

Roles and Responsibilities

Objective and Background: To provide additional roles and responsibilities for risk management activities for mutual fund related activities of Shriram Asset Management Company Limited ("The Company" or The "AMC") in accordance with SEBI risk management circular dated 27th September 2021. This shall be aligned to the risk management policies and procedures documented by respective AMC for the risk management activities. The roles and responsibilities are subject to regulatory guidelines, Risk Management framework and other policies of the company.

1.1. Chief Executive Officer (CEO)

Roles & Responsibilities

- Monitor and manage risk at both AMC and Scheme level
- Review the outcomes of risk management function on a monthly basis.
- Approve roles and responsibility including KRA of Chief Investment Officer ("CIO") and other CXO like Chief Compliance Officer ("CCO"), Chief Operations Officer ("COO"), Chief Human Resources Officer ("CHRO"), Chief Business Officer ("CBO"), Chief Financial Officer ("CFO") relating to risk management
- Define Delegation of Power (DoP) framework for daily risk management, reporting and corrective actions and place it with Board of AMC for approval.
- Define risk appetite at AMC and scheme level and place these at the risk committees for approvals.
- Define risk metric for
 - CIO and Fund Managers
 - CCO, COO, CBO, CHRO
- Review risks events across different functions and approve corrective / recommended actions highlighted by the CIO and other CXOs
- Review identified fraud incidents, loss and near miss incidents along with corrective action plans and report to the risk committee
- Report and escalate corrective actions on major findings to the Board of AMC and Trustee.
- Ensure adherence to the risk management framework of SEBI.

Key Result Area

- Risk incidents / events beyond the defined thresholds or tolerance limits
- Incidents of breach in risk appetite at AMC and Scheme Level
- Frauds, loss and near miss incidents identified across AMC and Mutual Fund
- Timely implementation of action plans beyond timelines approved by the board

1.2. Chief Risk Officer (CRO)

Roles & Responsibilities

- Ensure all risk related policies are defined, reviewed, and updated periodically and placed at the relevant risk management committee for approval.
- Responsible for implementation and governance of Risk Management Framework (“RMF”) across Asset Management Company (“AMC”) and Mutual Fund Schemes
- Responsible for overall risk management related activities of the AMC and Mutual Fund Schemes
- Establishing an organization wide risk conscious culture-
- Formulate and implement structured reporting process for risk monitoring and reporting to CEO, Risk Committees and Board of AMC and Trustee
- Monitor and ensure adherence and compliance to RMF across AMC and Mutual Fund Operations.
- Perform periodic review and update the RMF defined by the AMC and place the same to the Risk Management Committee (“RMC”) for approval.
- Formulate and recommend changes to roles and responsibilities including KRAs relating to risk management activities and place these at the RMCs for approval.
- Periodically review the DoP covering the following:
 - Daily risk management
 - Daily risk reporting
 - Corrective actions at the level of Fund manager, CIO and CEO
- Review and suggest changes to the risk appetite and risk metrics for AMC and scheme as defined by the CEO
- Ensure formulation and implementation of adequate mechanism for –
 - Generating early warning signals;
 - Conducting stress testing for investment, credit and liquidity risks basis approved parameters;
 - Define the tolerance limits for each of the risk parameters;
 - Measurement and review of AMC and scheme specific risks including RCSA and the person responsible to monitor the risks;
 - Assessment and review of credit risk policies
 - Assess liquidity risk at a scheme level
 - Alerts pertaining to asset liability mismatch
 - Formulation of Fraud Risk Registers and Frauds response plan / strategies
 - Escalation matrix for reporting and resolution of incidents (loss, near miss, fraud etc.)
 - Ensure review of operations for material outsourced activities atleast on an annual basis;
 - Adequate framework to detect and prevent security market violation, frauds and malpractices by the AMC and reporting framework on the same to the ERM and board Trustee on half yearly basis.
- Review and report the following to the ERM and Board Risk Committee of AMC and Trustee –
 - Risk reports and dashboards capturing deviations to risk thresholds, risk appetite across AMC and Scheme
 - Results of monitoring of early warning signals by respective functions
 - Result of stress testing based on defined parameters for investment, credit and liquidity risks, etc.
 - Internal and external fraud incidents reported / identified by CXOs including evaluation of fraud risk scenarios

