



UTI Pension Fund Ltd.

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, Chief Risk officer and Compliance Officer has also been constituted.

Risk Management Policy reviewed on 28th April 2025.

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 immediately 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.

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, 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

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.

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.

ANNEXURE-1

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	<ol style="list-style-type: none"> 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, 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: <ol style="list-style-type: none"> 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.

Risk Area/Nature of Risks	Control Framework
	12. Communication of alerts to Investment Team in respect of the investment limits for which 95% of the available limit has been utilized.
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	1. 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. 2. Operating procedures should lay down reconciliation activities and their frequency: <ul style="list-style-type: none"> • 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). 3. UTI PF shall establish a personal trading policy and a code of conduct for employees. 4. Documentation of all NAV procedures and methodologies, including all elements critical to NAV calculations 5. Concurrent Audit of the NAV and Dealing Function 6. Audit of all financial reporting by internal and external auditors. 7. UTI PF shall consider implementing integrated front and back office systems which will facilitate: <ul style="list-style-type: none"> ▪ 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.

Risk Area/Nature of Risks	Control Framework
	<p>8. UTI PF should ensure that the fund accounting systems used facilitate:</p> <ul style="list-style-type: none"> • Validation of NAV calculations • Automated and manual price feeds • Identification of missing prices • Flagging of price variances beyond pre-established tolerance levels.
<p>iii) IT Risk: Vulnerabilities in IT infrastructure</p>	<p>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:</p> <ul style="list-style-type: none"> • Critical – 7 days • High – 15 days • Medium – 30 days <p>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.</p>
<p>iv) Other Business Risks - Critical knowledge loss, - Attrition - Skills shortage, - Non-compliance, - Third party risks - Counterparty Risk</p>	<ol style="list-style-type: none"> 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
	<ol style="list-style-type: none"> 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 – <ol style="list-style-type: none"> 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). <p>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.</p>

UTI Pension Fund Limited
Risk Evaluation and Assessment Framework

Date of Review: 08th April, 2024
Reviewed By: Risk Officer & CRO

A. Statutory Compliance

S. No	What can happen (Effect)	How it can happen (Cause)	Existing Control Framework	Consequences	Likelihood	Risk Level	Additional Risk Mitigation Measures	Responsible Officer
1.	Non Adherence to various applicable statutes viz. PFRDA Regulations/ Income Tax Act/ Shops & Establishments Act etc., Profession Tax Act	Un timely action by Back office persons/ Company Secretary etc.	-Periodic Review on Internal Audit Report. -Periodic Review by NPS Trust Board. -Compliance Manual covering IMA, PFRDA guidelines, CRA, Companies Act and Taxation laws has been documented -Valuation prices are received from the third party valuer i.e. CRISIL -NAV movement on daily basis compared with previous day and index -Concurrent Audit	Major	Possible	Low To medium		CEO, CFO and CS & CO.

B. Fund Management:

S. No.	What can happen (Effect)	How it can happen (Cause)	Existing Management Framework	Consequences	Likelihood	Risk Level	Additional Risk Mitigation Measure	Responsible Officer
1.	Non-adherence to the various Asset allocation limits, as per the Regulation/ Investment Management Agreement/ Investment Manual	Investment transaction not in line with the prescribed limits.	<ol style="list-style-type: none"> 1. Daily Exception Report 2. Quarterly report on Investment Operations to the Board of UTI Pension Fund Limited & NPS Trust/ PFRDA. 3. Continuous review and management of schemes' portfolio by Fund Manager/ CIO 4. Periodic Review by Internal Audit, CEO and Risk Management Committee (Board) 5. Periodic review of exceptions thereto by CEO. 6. Updation of networth & paid up capital of investee companies in the 	Major	<u>Rare</u> Possible	Low to Medium	<ol style="list-style-type: none"> 1. In future depending on the size of AUM, the Company would explore the possibility of implementing front office system with all in-built pre-trade system controls, duly integrated with back office system. 	<p>CIO</p> <p>CIO</p> <p>CIO</p> <p>CEO</p> <p>CEO</p>

			mPower system on a quarterly basis or as & when investee company publishes the figures related to Networth & paidup share capital.					
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S. No.	What can happen (Effect)	How it can happen (Cause)	Existing Management Framework	Consequences	Likelihood	Risk Level	Additional Risk Mitigation Measure	Responsible Officer
2.	High volatility in performance of fund. Under performance of fund relative to Benchmark/ Peers.	High volatility of the underlying security/ Frequent change in investment style	<ol style="list-style-type: none"> Quarterly Report to the Board of UTI-PF & NPS Trust/ PFRDA on the performance of the schemes. Periodic presentation on performance and Investment Strategy to the Board Measurement of performance of fund as compared to that of peers/benchmarks on the past quarter, six-month, one year and since inception. 	Major	Unlikely	Low		CIO
3.	Credit Risk / Counterparty Risk	Subscription to High-risk assets/Deterioration of the quality of the issuer.	<ol style="list-style-type: none"> For investment in debt instruments of companies with credit rating below 'AAA' but with credit rating of AA and above (i.e. the minimum acceptable rating is AA), approval of Executive Investment Committee is required. Review of Credit ratings by Fund Manager/CIO. 	Major	Unlikely	Low		CIO

