

Finstars Capital Limited

Policy Name: Compliance Risk Management

Version: 1.0

Date of Approval / Review : 01-07-2024

BOARD APPROVED POLICY

1. Background :

Finstars Capital Limited (“FCL” or “the Company”) is committed to conducting its business operations and its activities lawfully and in a manner that is consistent with its compliance obligations. As part of the overall structure for Corporate Governance, Compliance Function serves a critical role. The Policy on Compliance Management has been framed and modified from time to time in accordance with the requirements of establishing a Compliance function.

2. Objective

The purpose of the Policy on Compliance Management is to establish the overarching principles and commitment of the company with respect to achieving compliance by:

- a. Company Secretary/Compliance Officer as designated by the Board to conduct immediately and update Board and Company about recent changes in RBI Regulations and other applicable statutory regulations.
- b. identifying a stable and clear compliance framework within which Finstars Capital Limited operates;
- c. promoting a consistent, rigorous and comprehensive approach to compliance throughout the organisation;
- d. developing and maintaining practices that facilitate and monitor compliance within the company;
- e. to ensure standards of good corporate governance, and ethics.
- f. Provoking a culture of compliance where every person within the company accepts personal responsibility for compliance and acts ethically and with integrity.

3. Creating the Culture of Compliance

Strong compliance culture is a pre-requisite for an effective compliance function. It is very important for the company to exemplify and demonstrate a good Compliance Culture to maintain the image and to earn the trust of customers, investors and regulators. Such culture is essential element in the safe and sound functioning of the company and if not followed effectively may adversely affect the company’s risk profile. Finstars Capital Limited ensures the compliance with key components that is the laws, rules, regulations, and various codes of conducts and adherence with fair practice codes, managing conflict of interest. Compliance shall not be seen as an activity of the Compliance Department alone but as a culture that shall invade

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across the company. It is however, reiterated that compliance is a shared responsibility of the business units and the compliance function. Therefore, adherence to applicable statutory provisions and regulations needs to be the responsibility of each staff member of the company and it is the work of the compliance function to ensure the same.

4. Structure of Compliance Function :

The compliance function is an integral part of effective governance along with the internal control and risk management processes. The structural set up of the compliance function shall be consistent with the organisational needs. The Compliance function shall consist of such number of professionals other than the Compliance Officer as may be required to effectively manage the compliance obligations of the company. The Function shall include staff with basic qualifications and practical experience in business lines / audit & inspection functions, who are knowledgeable in legal cross regulation, policy and products. The Compliance responsibilities pertaining to the specific area of work shall be exercised by staff of the respective departments, viz. Operations, Accounts, IT, HR etc. The departments concerned shall hold the prime responsibility to ensure the adherence to the statutory provisions and regulations applicable to their role in the company. However, the Compliance Function would need to ensure overall oversight.

5. Role and Responsibilities of the Compliance Officer:

- a. Decide on key matters requiring RBI prior permission and guide Compliance officer for taking prior permission.
- b. Decide on recommendation of Nomination and Remuneration Committee.
- c. Action and approval on recommendation of Compliance officer with respect to Nomination and Remuneration committee with respect to RBI Regulations and guidelines.
- d. To assist, guide and suggest the Board and the Senior Management in supervising the implementation of Compliance Policy, including other required policies of the company.
- e. To assess and identify potential compliance risk within the company, develop proposals for dealing with and avoiding compliance risks.
- f. To inform and guide the board for conducting compliance related training session and awareness programme in company on quarterly basis and implement action plan as finally suggested and recommended by the Board .
- g. Ensuring the appropriate remedial action if breaches are identified. The disciplinary action on such breaches shall however remain within the scope of the management.

- h. Ensuring the timely response / interactions thereof to the RBI inspection reports through the Compliance Function.
- i. Ensuring compliance of regulatory/ supervisory directions given by regulators including the Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) and Self-Regulatory Organisations (SROs), in both letter and spirit in a time-bound and sustainable manner.
- j. Attend to compliance with directions from regulators and ensure that discomfort conveyed to the company on any issue by the regulators, and action taken by any other authorities/law enforcement agencies, shall be brought to the notice of RBI.
- k. Directing for conducting Compliance and Secretarial Audit as deemed fit by the Board.

6. Identification & Monitoring Mechanism:

In order to perform its duties and take its decisions independently, the Compliance team shall be granted access to all the relevant and pertinent information maintained by other departments, which is necessary for them to discharge their functions effectively. The Compliance Officer shall have the authority to communicate with any staff member and have access to all records or files that are necessary to enable her / him to carry out entrusted responsibilities in respect of Compliance issues. The identification of the gaps in compliance of the regulatory requirements shall be made through the process of submission of periodical reports by the departmental heads of the departments which are directly involved in complying with the applicable statutory provisions relevant to the department concerned. Such reports shall be verified if required by the compliance officer and a summary report shall be placed before the Senior management / Board along with the discrepancies / non-compliance if any reported. In order to ensure the compliance with the regulatory framework, the compliance officer shall place before the Board / Committee all major regulatory guidelines issued and shall implement the directions of the board within the company. As a measure to manage the compliance gaps, the relevant discussions / observations of the Senior Management shall serve as a feedback mechanism for the department to review the control mechanisms and take remedial measures to avoid recurrence of such failures / breaches.

7. Authority of the Board of Directors / Committee's:

- a. The Board of Directors retains the ultimate authority for legal and regulatory compliance and overseeing, reviewing and ensuring the effectiveness of compliance systems. The board of directors has a fiduciary authority to oversee that the business is run in a profitable way within the bounds of the law.

The Board members shall remain empowered to the following functions:

- Review the Company's Internal financial controls and risk management policies/systems.
 - Review the status of compliance on a periodic basis, on the basis of quarterly compliance reports submitted by the Compliance Officer, covering compliance with all laws and regulations applicable to the company.
 - Review the Audit reports of internal and external auditors and audits/ inspections carried out by regulatory authorities and monitor the compliance of the observations highlighted in the audit and inspection reports
 - Review the effectiveness of the company's Legal Compliance System for monitoring and managing compliance with relevant laws and to give instructions on breaches of key compliance requirements, if any, and remedial measures to prevent the instances of non-compliance.
- b. The compliance risk shall be reviewed on a regular required basis wherein the compliance shall be analysed the reason for any non-compliance or delay in compliance shall be discussed at the committee /Board level.

8. Reporting Requirements

- a. **Reporting to RBI:** The company shall give prior intimation to RBI wherever required as per the governing laws.
- b. **Reporting to the Board:** Compliance should be a regularly scheduled agenda item at board meetings. Reports on compliance with statutory requirements shall be submitted to the Board, Audit Committee, Risk Management Committee and Nomination and Remuneration Committee.
- c. **Compliance Risk Review:** The internal audit shall cover the compliance function/risk in the internal audit reports. Further the Compliance Officer shall be kept informed of audit findings related to Compliance, which shall serve as a feedback mechanism for assessing the areas of Compliance failures.

9. Approval and Review :

- a. This policy is approved by the board of directors at the board Meetings held on 01st July, 2024.
- b. This policy shall be reviewed annually or may be required at any time necessitated by the Board.
- c. This policy is effective from 01st July, 2024.