

Risk Management Policy

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Document Statistics

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1. Introduction - General purpose and applicability

Background & Scope

- 1.1 This document sets out the policy framework for managing risks in MaxLife Pension Fund Management Ltd. (here after referred to as the Company). It summarizes the management system in place which is used to identify, assess, monitor, review, control, report risks and controls within the company.
- 1.2 The Company's risk management system needs to comply with the regulatory requirements as specified by the PFRDA as well as the Companies Act, 2013.
- 1.3 The policy requires the Company to maintain a number of other documents (included in the document reference list) which together with the policy form part of the Company's Risk Management System.

Adherence and governance of policy

- 1.4 This policy applies to the whole of the Company, including all functions and departments. Any non-compliance to this policy or identified issues that could lead to such non-compliance must be rectified immediately and reported to the Risk Management Committee (RMC).

Policy Review

- 1.5 This Policy will be subject to review half yearly or whenever there is a material change to the Company's operating environment. This review shall be coordinated by the Chief Risk Officer and the conclusions will be considered by the RMC for appropriate recommendations made to the Board.

Policy Statement

- 1.6 "Risk" within the Company is the potential for future outcomes or situations to be not as we would like. These include adverse deviations from expectations such as deviation from an approved plan and may also include missed opportunities where the plan itself is poorly conceived. Other situations may not be objectively measurable but they could be inconsistent with our values, such as to comply with both the spirit and the letter of the law, or to behave ethically, even in situations where immediate reputational damage is unlikely or action by the authorities improbable.

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- 1.7 The Company’s policy is that risks should be managed systematically with the system of risk management being well defined and with its various elements properly integrated. Risks are also managed within a ‘three lines of defense’ framework as set out in Section 3 of this Policy.
- 1.8 The Company’s Risk Management Policy sets out the principles to be observed in designing and implementing the Company’s risk management system, including matters that the Board reserves to itself, matters which are delegated to the Board Risk Management Committee and specific members of management, particularly the Chief Risk Officer.

2. Risk Management System

- 2.1 The Company will maintain a Risk Management System that enables it to develop and implement strategies, policies, procedures and controls to manage different types of material risks. The framework is therefore, the totality of systems, structures, policies, processes and people that identify, measure, monitor, report and control or mitigate all internal and external sources of material risk and should consist of the following elements:
 - A designated risk management function,
 - A systematic identification of material risks,
 - A Risk Appetite Statement which conveys the degree of risk that Company is prepared to accept in pursuit of its objectives giving consideration to the interests of subscribers and would include the identification of material risks,
 - A Risk Management Strategy which
 - specifies the strategy to manage each identified material risk along with the supporting procedures,
 - states the risk owner,
 - states the role of the risk function, and
 - monitoring mechanisms for each identified risk
 - A Management Information System that is adequate, both under normal circumstances and in periods of stress, for measuring, assessing and reporting on all material risks across the Company, and
 - An assurance process that the Risk Management System is effective in identifying, measuring, evaluating, monitoring, reporting, and controlling or mitigating material risks including a declaration from the Board Risk Management Committee as to the overall integrity of that system.
- 2.2 In addition, the Company’s business plan and its Measures of Success are considered to be an essential part of managing risk. The plan itself should identify the key risks associated in the

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context of a proposed plan together with the impact of scenarios on planned outcomes and how such outcomes might be mitigated if necessary.

Risk Management Function

- 2.3 The Company should have a designated risk management function, headed by a Chief Risk Officer that:
- Is positioned at an appropriately senior level within the organization so as to have regular and unfettered access to the Board and the Board Risk Committee,
 - Is responsible for assisting the Board, Board committees and senior management to develop and maintain the Company's Risk Management System and associated governance arrangements,
 - Is appropriate to the Company's evolving size, business mix and complexity,
 - Is operationally independent,
 - The CRO should have clearly defined roles and responsibilities and is one who possess appropriate experience and qualifications to exercise those responsibilities, and
 - Has access to all activities within the Company that have the potential to generate material risk, and including information technology systems and business continuity.
- 2.4 A list of matters to be brought to the attention of the Chief Risk Officer has been included in Appendix 1 to the policy. This list is not exhaustive and is intended to guide the organizational leaders on the nature of activities where direct involvement of the risk management function is necessary in decision making.

Material Risks

- 2.5 Material risks are those that could have a material impact, both financial and non-financial, on the Company including the interests of subscribers, shareholders and people. In identifying material risks the Company should, at a minimum, address:
- Risks arising from its strategic objectives and business plans,
 - Market related risk including credit risk, equity risk, interest rate risk,
 - Operational risk including process risks, market misconduct, third party risks, information security and business continuity risks and
 - Other risks that, singly or in combination with different risks, may have a material impact on the Company.

