



PGIM
India Mutual Fund

PGIM India – Risk Management Framework



Pillars of Risk Management Framework



Risk Management Framework

Governance Structure

Boards

Risk Management Committees

Management

Executive Committees

CXOs & Departmental Heads

Risk Identification

Three lines of Defense

Top Risks tracking

Controls Assessment

RCA for Incidents

Ears to ground External factors

Risk Areas Covered

Scheme specific risks

AMC specific risks

Risk Essentials

Fund-level risk appetite

Firm-level risk appetite

CXO / DH level accountability

Risk Reporting at various levels

Risk aware workforce

Risk Treatment

Accept

Reduce

Avoid

Transfer

Exploit / Leverage

Risk Measurements

Risk-o-meter / PRC matrix

LR-RAR / LR-CRAR limits

Stress Testing Reports

Key Risk Indicators

Incident Reporting

PGIM India leverages its global ORM framework for managing Operational Risk across the firm

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Risk Governance



Governance Structure



Audit Committees

Board

PGIM India AMC

| | Name | Role |
|----|---------------------------|-------------|
| 1. | Dr. V R Narasimhan | Chairperson |
| 2. | Mr. Muralidharan Rajamani | Member |
| 3. | Mr. Indy Reddy | Member |

PGIM India Trustee Company

| | Name | Role |
|----|-----------------------|-------------|
| 1. | Mr. Sidhartha Pradhan | Chairperson |
| 2. | Mr. K Kumar | Member |
| 3. | Mr. Sopun Leng | Member |

Frequency of Meetings

Quarterly

Terms of Reference

Define in Audit Committee Charter

Reporting to

AMC Board / Trustee Board

Risk Committees

Board

PGIM India AMC

| | Name | Role |
|----|---------------------------|-------------|
| 1. | Mr. Muralidharan Rajamani | Chairperson |
| 2. | Mr. Indy Reddy | Member |

PGIM India Trustee Company

| | Name | Role |
|----|-----------------|-------------|
| 1. | Mr. N Sivaraman | Chairperson |
| 2. | Mr. Sopun Leng | Member |

Frequency of Meetings

Quarterly

Terms of Reference

Define in Audit Committee Charter

Reporting to

AMC Board / Trustee Board

Boards & RMCs – Roles & Responsibilities

Boards (AMC/Trustee)

- ▲ Approve:
 - ✧ Risk Management Framework, Policies and Procedures
 - ✧ Risk metrics at Scheme Level
- ▲ Define, review and approve risk appetite framework (*AMC and Schemes*)
- ▲ Setting up of risk management function
- ▲ Approve responsibilities and policy on risk-based KRAs for CEO and 1 down
- ▲ Monitoring of actual risk vis-à-vis risk appetite at scheme level (*Periodic and Event Based*)
- ▲ Review action taken report on matters related to risk management
- ▲ Annual review of effectiveness of risk management function, policies, risk metrics to achieve risk outcomes
- ▲ Approve methodology for board evaluation of risk management framework

Risk Management Committees (AMC/Trustee)

- ▲ Assist Board in discharge of its duties under the circular
- ▲ Define and review Risk Management framework (*AMC and Schemes*)
- ▲ Quarterly RMC Meetings to review risks
- ▲ Risk reporting to Boards
- ▲ Annual risk review

Management – Roles & Responsibilities (1/2)

Management

- ▲ Oversee risk management function
- ▲ Keep Boards informed on new and emerging risks
- ▲ Quarterly risk reporting to Boards
- ▲ Establish an organization-wide risk-conscious culture
- ▲ Include risk management as parameter for performance appraisal upto two levels below CEO
- ▲ Establish HR practices to align to expected standards on integrity, ethical behaviour, competence and risk management

CEO

- ▲ Responsible for all risks at AMC and Scheme level
- ▲ Define risk appetite framework for schemes and AMC
- ▲ Monthly review of outcomes of risk management function. Approve corrective action on findings.
- ▲ Define risk management responsibilities and risk metrics for CXOs
- ▲ Ensure adherence to SEBI guidelines on RMF
- ▲ Board reporting, escalation of major findings

