



UTI Pension Fund Ltd.

Risk Management policy

Version 2.3

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1. RISK MANAGEMENT FRAMEWORK

BACKGROUND

As required by PFRDA, UTI Pension Fund needs to undertake an independent Risk Management Function, which will be responsible for identifying, evaluating, or measuring all inherent risk, as well as establishing controls to mitigate such risks.

The risks include:

Fund Management: Volatility in performance, style drift and portfolio concentration, interest rates movement.

Operations: Deal errors, settlement problems, NAV and fund pricing errors, inaccurate financial reporting.

Customer Service: Errors in deal processing, fraud etc.

Other Business Risks: Critical knowledge loss, Skill shortage, non-compliance, third party risks.

Board level Risk Management Committee of the UTI Pension Fund Ltd consisting of three Board Members, CEO, CIO-Equity, CIO-Debt, Chief Risk officer and Compliance Officer has also been constituted.

2. RISK MANAGEMENT POLICY

1. A risk register shall be maintained and periodically reviewed by the Risk Management Committee (RMC). Any additional/new risk that is identified shall be entered in the Risk Register and the same will be brought to the notice of RMC for its perusal in the next meeting. Risk registers shall be reviewed once in six months. The additional risk mitigation measures identified during the course of review should be implemented in a time-bound manner.
2. Preparation of an operational manual, containing the organization structure, objectives, job description for the various activities and reporting framework along with the internal controls and risk management framework.
3. The rights and obligations in respect of outsourced activities shall be clearly

laid down in the respective agreements, including the indemnity and confidentiality clauses.

4. In order to ensure effective internal control mechanism, as far as possible the general categories of duties of authorization, execution, custody, record keeping and reconciliation should be segregated.
5. The Risk Management Committee should review the process for permitting the use of new instruments or strategies (reviewed by Investment Management Committee) and ensure that appropriate risk management framework and policies are in place in respect thereof. Policies for initiating new activities should be consistent with the risk and return goals as well as the strategy and expertise.
6. The Risk Management Policy recognizes that UTI-PF is prone to external as well as internal Risk. As regards, external risks, the RM Policy stipulates that there shall be a Business Continuity Plan, duly approved by the Risk Management Committee, to ensure timely resumption of the interrupted business operations due to any natural disaster, unforeseen event or systems failure.
7. As regards internal risks, the Annexure -1 mentions various indicative risks and their control frame-work under following categories:
 - (a) Fund Management
 - (b) Operations
 - (c) Sales, Marketing and Distribution
 - (d) Customer Service
 - (e) Disaster Recovery & Business Contingency
 - (f) Other business risks.

3. REVIEW OF RISK MANAGEMENT FUNCTION

I Board of Directors

A Board Level Committee of UTI PF shall provide the overall guidance on Risk Management function, including –

- (a) Setting the risk profile of the organization;
- (b) Review of the Risk Management Policy and its implementation; and
- (c) Review the Fund's approach to risk management and approve the key elements of its processes and procedures.

The Board has constituted a Risk Management Committee consisting of three Directors, CEO, CIO-Equity, CIO-Debt, CRO and Compliance Officer. The Committee shall meet at least on half-yearly basis.

II Chief Executive Officer (CEO)

The responsibility for implementation of Risk Management policy is delegated by the Board of Directors of UTI PF to the CEO. CEO shall ensure that the following documents, duly approved by the Board of Directors of UTI PF, are in place and the same are reviewed annually:

- Investment Policy, including Risk Philosophy
- Operating Procedures
- Compliance Manual
- Code of Conduct
- Disaster Recovery and Business Contingency Plan
- HR Policy
- IT and IT Security
- Scope of Internal Audit

4. RISK REPORTING

Risk reporting will be used to enhance risk communication across the organization. These reports will not only communicate the risk of individual schemes, but also provide inputs to fund management in their day to day fund management activity.

Further, the Risk management team shall reserve the right to independently conduct check / audits of the internal functions for implementing adequate internal controls and safeguarding the interests of the Company.

In addition to the information as may be called for by the Board, Chairman and RMC from time to time, the following reports shall be presented to the Risk Management Committee (RMC) of executives:

1. Status on implementation of risk management framework as approved by the Board;
2. Monthly risk Analysis Reports, covering the following main areas:
 - i. Risk Adjusted performance measures such as Sharpe Ratio, Treynor Ratio and Sortino ratio in respect of Scheme portfolio vs. Benchmark Portfolio,
 - ii. Analysis of Debt Portfolio in terms of movements Ratings, maturity profile and industry weights, and
 - iii. Analysis of the movements in the assets allocation at portfolio level;

A summary report shall be presented to the Chairman.

