (GRMC)
- Finance team/Chief Risk Officer.

The Board ensures effective management of the Reputational risks in the Company. The GRMC reviews and evaluates the overall risks assumed by the Company. The Finance team/CRO implement the Reputational Risk Management Framework approved by the Board. The Framework focuses on the Reputational risk issues that faced by the Company.

## 4. Reputational risk Management Process

### i. **Risk Identification and Assessment:**

Every employee is vested with the responsibility of managing the reputation of the Company. The exposure to reputational risk is also managed by ensuring adequacy of Company's internal risk management processes, as well as the manner and efficiency with which the management responds to the external influences on issues.

The Company recognizes below major categories of drivers with risk indicators:

- a) **System Downtime:** Excessive recovery time due to business disruption in any form, from internal system failures to unforeseen natural disasters and political events, may lead to severe loss of reputation. Downtime data points are being

used to assess the impact of in reputation risk.

- b) **Litigation** - Widely publicized litigation, regardless of its ultimate outcome can affect the Company's reputation and thereby limit its business opportunities and impair its basic franchise value. An increase in litigation may also be perceived as weakness in controls and invite increased focus from the Regulator(s). For the analysis, the data point on number of litigations and amount of litigation pending are considered.
- c) **Compliance** - Failure to abide by the rules and regulations laid down by the Regulator(s) may lead to penalties and censures. This adversely impacts the reputation of the Company which is based on the principle of utmost integrity.
- d) **Media Publicity** - Publication of the negative information about the Company including its employees, subsidiaries and Group Companies in the print, TV, online and social media has the potential to adversely impact the reputation of the Company.
- e) **Fraud Cases** - External or internal fraud adversely impacts the reputation of the Company; however, the Company has a Fraud Risk Management Policy which provides a governance framework and mechanism to manage fraud risk on a proactive basis.

## ii. Risk Monitoring and Mitigating

The Risk Monitoring would be performed basis below activities:

- a) The Stakeholders' Relationship Committee of the Company is updated on the complaints raised by shareholders, investors, etc. on periodic basis.
- b) The nature of litigation shall be periodically assessed and a quarterly summary shall be presented to the senior management as a part of deliberation at a broader level to assess if any steps are required to be taken. Although case specific issues may not be deliberated, the crux of the kind of litigation is presented to the senior management.
- c) The regulatory penalties and show cause notices are closely monitored to raise an alarm for compliance risk.
- d) The number of negative print, TV and online reports as well as number of negative social media posts are monitored and these are evaluated based on recurrence and gravity of impact, and accordingly escalated/reported to Senior Management.
- e) **Fraud Cases:** The Company manages various aspects of the fraud risk by way of its processes such as Transaction Monitoring, Investigations, Fraud Reporting, and Fraud Awareness for its employees.

5. Review of Reputational Risk Management Policy

The Policy shall be reviewed by the Board as and when necessary or at least once in two years.

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