

Appointment of Chief Risk Officer

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Context

The following Policy covers the appointment of the Chief Risk Officer (CRO) including roles and responsibilities, hiring approval matrix, reporting matrix, Committee appointments and voting rights, Tenure, Removal and Reporting of Removal Guidelines

Definitions and Key terms

Not Applicable

Policy Purpose and Objective

The objective of the policy to ensure clear stating of Chief Risk Officer (CRO) roles and responsibilities, and safe guard independence of CRO

Policy Scope, Applicability and Exception

Not Applicable

Policy Custodian

Human Resources

Policy review and approval

Reviewed and Approved by NRC and Ratified by Board

Policy Principles

Not Applicable

Terms of Reference (Governance structure if applicable)

Not Applicable

Roles and Responsibilities

Job Title	Chief Risk Officer
Grade/Level	GM, (CEO Minus 1)
Function/Department	Risk Management
Reporting Matrix	Chief Executive Officer

Reporting Matrix

CEO

Chief Risk Officer

This position must identify, assess, measure, manage, monitor and report every aspect of the risk function. The function must ensure developing and improving management reporting. In addition to developing policies and frameworks, the CRO is responsible for training and supervision of employees w.r.t. to policies developed and percolation of Risk Management Culture cross the enterprise.

The role of the CRO is ever evolving and hence to be able to view risk in the context of the whole company and to organize different risk functions and task is key for the success of the role/function.

1. Roles and Responsibilities:

- The candidate shall be responsible for ensuring the overall quality of the lending portfolio by planning and directing all aspects of credit risk through an adequate credit risk program/policy.
- This position will inter alia ensure an effective credit risk management program policy is in place within the company, by establishing the framework for risk management activities and driving consistent standards across the organization.
- This position will identify credit risk; assess enterprise effectiveness in managing these risks through appropriate internal controls; and build awareness of the business implications of credit risk, and how to manage credit risk, as part of the leadership culture.
- This role will be expected to fully understand the business and evaluate, improve, and monitor it, including assisting in reporting to the CEO and ROC/Board and providing leadership in the effectiveness of credit risk management controls, systems, and processes across the organization.
- This position will be expected to manage compliance with regulatory requirements and also manage other security-related issues, including IT security, internal auditing, financial auditing, insurance, fraud prevention, global business climate changes, and similar corporate internal investigations.
- In addition, this role will ensure management of Currency Risk, Reputational Risk, Legal Risk, Corporate Governance, Operational Risk, Disaster recovery and Business Continuity Planning practices are established and maintained.

Risk Management Responsibilities:

- Provide all Pillar II risk oversight
- Provide CEO and ROC/Board advice on credit risk issues in strategic decision making
- CRO shall not have any business targets nor report to any business vertical.
- CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products (retail or wholesale) shall be vetted by the CRO from the angle of inherent and control risks.
- Develop continuous monitoring and improvement of the quality of the organization's credit and lending portfolio through credit policy direction and implementation
- Establish and manage all departmental policies and procedures.
- Design sustainable processes to mitigate credit risk by framing the breadth and depth of control testing, evaluating business operations, participating in the evaluation of new products and business opportunities, and providing aggregated and detailed reports on credit risk in line with risk appetite and limits

Reporting Responsibilities:

- Help guide management to see a global view of credit risk
- Provide clear, concise and objective guidance to management and comprehensive summary reports to the appropriate committees including ROC/Board, and any other forums or committees as tasked.
- Provide regular review and analysis of portfolio trends to detect deterioration in portfolio quality. This includes the monitoring and control of the credit portfolio by ensuring that all credit exposure is properly approved, reported and reviewed.
- Provide analysis and make recommendations for quarterly allocations
- Prepare problem loan reports for CEO and/or the ROC/Board as deemed required and identify loans meeting non-accrual and charge-off criteria
- Prepare concentration reports or such other risk appetite reports deemed necessary to convey loan and portfolio and third-party relationship risks to management and the ROC/Board

Functional Responsibilities:

- Maintain ongoing relationships with management throughout the organization and effectively manage and motivate the team.
- Complete reviews/projects and additional work within specified timescales and in line with departmental standards.
- Develop staff throughout the department in accordance with company goals.
- Ensure that all tasks are carried out with a high degree of professionalism.
- Responsible for managing the team in a positive and constructive manner, encouraging and motivating others, providing guidance where necessary
- Set adequate and measurable goals / objectives to aid staff development with ongoing review.
- Deal effectively with complex and sensitive issues raised.
- Develop analytical processes and procedures to identify risks and opportunities in the origination stream and portfolio.

Oversight Responsibilities:

- Review the direct loans and third-party loan risks at a policy/program level.
- Ensure risk and return objectives are clearly communicated to accountable business managers
- Develop skills of the team members (reporting in to the incumbent such as Collections, Policy, Technical valuation team and Legal Collections & Collection strategy team) through training and coaching and manage individual performances to full potential.
- Enhance bench-strength 2 levels down with clearly identified successors and documented action plan for employee development with Succession plans in place

- Sponsor projects around rapid improvement exercises in collections space.
- Timely review of enterprise legal agreements to ensure that we are protected by any change in governing Statutes.
- Ensures effective alignment between the process and internal audit and policy for risk financing.

Participation at the meetings of the Board, Board and Company's internal committees

CRO shall attend the meetings of the Board committees and Internal/Management Committees wherever (s)he is a member or invitee. (S)he shall also attend meetings of the Board, other Board sub-committees and Internal/Management Committees, where (s)he is not a member or invitee whenever required/invited.

2. Credit Sanction Committee and Chief Risk Officer Voting Rights

SMFG Grihashakti adopts a committee approach for high value proposals (as determined for the credit committee) and the CRO is one the signatories. All credit committee members are individually and severally liable for all aspects of the proposal approved by the credit committee.

3. Quarterly ROC Meeting Schedule

ROC shall meet the CRO on a quarterly basis in absence of CEO.

Expertise required/ Domain Knowledge:

Experience in Diversified portfolio with strong banking background covering retail portfolios etc. in consumer, SME, rural and commercial portfolios

Experience includes:

- Product and Credit Policy
- Collections and recovery
- Fraud and Operational risk
- Credit Underwriting
- Risk Analytics & Modeling
- Regulatory and compliance
- Market Risk
- Portfolio Sale
- Operational Risk & Internal Controls
- Collaterals
- Legal
- Information Security

Other Attributes:

- People Management - experience in managing large teams
- Held leadership positions in the past

Years of relevant experience/qualifications: 18+ years with CA / PG from top Institutes

Tenure, Removal and Reporting of Removal

Tenure: Tenure of appointment be date of his current appointment till the date of retirement as defined in SMFG Grihashakti's Retirement Policy.

Removal: Removal before the completion of tenure to be considered in case of resignation, non-performance, Integrity, Conflict of Interest, Non-Disclosure and clauses covered under Termination of Service in the appointment letter Terms and Conditions and to be reviewed and approved by Board – SMFG Grihashakti.

Reporting of Removal: If removal of CRO before expiry of tenure with board approval, such premature transfer/ removal shall be reported to the Department of Regulation and Supervision, National Housing Bank and Stock Exchange (If applicable).

Hiring Review/Approval Matrix

Hiring Review and Approval Matrix

Interviewed by:

SMFG Grihashakti: HR, CEO, ROC Chair

SMFG India Credit: HR, CEO, ROC Chair

FFH: HR, CRO

Approved by:

Board – SMFG Grihashakti

Regulatory Reporting

Not Applicable

Appendix

Not Applicable