			3. Prudential Norms for investment in debt instruments. 4. All investments in Real Estate Companies, SPVs and Unlisted Companies with the approval of Investment Committee					
4.	Fraud Personal trading, insider trading & Front-running	Inappropriate Control over the investment process	1. Staff Rules (UTI AMC) 2. Regular Declarations from the FM/ CIO/ CEO in line with SEBI/ PFRDA regulations/Staff rules. 3. Restricted Access to Dealing room 4. Password controls in all critical database 5. Recorded lines for all dealing operations	Major	Rare	Low		CEO

C. Back Office

S. No	What can happen (Effect)	How it can happen (Cause)	Existing Control Framework	Consequ ences	Likelihood	Risk Level	Additional Risk Mitigation Measures	<i>Responsible Officer</i>
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1. (a)	Wrong valuation of unlisted/thinly traded equity securities	Wrong valuation provided by CRISIL.	<ul style="list-style-type: none"> - Investments are restricted to Top 200 companies in terms of Market Capitalization; which ensures enough liquidity. - Investment made via Public Offer is valued at the cost price until it is listed on National Stock Exchange or Bombay Stock Exchange. 	Minor (Impact on nav of the schemes)	Remote	Low		Operations Manager
(b)	Wrong valuation of Debt Securities	Wrong valuation provided by CRISIL.	<ul style="list-style-type: none"> - The valuation is done by CRISIL, a third party appointed by NPS Trust / PFRDA 	Major	Unlikely	Low	-	Operations Manager
(c)	Valuation of securities	Details of new securities not provided to CRISIL.	<ul style="list-style-type: none"> - Security – wise valuation of previous day is compared with the valuation of present day. - In addition, concurrent audit is done on daily basis. 	Major	Remote	Low		Operations Manager

S. No	What can happen (Effect)	How it can happen (Cause)	Existing Control Framework	Consequences	Likelihood	Risk Level	Additional Risk Mitigation Measures	Responsible Officer
2	Wrong income accrual / valuation	Securities features wrongly defined in the system Corporate Action not factored / not intimated/ Wrongly factored by the CRISIL	1. Checking by an officer 2. Cross verification with NSDL listing 3. Concurrent Audit 4. Receipt of e-mail from CRISIL daily; 5. Cross – checked by the internal support system and ensured that Corporate Actions have been duly incorporated in the Valuation Files	Major (Impact the nav of the schemes)	Unlikely	Low	-	Operations Manager
3.	Erroneous Expenses accrual	Wrong accrual of AMC fees, other revenue expenses (not in line with PFRDA/Internal guidelines)	1. Updation of the Master File based on approval of competent authority 2. Monthly review of actual expenditure vis-à-vis fund accruals 3. System control 4. Concurrent Audit	Moderate	Remote	Low	Concurrent Audit	Operations Manager
4.	Outdated / inaccurate Valuation Policies	Non-updation of Valuation policies/methodologies	1. Need-based review by the PFRDA	Major	Remote	Low	-	Operations Manager

S. No	What can happen (Effect)	How it can happen (Cause)	Existing Control Framework	Consequences	Likelihood	Risk Level	Additional Risk Mitigation Measures	Responsible Officer
5.	Delay in updation of NAV	Delay in receipt of information from various sources Systemic problems	1. Proper control mechanism through check-list and escalation systems on receipt of information 2. Availability of requisite IT support-staff	Moderate	Unlikely	Low	-	Operations Manager
6.	Mismatch between Dealers record & Brokers contract Note	Inaccurate details by our dealers/Wrong Contract Notes	Exception Reports are generated and only confirmed deals are taken for NAV Computations	Medium	Remote	Low	-	Operations Manager
7.	Inaccurate Financial Reporting	Inadequate disclosure of the financial statement & non-adherence to PFRDA regulation/Internal guidelines	1. Statutory Audit (of Half yearly/Annual Statements published) 2. Internal Audit 3. System controls, policies & procedures Manual, reviewed on periodic basis.	Major	Remote	Low	-	Operations Manager

S. No	What can happen (Effect)	How it can happen (Cause)	Existing Control Framework	Consequences	Likelihood	Risk Level	Additional Risk Mitigation Measures	Responsible Officer
8.	Idle Funds in Bank Account as per our books vis-a-vis Banks	Inaccurate Accounting	Daily Bank Reconciliation	Major	Remote	Low	-	CIO
9.	Non-Accuracy in payment of Bank charges/custody charges	Wrong rates/ Nos. of transactions	Checking of the bills to verify the rates as per the Agreement Custodian Charges with the approval of NPS Trust / PFRDA	Minor	Remote	Low	-	Operations Manager
10.	Non Adherence to internal rules and regulations	1. Absence of Reference Manual 2. Inadequate Control and Monitoring	1. Detailed Policy and procedure Manual, accessible to all officers and reviewed on annual basis. 2. Delegation of Powers in respect of Investments 3. Internal Audit 4. Delegation of powers for expenditure	Major	Unlikely	Low		CEO