- Near miss and loss incidents identified and reported by the respective departments
- Monitor liquidity risk including asset liability mismatch at a scheme and portfolio level vis-à-vis internally approved and defined liquidity model on a monthly basis
- Major findings and corrective actions prepared by the CXOs
- Monitor delays in implementation of corrective actions by CXOs
- Monitor control breaches as a result of periodic RCSA review and mitigating actions put in place by the management and risk function.
- Independently assess reporting of risks to various committees and CEO.
- Ensure insurance cover is maintained based on AMC and Trustee approval for the MF operations and third party losses
- Report outcomes of the risk management function to the management atleast once a month.
- Approve investment limit setup such as minimum number of stocks/securities, cash (net of derivatives), stocks/securities vis-a-vis benchmark and Beta range, regulatory limits
- Define process to assess the control against each of the identified risk capturing following elements:
 - Measurement tool for each risk (RCSA, Stress Testing etc)
 - Monitoring and reporting frequency
 - Reporting of breaches
- Identify, assess and estimate emerging risks and their possible impact on AMC and mutual fund schemes
- Report existing and emerging risks associated with the MF and AMC activities in a structured manner to the Board Risk Management Committee of the AMC and Trustee

Key Result Area

- Adherence to the requirements of SEBI risk management circular
- Timely reporting of the results from monitoring of AMC and scheme specific risks such as:
 - RCSA testing;
 - Stress testing;
 - Monitoring of risk thresholds and risk appetite
 - Monitoring of investment and liquidity risks
 - Monitoring of EWS by functions;
- Monitor and timely report implementation status of the actions plan committed by the respective functions/ CXOs and reporting of delays, if any
- Timely reporting of risk events to the ERM and Board Risk Committees
- Adherence to the defined roles and responsibilities and Delegation of Power (DoP)
- Availability of adequate insurance coverage for MF operations and third-party losses.

1.3. Fund Manager (FM)

Roles & Responsibilities

- Manage investment risk of managed scheme(s). i.e., market risk, liquidity risk, credit risk and other scheme specific risks within approved limits
- Ensure adherence to Risk Management framework, SID, internal & Regulatory limits.
- Ensure adherence of applicable provisions of Mutual Funds Regulations including Code of Conduct per Schedule V B.
- Adhere to the risk appetite framework of the scheme managed by the Fund Manager.
- Suggest / provide inputs on changes required to risk appetite to the CIO
- Recommend reduction/ change in the risk level of the schemes within the Potential Risk Class (PRC) to the CIO.
- Report identified risk, risk related events and corrective actions plans to the CIO
- Measure risks in accordance with the approved internal policy and risk metric.
- Periodic analysis of bulk trades and block deals of large values.
- Analysis and evaluation of ratings received from multiple credit rating agencies for securities across portfolios and take necessary actions
- Ensure disclosures made to clients are consistent with investments and holdings
- Manage and monitor investments in schemes by conducting –
 - Quantitative risk analysis using metrics such as VaR, Sharpe Ratio, Treynor Ratio, Information Ratio, etc.
 - analysis of concentration limits (counterparty wise, group wise, industry or sector wise, geography wise)
- Perform due diligence at the time of buying securities through inter-scheme transfers.
- Ensure maintenance of all relevant documents and disclosures with regard to debt and money market instruments before finalizing the deal
- Take corrective action for deviations, if required, as per the approved Delegation of Power (DoP).

