

Sattva Holding and Trading Private Limited

POLICY ON APPOINTMENT AND INDEPENDENCE OF CHIEF RISK OFFICER (CRO)

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Introduction

Sattva Holding and Trading Private Limited (Sattva or the Company) being in the Middle Layer is of paramount importance to identify and mitigate the risk faced by the company considering the systemic size of the company. A commensurate and efficient Risk Management System functioning independently as prescribed by the RBI in its Master Directions. The Risk Management Committee shall be responsible for conducting risk management process in the organization. However, the company has an asset size of more than Rs. 5,000 crore shall appoint a CRO with clearly specified roles and responsibilities as per the RBI regulations. It is essential that such personnel shall remain independent for effective risk management.

The Company, being a Core Investment company faces several risks in the form of:

1. Credit Risk
2. Interest Rate Risk
3. Compliance/ Regulatory Risk
4. Liquidity Risk
5. Strategic Risk
6. Reputation Risk
7. Counterparty Risk
8. Operational Risk

Role of the board

The CRO is required to function independently so as to ensure highest standards of management of the risk faced by the company. The independence of the CRO enables the auditor to present a true risk profile of the company.

The board of directors may appoint any personnel within the organization (engaged with the company for not less than 3 years) or an external person as the CRO based on the minimum eligibility criteria as determined by the board, considering:

1. the qualification
2. experience of the personnel in the Risk Assessment/Risk Management Department of the company/ other company
3. knowledge of the industry
4. Ability to function Independently i.e., not related to the board of directors, shareholders or the group companies and previous employment.
5. Any other factor as deemed essential by the company

Remuneration

The company shall determine the remuneration/compensation of the CRO as per the remuneration policy as CRO shall form a part of the Senior Management Team

Following are pre-requisites laid down by the RBI and the internal company for the appointment of Chief Risk Officer:

1. The CRO shall at all the times be a senior official in the hierarchy of the Company not below the rank of a Manager and shall possess adequate professional qualification/ experience in the area of risk management which shall be taken on record.
2. The CRO shall be appointed for a fixed tenure as approved by the board. The CRO under any circumstance shall be appointed for a minimum period of 3 years . The tenure shall be explicitly stated in the appointment letter.
3. The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Supervision of the Regional Office of the Bank under whose jurisdiction the Company is registered.
4. The CRO shall be independent in its functioning and shall have access to all the documents, files, records maintained by the company. The CRO may appoint the necessary personnel to enable it to review the necessary documents. To protect the independence of CRO, the CRO shall have direct reporting lines to the to the Board.
5. The CRO shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets. In respect of matters pertaining to CRO requiring attention of CEO/ CFO/Department Head, can be escalated to the CEO/ CFO/Department Head of the Company who shall further escalate the same to the Board of Directors for their action. In case the respective personnel does not co-operate with the CRO, the latter shall approach the board.
6. The performance of the CRO shall be reviewed through a mechanism formulated by the board of directors on the basis of the risk faced by the company, prevalent market practices and other conditions existing in the industry.
7. There shall not be any 'dual hatting' i.e. the CRO shall not be given any business targets, product development, other responsibility other than identification. The CRO shall perform actions restricted to the Key Responsibility Areas assigned in the Appointment Letter and shall not be assigned with any other work. The CRO may raise a complaint to the board/ Audit Committee of the Board (only in cases where the board has dismissed the compliant without due care).

8. The CRO shall be an independent person pursuant to the Master Directions issued by Reserve Bank of India on appointment of Chief Risk Officer, who shall not be involved in the day-to-day operations of the Company and shall be eligible to provide an independent judgement on all the areas involving risks. Looking at the current size of operations and employees in the Company, there is no need to build a team for assistance of CRO. However, the same may be considered if need arises.
9. The CRO shall be involved in the process of identification, measurement and mitigation of risks and provide relevant progress for mitigation to the board from time to time
10. All credit products (retail or wholesale) shall be vetted by the CRO from the angle of inherent and control risks. The CRO's role in deciding credit proposals shall be limited to being an advisor.
11. The Company shall involve CRO for credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, the CRO shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal.

Group Risk

1. The CRO shall be the member of the Group Risk Management Committee (GRMC).
2. Based on the analyses and recommendations of the GRMC, the company shall initiate corrective action as per action plan determined. CRO shall initiate such corrective action.

Update and Review

The policy shall be subject to review atleast once annually and updated to the extent of changes in the company or the RBI regulations.