S. No	What can happen (Effect)	How it can happen (Cause)	Existing Control Framework	Consequences	Likelihood	Risk Level	Additional Risk Mitigation Measures	Responsible Officer
11.	Data Integrity Non-availability of critical systems / documents due to fire, natural disaster and other contingencies	Absence of business contingencies plan	<ol style="list-style-type: none"> 1. Detailed IT policy of UTI PF is in place. 2. Storage of daily back-ups of database. 3. Storage of scanned copy of important documents in a common drive, which is backed – up by IT cell on daily basis. 4. Approved BCP 				DR Drill is conducted on half-yearly basis.	CEO & CRO

UTI Pension Fund Limited

Risk Evaluation and Assessment Framework

Date of Review: 08th April, 2024

Reviewed By: Risk Officer & CRO

S. No	What can happen (Effect)	How it can happen (Cause)	Existing Control Framework	Consequences	Likelihood	Risk Level	Additional Risk Mitigation Measures	Responsible Officer
1.	Wrong calculation / accrual of management fees / revenues	1. Change in AMC fees rate 2. Untimely action by Back office persons 3. AUM is incorrect	1. PFRDA direction 2. Quarterly approval of PFRDA / NPS Trust for AMC Fees 3. AUM figures obtained from Support system. The AUM is verified by NPS Trust / PFRDA from NSDL – CRA 4. Daily checking of accruals of AMC fees and other revenues	Over / understatement of income	Unlikely	Low	-----	Operations Manager

2.	Error in accounting of investment income	1.Non / wrong accounting of dividend / interest income	1. Interest received on investments is verified extensively. 2. Investment income reinvested 3. Investments are redeemed whenever payments are to be made to vendors / creditors or other dues. 4. The profit / loss is booked on quarterly basis. 5. Investment ledger is tallied with register	Excess / short recognition of income	Unlikely	low	----	Operations Manager
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3.	<p>Error in Accounting of Fixed Assets and Depreciation</p> <p>Over / under statement of fixed assets</p> <p>Inaccurate income</p>	<p>Non provision of adequate depreciation</p> <p>Classification under wrong account head</p>	<p>1. Asset wise details are maintained in Tally</p> <p>2. Complete details of depreciation and book value of individual assets are recorded in Tally</p> <p>3. Before updating the register, the bills are checked thoroughly</p> <p>4. Physical verification of assets on yearly basis by DOA of UTIPF.</p>	Moderate	Unlikely	Low	-----	Operations Manager
4.	<p>Discrepancy in vendor payments</p> <p>Excess expenditure / payments</p>	<p>1. Double payment</p> <p>2. Payment without adequate approvals / support documents</p> <p>3. Incorrect accounting</p>	<p>1. The bills are scrutinized thoroughly to avoid the disallowance of expenditure</p> <p>2. The payments are released on the actual receipt of original bills</p> <p>3. Before releasing any payment to vendor, the GL is checked to avoid double payment</p>	<p>Major</p> <p>Risk of recovery</p> <p>Observation by Statutory and Internal Auditors</p> <p>Misrepresentation of allowable / disallowable expenditure for income tax</p>	Unlikely	Low	-----	Operations Manager

5.	Inaccurate Financial Statements	<ul style="list-style-type: none"> 1. Absence of well laid down policies and procedure or non – adherence thereof 2. Wrong classification / allocation / capitalization / accrual of various expenses 3. Non adherence to all applicable laws / accounting standards 4. Non – availability of all support documents 	<ul style="list-style-type: none"> 1. Policy and procedures approved by the Board 2. Quarterly review and analysis of the Trial Balance 3. Internal Audit on quarterly basis and external review / audit on quarterly / annual basis 4. Co – ordination and follow – up with the respective department for expenditure settlements of the bills and creation / reversal of necessary provisions. 	Major	Unlikely	Low	-----	Operations Manager
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6.	Non Adherence to various applicable statutes viz. PFRDA Regulations/ Income Tax Act/ Shops & Establishments Act etc., Profession Tax Act	Untimely action by Back office persons/ Company Secretary etc.	1. Periodic Review of Internal Audit Report. 2. Periodic Review by NPS Trust Board. 3. Compliance Manual covering IMA, PFRDA guidelines, CRA, Companies Act and Taxation laws has been documented 4. Valuation prices are received from the third party valuer i.e. CRISIL 5. NAV movement on daily basis compared with previous day and index 6. Concurrent Audit	Major	Possible	Low To medium		CEO, CFO and CS & Compliance Officer.
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The document has been duly circulated to all the concerned Officers in the department for effective implementation.

Consequences:	Likelihood
1. Catastrophic	1. Almost Certain
2. Major	2. Likely
3. Moderate	3. Possible
4. Minor	4. Unlikely
5. Insignificant	5. Remote