Key Result Area

- Adherence to the SEBI risk Management circular relating to investment activities
- Adherence with investment limits such as
 - Single Issuer Limit
 - Group Issuer Limits
 - Sector limits
 - Rating linked limits
 - Liquidity limits
 - Asset Allocation limits as per SID
 - Internal investment norms
 - Stress testing
 - Market capitalization limits
 - Other internal/ regulatory limits
- Adherence to the investment risk tolerance levels for the schemes managed by the fund manager
- Timely implementation of remediation actions plan linked to respective fund manager.
- Instances of fraud, near miss and loss events relating to schemes managed by the fund manager
- Timely reporting of risk incidents to CIO
- Adherence to DoP
- Adequate due diligence during inter-scheme transfer of securities
- Timely action upon downgrade of securities
- Adequate documentation for debt and money market deals

1.4. Chief Business Officer

Roles & Responsibilities

- Responsible for the governance of business risks including distribution risks.
- Provide inputs to CRO to define risk threshold and risk appetite
- Define and delegate roles to the key personnel within the distribution / sales function for identifying and reporting risks
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for:
 - Early warning signals
 - Emerging risks
 - Major findings
 - Near miss and loss events
 - Fraud incidents
 Ensure escalation of such incidents as per the escalation matrix approved by CRO.
- Review the risk level for the functional risk is in accordance to the approved risk threshold and risk metric.
- Ensure adherence with the DoP framework
- Formulate, review and periodically provide inputs to update the RCSA for key risks and controls
- Perform and report outcomes of periodic testing of the RCSA to CRO
- Identify and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO
- Ensure adherence to the SEBI risk management framework
- Monitor the distribution channels and miss-selling incidents reported such as –
 - Number of mis-selling incidents
 - Negative comments in the inspection report relating to distribution
 - Analysis of the portfolio of investors e.g. nature of investments vis-à-vis risk appetite of investor
- Exceptions reported by Sales & Marketing basis reviews done for distributors.

Key Result Area

- Adherence to Risk Management Framework
- Compliance with roles and responsibilities and DoP framework
- Risks and inconsistencies identified and reported to CEO / CRO
- Timely reporting of identified risks and outliers to CEO / CRO
- Timely implementation of corrective actions for the risks and deviations
- Timely reporting of fraud, loss and near miss events in the respective functions
- Breach of approved threshold relating to risk appetite and risk metrics
- Instances of mis-selling reported and actions taken Risk incidents / events beyond the defined thresholds or tolerance limits

1.5. Chief Compliance Officer ('CCO')

Roles & Responsibilities

- Responsible for the governance of compliance risks.
- Formulate and implement compliance and other policies in accordance with SEBI risk management framework and approved by the Board of AMC and Trustee
- Review and suggest changes in the policies
- Ensure identification and communication of regulatory updates to the respective functions and CXOs and monitor implementation.
- Provide inputs to CRO to define risk threshold and risk appetite of Compliance
- Define and delegate roles to the key personnel within the compliance function for identifying and reporting risks
- Provide relevant information to CRO regarding monthly / quarterly risk reporting to the Committees
- For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for:
 - Early warning signals
 - Emerging risks
 - Major findings
 - Near miss and loss events
 - Fraud incidents
 Ensure escalation of such incidents as per the escalation matrix approved by CRO.
- Ensure timely and accurate filing of the regulatory returns / filings
- Review the risk level for the functional risk is in accordance with the approved risk threshold and risk metric
- Ensure adherence with the DoP framework
- Formulate, review and update the RCSA for key Compliance risks and controls
- Perform and report outcomes of periodic testing of the RCSA to CRO
- Identify and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO
- Ensure adherence to the SEBI risk management framework
- Ensure timely submission of regulatory reports to the Regulator and Board of AMC and Trustee as prescribed by the SEBI Mutual Funds Regulations.
- Monitor the following scheme related disclosures -
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 - Disclosure of credit (quality of investments made mainly debt based on the credit rating), counterparty, investment and other risks associated with the scheme to the investors
 - Scheme's risk profile is stated in all communications with investors including in the SID and marketing materials
 - Incorporate any other elements of risk appetite as may be stipulated by AMCs and Trustees in SID.
- Implement process for prevention or detection of possible insider trading at the personnel or portfolio levels
- Implement process for performing compliance check of AMC's marketing materials (collateral, brochures etc.), website uploads, digital advertising, and performance advertising etc. before its usage.
- Ensure that roles and responsibilities as per the RMF is disclosed on the AMC website