3. Quarterly reports on Critical observations in the Audit reports, including observations on non-compliance/deviations to the Risk Management Policy.
4. Summary of risks identified, existing control framework and proposed risk mitigation measures.
5. New activities being undertaken, along with the complete risk assessment and control framework.

5. CONTROL FRAMEWORK

Risk Area/Nature of Risks	Control Framework
i) Funds Management - Higher volatility in performance as compared to broad market, - Lower returns as compared to benchmark/peer group - Style drift and portfolio concentration, - Interest rate movements, - Liquidity Risk, - Credit risk - Delisting of Securities - Breach of Investment limits	1. Updated Investment Manual, covering, among others, the investment guidelines, investment decision making and recording process, delegation of powers and Review mechanism. 2. To adhere to the policies and procedures prescribed by the Board/Risk Management committee / Investment Committee 3. To measure performance on Daily/Weekly basis, as compared to benchmark and peer group 4. Regular review of portfolio, performance and exceptions by CIO-Equity and CIO-Debt, Investment Committee, Chairman and Board (including its Committees) 5. Investment Management Committee of Board should review and recommend action, if any, in respect of the following: a. Quarterly performance of NPS Schemes managed by UTI PF b. Periodic Portfolio review c. New investments during the quarter under review d. Credit rating review e. Compliance with the investment guidelines of PFRDA / NPS Trust and internal Investment Prudential Norms f. Distribution of Broker business within the specified limit 6. To have qualified and experienced Fund managers, research analysts and dealers with adequate experience in the industry. They shall be provided continuous training to understand the new products, markets and sectors. 7. To establish clear guidelines for best execution of investment deals, so as to avoid execution at sub-optimal prices. 8. Independent verification procedures for all deals should be established. Rates and prices shall be obtained from independent source. 9. Quarterly Review of illiquid securities and continuous review of exit options being given by the issuer companies for delisting of securities. 10. Updation of networth & paidup share capital of investee company in the mPower system on quarterly basis or as & when investee company publishes the figures related to Networth & paidup share capital. 11. Review & monitoring of investment limits through system. 12. Communication of alerts to Investment Team in respect of the investment limits for which 95% of the available limit has been utilized.

Risk Area/Nature of Risks	Control Framework
ii) OPERATIONS Nature of Risks - Errors in execution of investment deals, - Settlement problems, - NAV and fund pricing errors, - Inaccurate financial reporting, - Fraud, - Failure of mission critical systems and infrastructure, obsolete systems	▪ UTI PF shall buy insurance cover against third party losses arising from errors and omissions. Third party liabilities refer to liabilities arising out of financial loss to investors or any other third party, incurred due to errors and omissions of directors, officers, employees, R&T agents, etc. The level and type of cover should be determined by the Board. ▪ Operating procedures should lay down reconciliation activities and their frequency: • End-of-day broker confirmations with records of deals • End-of-day reconciliation of transactions with custodian data • At least once a week complete reconciliation of fund accounting system records with custodian records • Daily reconciliation between UTI PF and others (banks, counter party, etc). ▪ UTI PF shall establish a personal trading policy and a code of conduct for employees. ▪ Documentation of all NAV procedures and methodologies, including all elements critical to NAV calculations ▪ Concurrent Audit of the NAV and Dealing Function ▪ Audit of all financial reporting by internal and external auditors. ▪ UTI PF shall consider implementing integrated front and back office systems which will facilitate: ▪ Straight-through processing to allow one-time capture of trade details ▪ Pre-trade compliance checking ▪ Automatic time-stamping of deals ▪ Maker-checker authorizations ▪ In-built checks and controls ▪ Exception reporting ▪ Generation of deal confirmations ▪ Monitoring of outstanding confirmations, settlements and payments ▪ Cash management ▪ Access controls and firewalls, virus protection and other security functionality such as locking of trade data ▪ Integrated reporting. 8. UTI PF should ensure that the fund accounting systems used facilitate: • Validation of NAV calculations • Automated and manual price feeds • Identification of missing prices • Flagging of price variances beyond pre-established tolerance levels.

Risk Area/Nature of Risks	Control Framework
iii) IT Risk: Vulnerabilities in IT infrastructure	Vulnerability Assessment is carried out on half yearly basis & Penetration Testing on quarterly frequency. Observations found during this exercise are categorized as Critical, High & Medium. Based on the category tag, observations need to be resolved as per the below timelines: • Critical – 7 days • High – 15 days • Medium – 30 days After the points are closed the IT team requests for a re-scanning for the observed points to confirm the closure status of those points.
iv) Other Business Risks - Critical knowledge loss, - Attrition - Skills shortage, - Non-compliance, - Third party risks - Counterparty Risk	1. Well documented HR policies and procedures, addressing issues such as attracting and retaining key skilled staff, succession planning and career development plan. Appropriate incentive systems may also be established. 2. Ensure alternate staff availability in every function/ department to ensure uninterrupted & seamless continuity of functional activities. 3. Employment contract contains 3 months notice period which the employee is required to serve before his services terminate. This enables the HR department to arrange for suitable replacements & facilitate smooth transition. 4. Each department head shall be responsible for appropriate training and development of alternate staff in critical/key activities 5. Training plan for employees to update their existing skills and equip them with new skills. 6. A written contract of employment shall be entered into with the selected employees, covering among others compliance to internal and external regulations, confidentiality of information and observation of integrity and objectivity. 7. UTI PF shall have well laid down specific and measurable Organizational and Departmental Goals, Unambiguous instructions, priorities and Action Plan.

