RISK MANAGEMENT POLICY AND PROCEDURE

PREAMBLE:

Risk Management is attempting to identify and then manage threats that could severely impact or bring down the Company. Generally, this involves reviewing operations of the Company, identifying potential threats to the Company and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

Sub-clause IV of Clause 49 of the Listing Agreement states as under:

"The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework"

The Ministry of Corporate Affairs, Government of India has also accepted the concept of Risk Management and its relevance to the smooth functioning of the Corporate Sector in India and has therefore introduced a specific provision on Risk Management under paragraph (II) (C) of Corporate Governance voluntary guidelines, 2009.

It has therefore become mandatory for the listed Companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimise their adverse impact on the Company.

RISK STRATEGY:

Quest Financial Services Ltd. believes that the Risk cannot be eliminated. However, it can be:

- Reduced, by having good internal controls;
- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

RISK MANAGEMENT FRAMEWORK:

In today's challenging and competitive economic environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are essential. The common risks inter alia are: Regulations, Competition, Business Risk, Technology Obsolescence, Investments, Retention of talent, Financial Risk, Political Risk, Fidelity Risk, Legal Risk.

Risk Management therefore, ensures that management has in place a process to set objectives and that the chosen objectives support and align with the Company's mission and are consistent with its risk appetite.

This policy primarily focuses on identifying, assessing and monitoring risk in the following area:

- **Company Assets & Property**

  The policy deals with risk involved in management of assets and property of the Company. The policy aims to ensure proper security and maintenance of assets and property.

  For the Company, its employee constitute of the most important asset of the Company. Thus, the policy also covers risk related to employees and their act/omission. The policy aims at security of employees, providing adequate legal safeguards to protect confidential information.

- **Competition**

  Risk of the Competition is inherent in all the business activities. The Company faces competition with various organizations in the economy operating in the segment in which Company operates.

  Company's policy is to leverage its investment in a way which has value creation.

- **Revenue Concentration**

  High concentration in any single business segment exposes the company to the risks inherent in that segment. We have adopted prudent norms based on which we monitor and prevent undesirable concentration in a particular segment. Company's policy is of increasing business volumes with minimum exposure to undue risks.

- **Inflation and Cost Structure**

  The cost of revenues has a very high degree of inflationary certainty. At organizational level, cost optimisation and cost reduction initiatives are implemented and are closely monitored.

- **Financial Reporting Risks**

  Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations.

  We are committed to maintaining high standards of corporate governance and public disclosure and our efforts to comply with evolving laws, regulations and standards in this regard would further help us address these issues.

- **Risk of Corporate accounting fraud**

  Corporate accounting fraud is business scandals arising out of Misusing or misdirecting of funds, overstating revenues, understating expenses etc. The Company mitigates this risk by

- Conducting risk assessments,
- Adhering to internal control practices,
- Enforcing and monitoring code of conduct for key executives,
- Instituting Whistleblower mechanisms,
- Understanding the applicable laws and regulations.

DISCLAIMER CLAUSE:

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.