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2.6 Impact thresholds will be generally used to determine whether a risk is material or not but the following potential situations are deemed to be material risks irrespective of the lack of any explicit or material short term consequences affecting financial performance or outcomes:

- Fraudulent behavior of any kind including:
 - Misappropriation of funds irrespective of the amount,
 - Attempts or assistance to obtain pension subscription without full disclosure of relevant facts,
 - Falsifying of documents including signatures,
- Deliberate non-compliance with laws, regulations and regulator guidance,
- Injudicious action that negates or is inconsistent with the public interest intent of laws and regulations,
- Situations where management level decisions, including approvals, are made and the individuals concerned have conflicts of interest,
- The creation of remuneration arrangements that have the potential to create conflicts of interest, particularly in relation to the Company’s people in the second and third lines of defence within our governance structures, and
- Instances of Sexual Harassment at workplace.

Risk Appetite Statement

2.7 The Company should maintain a Risk Appetite Statement that sets out:

- The risks that have been identified as material based on impact threshold levels or which have been deemed by this policy to be material - see paragraph 2.5,
- Risk appetite being the degree of risk that the Company is prepared to accept in the pursuit of its strategic objectives and business plan. Where appropriate and practicable, the risk appetite statement would include quantitative corporate level measures but may also be expressed in the form of high level qualitative statements that clearly capture the Company’s attitude to and level of acceptance of different risks,
- For each material risk, risk tolerances or limits which support the translation of the risk appetite into operational limits for the day-to-day management of material risks. Risk tolerances can be expressed in a number of different forms depending on the nature of the risk being managed but where possible would be expressed as a measurable limit to enable a clear and transparent monitoring process which may involve key indicators with thresholds around the risk tolerance,
- The process for ensuring that risk tolerances are set at an appropriate level – ideally derived from an estimate of a likelihood that the risk would be realized and what the impact would

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- then be but in other situations where a likelihood and impact assessment is not practicable a tolerance level based on an observed level of actual experience and trends,
- The process for monitoring compliance with each risk tolerance and for taking appropriate action in the event that it is breached, and
 - The timing and process for review of the risk appetite and risk tolerances.

2.8 PFM’s Risk Appetite Statement is required to be APPROVED by the Board on the advice of the Risk Management Committee and is to be reviewed yearly as part of the business planning process.

Risk Management Strategy

2.9 The Company should establish a Risk Management Strategy that describes the risk governance relationship between the Board, Board committees and senior management with respect to risk management and outlines the approach to ensuring all relevant persons and process owners within the Company have awareness of the Risk Management System thereby instilling an appropriate risk culture across the company.

- 2.10 The Risk Management Strategy should, for each identified material risk:
- Identify Risk Owner(s) for each material risk,
 - Describe each material risk and the Company's approach to managing that risk,
 - List the policies and procedures that deal with the management of that risk, - these policies and procedures are generally owned by people from the first line of defence who have the responsibility for their creation and maintenance and
 - Summarize the role and responsibilities of the risk management function in relation to that risk. Of importance, the risk management function should oversee the policies and procedures to prevent material risks to emerge, along with the respective owner (s), including the deployment of a strong mechanism to review, govern and escalate risk related matters

- 2.11 Additionally, the risk management function shall have in place processes for:
- Identifying and assessing material risks and controls,
 - Establishing, implementing and testing mitigation strategies and control mechanisms for material risks,
 - Monitoring, communicating and reporting risk issues, including escalation procedures for the reporting of material events and incidents,
 - Identifying, monitoring and managing potential and actual conflicts of interest,
 - Monitoring and ensuring ongoing compliance with all prudential requirements, and

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- Establishing and maintaining appropriate contingency arrangements (including robust and credible recovery plans where warranted) for the operation of the Risk Management System in stressed conditions.

Management Information System

2.12 The Company should have in place a system which enables regular, accurate, and timely information concerning the Company’s risk profile to the Board, the Risk Management Committee and the senior management. The system should be supported by a robust and adequate data framework that provides quality information for timely and accurate measurement, assessment and reporting on all material risks across the Company and provide a sound basis for making decisions by enabling:

- Aggregation of exposures and risk measures across business lines,
- Prompt reporting of limit breaches, and
- Forward looking scenario analysis and stress testing.

Review of the Risk Management System

2.13 The Risk Management System, its appropriateness, effectiveness and adequacy of its implementation shall be subject to a comprehensive review at least once in three years to identify areas of improvement and to align it with changes to the organization’s business strategy. Such review can be done by the CRO or appropriately trained internal persons. The CRO may seek external consulting help for such comprehensive review.

The outcomes of such review shall be presented to the Risk Management Committee of the Board.

Business Plan and MoS

2.14 The Company’s business plan is considered to be an important element in within the risk management framework. For certain risks, the plan may form the base from which impact thresholds will be determined. The plan should ideally include forward looking scenario analysis and stress testing over the planning horizon. The business plan, the Company’s MoS and its key outcomes shall be subject to an independent assessment by the Chief Risk Officer, outcomes of which shall be placed before the Risk Management Committee of the Board before the approval of the business plan.