Risk Area/Nature of Risks	Control Framework
	8. The use and access rights of important/sensitive assets/data/information should be appropriately monitored and controlled. 9. The systems shall incorporate appropriate checks and balances, either to avoid errors due to accident/ignorance or to ensure early detection. 10. Potential acts of malicious nature should be avoided through use of ‘preventive vigilance’ 11. UTI PF should take appropriate Insurance policy to cover the damages caused by the employees actions. 12. UTI PF shall anticipate and respond well to changes of a market or regulatory nature that impact its reputation in the marketplace. 13. Establishment of a process to ensure continuous adherence to the Code of Ethics, Staff Rules and Code of Conduct under SEBI Regulations and / or PFRDA Guidelines / Regulations or other Acts / Rules / Regulations as may be applicable. 14. Policy On Prevention Of Self-Dealing, Front Running And Insider Trading of UTI PF shall be applicable. 15. Effective Performance Appraisal and Incentive system that – a. Facilitates achievement of the Organisation objectives and Mission b. Promotes identification of the early warning and initiation of the appropriate response c. Promotes effective utilization of the technology for improvement of the overall process 16. UTI PF and its officers shall follow the applicable Statutory Acts, Rules and Regulations in letter and spirit, concerning the areas being attended by the respective officers. 17. As far as possible, the regulatory limits and restrictions should be incorporated in the systems <i>[to avoid any instance of regulatory violation]</i>. 18. UTI PF shall implement and follow best business management practices and Good Corporate Governance. 19. As in case of other business risks, ‘Scenario Analysis’ exercise would help in anticipating and preparing for the changes in the regulatory environment. 20. UTI PF should have an effective and regular contact with the regulator(s). UTI PF should carry out due diligence of third party service providers before selection. The service level agreements (SLA) should prohibit the misuse of client information.

6. **RISK APPETITE STATEMENT (RAS)**

UTIPLF adopts a moderate risk appetite, recognizing that certain operational, technological, and strategic risks are necessary to achieve its business objectives. However, the organization maintains low tolerance for risks that could result in:

- Non-compliance with PFRDA regulations and statutory requirements.
- Financial fraud, data breaches, or cybersecurity incidents.
- Breach of subscriber confidentiality or compromise of personal data.
- Significant disruption to critical pension services.
- Reputational damage affecting stakeholder confidence.

Risks assessed as High (15–25) on the Risk Heatmap shall require immediate management attention, documented mitigation plans, assignment of risk owners, and periodic reporting to the Risk Management Committee (RMC). Risks rated Medium (5–14) shall be managed through appropriate controls and regular monitoring, while Low (1–4) risks may be accepted with routine oversight unless circumstances change.

Risk Score	Risk Rating	Risk Appetite
1–4	Low	Acceptable – Monitor
5–14	Medium	Tolerable with Controls
15–25	High	Outside Appetite – Mitigation Required

7. RISK HEATMAP

Impact Scale	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>	<u>25</u>
	<u>4</u>	<u>8</u>	<u>12</u>	<u>16</u>	<u>20</u>
	<u>3</u>	<u>6</u>	<u>9</u>	<u>12</u>	<u>15</u>
	<u>2</u>	<u>4</u>	<u>6</u>	<u>8</u>	<u>10</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
	Likelihood Scale (Probability of occurrence in a given year)				

Risk Score = Impact X Likelihood

UTIPLF approach to risk assessment is structured and dynamic in accordance with the principles outlined by the PFRDA guidelines.

1. Dynamic Risk Evaluation

Risk parameters such as consequence, likelihood, and overall risk level are inherently dynamic and subject to change based on: Regulatory updates from PFRDA, Operational events and service disruptions External environmental or technological shifts Therefore, fixed ratings are not prescribed within this policy. Instead, risk scores are determined contextually using the best available data and expert judgment.

2. Governance and Oversight

To ensure robust governance: A Risk Management Committee (RMC) at the Board level shall oversee the risk framework. Risk scores and assessments shall be compiled and reported to the RMC on a quarterly basis. The RMC shall review trends, emerging risks, and mitigation effectiveness, and may recommend strategic adjustments.