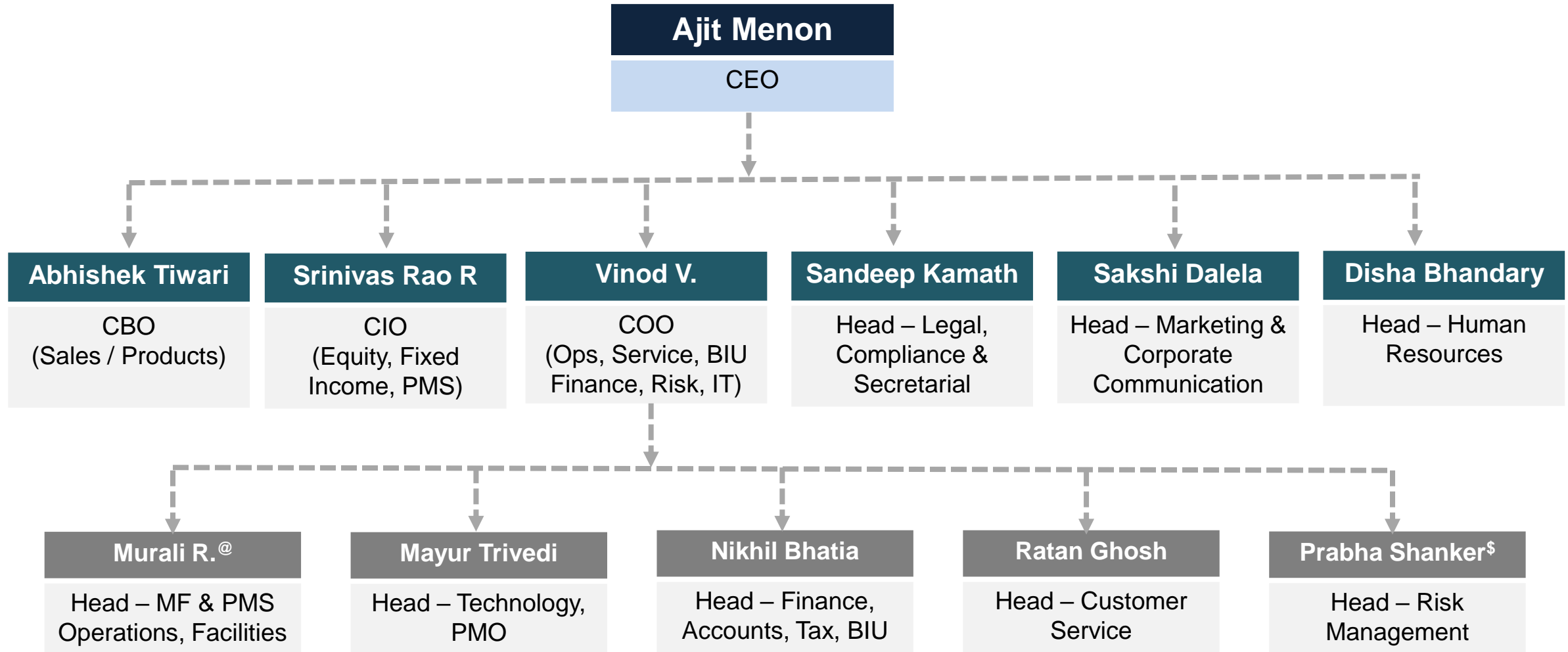
Management – Roles & Responsibilities (2/2)