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Risk Management Declaration

- 2.15 In conjunction with the preparation of year-end financial statements including references to risks therein, the Board Risk Management Committee is expected to make a declaration to the Board that, to the best of its knowledge and having made appropriate enquiries:
- The systems and resources that are in place for identifying, measuring, evaluating, monitoring, reporting, and controlling or mitigating material risks, and the Risk Management System generally, are appropriate having regard to the Company's size, business mix and complexity,
 - The risk management and internal control systems in place are operating effectively and are adequate having regard to the risks they are designed to control,
 - The Company has in place systems for ensuring compliance with all prudential requirements, and
 - The Committee is satisfied with the efficacy of the processes and systems surrounding the production of financial information.

3. Risk Management Governance Structure

- 3.1 The Company shall deploy a 'three lines of defence' model for the purposes of risk management activities and set out responsibilities for all the lines.
- 3.2 The business functions form the first line of defence and shall be responsible for identifying risks and maintaining internal controls on a day to day basis.
- 3.3 The independent Risk Management Function, together with the Compliance Function, shall form the second line of defence, under the aegis of the Board Risk Management Committee as well as the Audit Committee for compliance oversight and, shall be responsible for monitoring the implementation of the risk management practices and maintaining an aggregated risk view across the Company. Risk Management Committee will convene every quarter along with the scheduled Board Meeting.
- 3.4 The Internal Audit Function guided by the Audit Committee shall be the third line of defence and shall have a particular responsibility in relation to financial statement risk and more generally shall provide an assurance on the internal control framework of the organization.
- 3.5 Consistent with the requirements set out in the PFRDA's Corporate Governance Guidelines, the Risk Management Committee will provide advice and reports to the Board and other Board Committees on risk related matters generally.

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3.6 For risk governance, Board shall be guided by

3.6.1 Risk Management Functions

3.6.2 Disaster recovery and business contingency plans

3.6.3 Insurance cover against risks

3.6.4 Ensuring risk adjusted return to subscriber are consistent with protection, safety and liquidity of such funds

3.7 The key roles and responsibilities have been included in Appendix 2

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Appendix

Appendix 1: Matters for CRO's attention

Section 2.3 refers to the list of matters to be brought to the attention of the Company's Chief Risk Officer at early stages to ensure that the views of the Enterprise Risk Management function are appropriately incorporated in the decision making. The list has been segregated in two sections.

List A: Matters for Consultation with the CRO

#	Category	Matters for consultation
1	Strategic Planning Process	<ul style="list-style-type: none">Expense supportability and cost control measures adopted
2	Investments	<ul style="list-style-type: none">Monitoring and adherence to approved Investment Policy and SOP
3	Business Processes and Operations	<ul style="list-style-type: none">Critical changes in business processes
4	Information Technology	<ul style="list-style-type: none">Business Continuity Policy and processInformation Security Policy including framework for Access Controls, security solutions and assessments of large vendorsOther security aspects like Cyber Risks
5	Other areas impacting Identified material risks	<ul style="list-style-type: none">Meetings with external auditors/ strategic consultants appointed

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List B: Matters for Concurrence with the CRO

#	Category	Matters for concurrence
1	Strategic Planning Process	<ul style="list-style-type: none">• Strategy creation and Business plan review incl. scenario analysis• Any capital expenditure spends above Rs. 2 Crores• Any additional capital sourcing• Company's Annual Measures of Success (MoS)
2	Investments	<ul style="list-style-type: none">• Investment strategy including new asset classes, funds, products• Process for monitoring performance
3	Compliance & Legal	<ul style="list-style-type: none">• Review readiness for new regulatory requirements• Impact assessments for proposed regulatory requirements• Provide assurance on compliance matters• Key contracts with guaranteed financial obligations of significant nature
4	Other areas impacting identified material risks	<ul style="list-style-type: none">• Organizational policies or processes

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Appendix 2: Key Roles & Responsibilities

Level	Key roles and responsibilities
Board	<ul style="list-style-type: none"> Establish appropriate systems to define and regulate risk appetite and risk profile of the Company Review and incorporate recommendations from the Risk Management Committee into Company's overall strategy
Risk Management Committee	<ul style="list-style-type: none"> Review all risk related matters for the Company as prescribed by the PFRDA. Approve Company's Risk Management System including its various components and oversee its implementation Report to the Board on companywide risk exposures and actions taken to manage such risks Advise the Board with regard to risk management decisions in relation to strategic and operational matters Review corporate governance with regard to identification, evaluation and mitigation of risks.
Risk Management Function	<ul style="list-style-type: none"> Assist the Board, Board Committees and the Management Committee in developing, maintaining all components of Risk Management System Ensure that, through various management submissions, the Board is adequately informed on key emerging risk related issues and if necessary, provide supplementary advice to the Board through Risk Management Committee Monitor and review the implementation of the risk management practices and maintain an aggregated risk view across the Company and provide periodic update to the Risk Management Group Embed risk culture across various functions and resources and assist them in deploying mitigation measures and monitoring their effectiveness Manage enterprise-wide Business Continuity Management program and along with the functional owners, identify, assess and manage the impact of interruptions to the business processes
Functional Leaders	<ul style="list-style-type: none"> Ensure respective functions and their resources are managed in accordance with the Company's Risk Management System and adhere to prescribed policies and procedures Manage risks concomitant to the business decisions relating to respective functions and area of operation Report risk events and incidents within respective areas in a timely manner

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