Key Result Areas

- Adherence to Risk Management Framework
- Compliance with roles and responsibilities and DoP framework
- Risks and inconsistencies identified and reported to CEO / CRO
- Timely reporting of identified risks and outliers to CEO / CRO
- Timely implementation of corrective actions for the risks and deviations relating to compliance function
- Timely reporting of fraud, loss and near miss events relating to Compliance function
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- Timely reporting to the regulator, Board of AMC and Trustee
- Adequacies in disclosure in SID
- Compliance check on the marketing material not performed resulting in non-compliance
- Identification and timely implementation of regulatory changes
- Risk incidents / events beyond the defined thresholds or tolerance limits, or the elements in the risk registers which are mapped to the compliance function

1.6. Chief Financial Officer ('CFO')

Roles & Responsibilities

- Responsible for the governance of financial accounting and reporting risks.
- Formulate and implement policy for mutual fund accounting and obtain approval from the Board of AMC
- Perform periodic review and suggest changes in the policies and obtain approval from Board of AMC
- Provide inputs to CRO to define risk threshold and risk appetite
- Define and delegate roles to the key personnel within the finance / accounting function for identifying and reporting risks
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for:
 - Early warning signals
 - Emerging risks
 - Major findings
 - Near miss and loss events
 - Fraud incidents

Ensure escalation of such incidents as per the escalation matrix approved by CRO.
- Ensure adequate segregation of duties within the finance function for accounting related activities for scheme and AMC
- Review the risk level are in accordance with the approved risk threshold and risk metric.
- Ensure adherence with the DoP framework
- Formulate, review and periodically provide inputs to update the RCSA for key risks and controls
- Perform and report outcomes of periodic testing of the RCSA to CRO
- Identify and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO
- Ensure adherence to the SEBI risk management framework
- Formulate procedure documents and implement process to perform periodic testing of internal controls over financial reporting of Mutual Fund schemes

Key Result Area

- Adherence to Risk Management Framework
- Compliance with roles and responsibilities and DoP framework
- Risks and inconsistencies identified and reported to CEO / CRO
- Timely reporting of identified risks and outliers to CEO / CRO
- Timely implementation of corrective actions for the risks and deviations
- Timely reporting of fraud, loss and near miss events in the respective functions
- Breach of approved threshold relating to risk appetite and risk metrics
- Reporting of major gaps identified across MF schemes during Internal Financial Control ("IFC") review
- Delayed / non implementation of action plan to mitigate IFC gaps
- Risk incidents / events beyond the defined thresholds or tolerance limits

1.7. Chief Human Resource Officer ('CHRO')

Roles & Responsibilities

- Responsible for the governance of Human Resource risks
- Formulate and implement Human Resources and remuneration policy and obtain approval from the Board of AMC
- Review and suggest changes in the policies and obtain approval from Board of AMC
- Provide inputs to CRO to define risk threshold and risk appetite
- Define and delegate roles to the key personnel within the human resource function for identifying and reporting risks
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for:
 - Early warning signals
 - Emerging risks
 - Major findings
 - Near miss and loss events
 - Fraud incidents

Ensure escalation of such incidents as per the escalation matrix approved by CRO.
- Review the risk level for the functional risk is in accordance to the approved risk threshold and risk metric.
- Ensure adherence with the DoP framework
- Formulate, review and periodically provide inputs to update the RCSA for key risks and controls
- Perform and report outcomes of periodic testing of the RCSA to CRO
- Identify and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO
- Ensure a well-defined succession planning process for KMP and other key positions in the AMC
- Adequate backup and succession plan for key positions and key people are present at all times to ensure that at no point of time the AMC is deprived of the services of any Key Managerial Person (KMP).
- Ensure adherence to the SEBI risk management framework
- Ensure that risk related KRAs are defined for CXOs and one level below CXO as required by the SEBI RMF

Key Result Areas

- Adherence to Risk Management Framework
- Compliance with roles and responsibilities and DoP framework
- Risks and inconsistencies identified and reported to CEO / CRO
- Timely reporting of identified risks and outliers to CEO / CRO
- Timely implementation of corrective actions for the risks and deviations
- Risk incidents / events beyond the defined thresholds or tolerance limits
- Timely reporting of fraud, loss and near miss events in the respective functions
- Breach of approved threshold relating to risk appetite and risk metrics
- Number of vacant positions for KMP and other key positions