| CIO | Other CXOs | CRO |
|--|--|--|
| <ul style="list-style-type: none"> ▲ Risk management and reporting related to Investment Risk ▲ Adherence to SEBI guidelines on RMF (<i>Identification, Management, Reporting, Corrective Actions</i>) ▲ Defining FM responsibilities ▲ Adhere to risk appetite framework - <i>Maintain risk levels for schemes</i> ▲ Compute Risk - <i>Weighted average of risk-o-meter and events of default</i> ▲ Escalate corrective actions taken to CEO, CRO | <ul style="list-style-type: none"> ▲ Risk Governance responsibility for respective areas ▲ Adherence to SEBI guidelines on RMF (<i>Identification, Management, Reporting, Corrective Actions</i>) ▲ Defining risk management responsibilities of key personnel ▲ Maintain risk as per risk metric ▲ Escalate major findings/non-compliance to CEO/CRO. Implement corrective action ▲ Risk reporting to CRO | <ul style="list-style-type: none"> ▲ Implement RMF across organisation ▲ Review management and Fund Managers responsibilities ▲ Independent risk assessment for reporting to Committees, CEO. ▲ Establish risk metrics ▲ Monthly risk reporting to CEO. Quarterly risk reporting to RMCs and Boards – <i>Metrics, Incidents, Major findings, Corrective action.</i> ▲ Board approved DoP for risk management |

Fund Managers

- ▲ Daily management of investment risk and risk reporting to CIO
- ▲ Adherence to SEBI guidelines on RMF (*Identification, Management, Reporting, Corrective Actions*)
- ▲ Adhere to risk appetite framework - *Maintain risk levels for schemes*
- ▲ Corrective actions as required and escalate major risks to CIO

Management – Organization Structure



@ Designated Investor Relations Officer | \$ Supports Audit Coordination across functions

Key Personnel



Ajit Menon
CEO



Vinod V.
COO



Srinivas Ravuri
CIO



Abhishek Tiwari
CBO



Murali R
IRO



Aniruddha Naha
Head - Equities



Sandeep Kamath
Compliance Officer



Prabha Shanker
Risk Officer



Puneet Pal
Head – Fixed Income



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Accountability & Responsibility Grid - Line Management

