<u>Role and responsibilities of CXOs SEBI vide its circular no. SEBI/HO/IMD/IMD-1DOF2/P/CIR/2021/630 dated 27th September 2021 laid down a Risk Management Framework to be adopted by mutual funds. The role and responsibilities of the CXOs are aligned to meet the guidelines issued under the SEBI circular.</u>

A. Role of the Board of AMC and Trustees

1. Approving the RMF policies and procedures including the risk metrics at scheme level.
2. Defining, reviewing and approving the AMC's and scheme's risk appetite framework.
3. Periodic monitoring of risk appetite versus actual risk at scheme level.
4. Event based monitoring of Risk appetite versus actual risk at scheme level.
5. Define specific responsibility of the management, including CEO.
6. Approval of policy for risk based KRAs and KRAs at level of CEO and up to one level below CEO and also to suggest modifications in KRA outcomes and link compensation to those KRAs.
7. Review of actions taken by Board of AMC and management in respect of risk management.
8. Setting up risk management function and developing appropriate structures and procedures to ensure that it can function independently.
9. Trustees may recommend reduction/ change in the risk level of the schemes within the Potential Risk Class (PRC)
10. RMC Committee will look at Effectiveness and based on Specific Risk Events that Occurred in the Past and any Risk Events in which there was inadequate Risk Mitigation will be reviewed.

B. Role of Management

The risk management role of the management can be broadly classified into risk management roles and responsibilities of the CEO, CRO, CXOs and the fund managers. Overall role of the management is given below:

1. Overseeing the risk management function and administering the implementation of risk management framework.
2. Inclusion of risk management as a parameter for performance appraisal (through KRAs or equivalent) of all the officials of the AMC at the level of CEO and up to two levels below CEO.

C. Role of CEO

1. The CEO shall be responsible for all the risks at both AMC and Scheme level.
2. The CEO shall ensure that the outcomes of risk management function are reported to him on a monthly basis.
3. The CEO shall administer specific responsibility of CXO regarding risk management
4. The CEO shall oversee a risk appetite framework for schemes and AMC
5. The CEO shall oversee appropriate risk metric for respective CXO, fund manager, etc.

6. The CEO shall ensure adherence to the guidelines pertinent to SEBI in respect of RMF and relevant principles thereunder including risk identification, risk management, risk reporting (both periodic and escalation of material incident) and corrective actions taken, if any.
7. The CEO shall approve the corrective action on various findings and report to the board of AMC and trustee regarding the same and escalate to board of AMCs and trustees, if required, any major findings being reported.

D. <u>Role of CRO</u>

1. The CRO shall be responsible for ensuring that there is an effective governance framework and reporting framework of risk management in line with the regulatory requirements.
2. Implementation of Risk management framework across the organization.
3. Review specific responsibility of management, including CEO, CXOs, and Fund Managers.
4. Put in place mechanism for risk reporting at least on a quarterly basis to the board of AMC, trustees and RMCs, covering all risks including risk metrics, escalation of material risk related incidents, timely and corrective actions taken, if any.
5. The reporting of risk as above is independent from the CXO (Investments) and verified by the risk team.
6. There is a DoP approved by the Board of AMC for risk management by CRO covering daily risk management, daily risk reporting, corrective actions at the level of Fund Manager, CXO (Investments) and CEO.
7. The CRO shall inform to board of AMCs, trustee and risk committees regarding any major findings or corrective actions required and also update on closure or the status of various recommendations.

E. <u>Role of CIO</u>

1. Daily management of risk and necessary reporting relating to Investment risk of all scheme(s) such as market Risk, liquidity Risk, credit risk etc. and other scheme specific risks (Compliance Risk, Fraud Risk, etc.)
2. In respect of all schemes CXO should ensure adherence to the guidelines pertinent to SEBI in respect of RMF and relevant principles thereunder including risk identification, risk management, risk reporting (both periodic and escalation of material incident) and corrective actions taken, if any
3. In respect of all schemes CXO should ensure defining specific responsibility of Fund Managers
4. In respect of all schemes CXO should ensure adherence to risk appetite framework - maintain risk level for schemes
5. CXO will calculate the overall risk by taking into account the weighted average of (i) the risk- o-meter and (ii) the events of defaults. Both (i) and (ii) are to be calculated in terms of a number taking into account the risk-o-meter and events of defaults or early mortality of investments which may inter alia include credit default, change in yield, change in NAV, external shock or unusual redemptions, etc. to quantify the overall risk.

6. The CXO shall escalate the corrective actions taken, if any, to the CEO and the CRO.

F. Role of other CXOs

1. The CXOs shall be responsible for the governance of the respective risk types.
2. In respect of respective risk type, CXO should ensure adherence to the guidelines pertinent to SEBI in respect of RMF and relevant principles thereunder including risk identification, risk management, risk reporting (both periodic and escalation of material incident) and corrective actions taken.
3. In respect of respective risk type, CXO should ensure defining specific responsibility regarding risk management of key personnel reporting to them.
4. Maintaining risk level as per the risk metric.
5. The CXOs shall take immediate corrective action for non-compliance or major finding post approval from CEO and EVP-Governance as per DOP and shall report to CRO regarding the risk reports.
6. The CXO shall escalate to CEO and the CRO any major findings reported by respective risk management function.

G. Role of Fund Managers (FMs)

1. The FM shall be responsible for investment within the parameter as defined in RMF concerning investment risk of managed scheme(s) such as market Risk, liquidity Risk, credit risk and other scheme specific risks and Exception deviation shall be escalated.
2. In respect of schemes managed by them, FMs should ensure adherence to relevant SEBI guidelines in respect of RMF and relevant principles thereunder including risk identification, risk management, reporting and corrective actions etc.
3. The FM shall take corrective action, if required, as per the approved DOP and escalate major risk related event to respective CXO.