3. Compliance with PFRDA Guidelines

The organization ensures compliance with: PFRDA's operational and service standards for PoPs. Risk mitigation protocols including fraud prevention, cybersecurity, and business continuity as outlined in PFRDA Circulars Subscriber grievance redressal and SLA adherence as mandated by PFRDA regulations

Probability Matrix

Likelihood	1 – Rare	2 – Unlikely	3 – Possible	4 – Likely	5 – Almost Certain
Occurrence / Frequency	Once or twice in 10 years	Few times in 5 years	Few times a year	Few times a month	Continues or All the time
Probability	Conceivable, but only in extreme circumstances	Hasn't happened yet but could happen	Could happen and has occurred here or elsewhere	Could easily happen	Happens often

Impact Matrix

Impact Areas	1 – Insignificant	2 - Minor	3 – Moderate	4 – Major	5 – Catastrophic
Financial – Profitability	Less than 1% impact on PAT	1% to 2% impact on PAT	2% to 5% impact on PAT	5% to 8% impact on PAT	Greater than 8% impact on PAT
People	Loss of single staff	Loss of few staff	Loss of individual specialist personnel	Loss of key specialist team	Loss of one / several key executives
			Inability to attract talent over 6 months	Minor impact employee morale Inability to attract talent over 1 year	Major impact on employee morale
Legal & Regulatory	Minor warning (Above Rs. 50,000)	Minor penalties (From Rs. 50,000 to Rs 5 lakh)	Major penalties (above Rs 5 lakh)	Major penalties and prosecution	Business suspension/ closure
Reputation / Corporate Image	Letter to local industry and press	Series of letters to local industry and press	Extensive negative local industry /social media coverage and short-term (3-6 months) disruption to customer confidence	Short term negative media coverage and disruption to client / investor confidence	Extensive negative media coverage and long-term disruption of client / investor confidence

8. Risk Control Self-Assessment RCSA

UTIPFL conduct a Risk and Control Self-Assessment (RCSA) where significant changes occur in business activities, products, processes, systems, regulations, or the external environment. The RCSA shall identify key risks, evaluate the adequacy and effectiveness of controls, assess inherent and residual risk levels, and determine the need for additional mitigation measures.

Business and Functional Heads shall be responsible for performing and updating RCSAs for areas under their responsibility and ensuring that identified action plans are implemented within agreed timelines. The outcome of the RCSA shall be incorporated into and reflected in the Risk Register, as applicable.

9. Risk Register

The Risk Register shall be maintained independently from the RCSA process and shall serve as the central repository of all material risks identified across the organization. The Risk Register shall be owned and administered by the Risk Management Function under the oversight of the Chief Risk Officer (CRO).

The Risk Register shall, at a minimum, capture:

- Risk description and category.
- Risk owner.
- Inherent risk rating.
- Key controls and control effectiveness assessment.
- Residual risk rating.
- Risk appetite/tolerance limits.
- Mitigation plans and target completion dates.
- Current status and review history.

The Chief Risk Officer (CRO) shall independently review and monitor the Risk Register on a quarterly basis to:

- Assess changes in inherent and residual risk scores.
- Evaluate the effectiveness of risk mitigation measures.
- Identify emerging and evolving risks.
- Review risks approaching or breaching approved risk appetite thresholds.

- Validate the completeness and accuracy of risk assessments submitted by business units.

ii. Reporting of Changes in Risk Scores

Any material movement in risk scores, whether upward or downward, shall be analyzed and documented by the Risk Management Function. Such analysis shall include:

- Reasons for the change in risk rating.
- Changes in the business, regulatory, operational, technology, market, or control environment.
- Impact of incidents, audit findings, compliance observations, or control failures.
- Status and effectiveness of mitigation actions.
- Assessment of potential impact on the Company's risk profile and risk appetite.

A quarterly Risk Register Report shall be presented by the CRO to the Risk Management Committee and the Board, highlighting:

- Significant changes in risk scores and risk rankings.
- New and emerging risks identified during the period.
- Risks exceeding approved tolerance levels.
- Trend analysis, heat maps, and concentration risks.
- Detailed root-cause analysis and management action plans for all material changes in risk ratings.

Any material increase in residual risk or breach of approved risk appetite thresholds shall be escalated to the Board together with recommended corrective actions, accountable owners, and implementation timelines.

iii. Board Oversight

The Board shall review the risk register presented by the CRO in Risk Management committee and provide appropriate direction on material risk exposures, emerging risks, and mitigation strategies.

10. Version Details

Version	Approval Date	Reviewed / Amended
1.	18 th July 2025	Reviewed.
2.	17 th October 2025	Updated & reviewed.
2.1	20 th January 2026	Updated & reviewed.
2.2	17 th July 2026	Updated & reviewed.
2.3	19 th October 2026	Updated & reviewed.