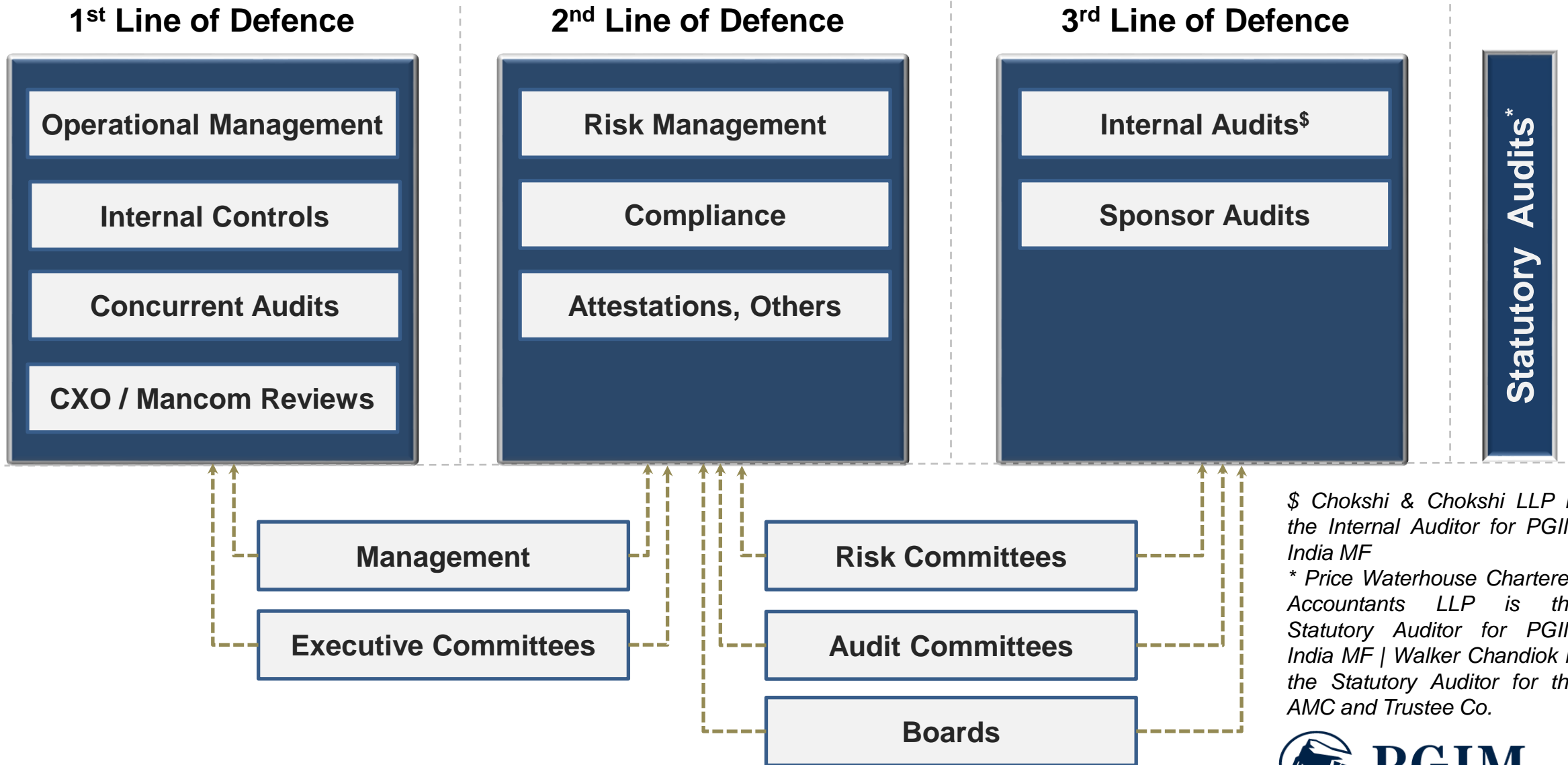
| | Type of Risk | Accountability | Responsibility |
|----|---------------------------|---------------------------|--|
| 1 | Investment Risk | CIO | Heads – Equity, Fixed Income & PMS |
| 2 | Credit Risk | CIO | Head – Fixed Income |
| 3 | Liquidity Risk | CIO | Heads – Equity, Fixed Income & PMS |
| 4 | Governance Risk | CIO | Heads – Equity, Fixed Income & PMS |
| 5 | Operational Risk | COO | Functional Heads |
| 6 | Technology Risk | COO | Head – Technology, CISO |
| 7 | Reputation Risk | CEO | Head – Marketing & Corporate Communication |
| 8 | Outsourcing Risk | COO | Functional Heads |
| 9 | Sales & Distribution Risk | CBO | Regional Sales Heads |
| 10 | Financial Reporting Risk | COO | Head – Finance & Head – MF Operations |
| 11 | Legal & Tax Risk* | COO* & Compliance Officer | Head – Finance* & Head – MF Operations* |
| 12 | Talent Risk | CEO | Head – HR |
| 13 | Compliance Risk | Compliance Officer | Compliance Officer |

* For Tax Risk

Note : Certain risk areas may not lend itself to a 1-to-1 accountability grid and may spread across functions.

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Lines of Defence



^{\$} Chokshi & Chokshi LLP is the Internal Auditor for PGIM India MF

* Price Waterhouse Chartered Accountants LLP is the Statutory Auditor for PGIM India MF | Walker Chandiook is the Statutory Auditor for the AMC and Trustee Co.



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Risk Identification



Risk Identification

Controls Assessment

Tolerance Threshold Breaches

Incident Root Cause Analysis

Top Risks Review

Customer Complaints Review

Employee Feedback

Insights from Data

Signals from External Sources

Audit Reviews



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Risk Assessment & Measurement



Risk Assessment

Probability of Occurrence

Likelihood of occurrence of a risk event in a defined time window



Impact of Occurrence

Impact of occurrence of the risk event along the below dimensions

Financial

Reputational

Regulatory

Operational

Client



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Risk Assessment

| Impact Type | Low (1-4) | Medium (5-7) | High (8-10) |
|-------------------------|--|---|---|
| Financial | Percentage of revenue <1% | Percentage of revenue 1-5% | Percentage of revenue >5% |
| Reputational | Minor and/or no impact, quickly resolved with limited or no publicity. | Moderate impact or sensitive in nature, is publicized at the local or regional level, and identification and/or resolution is not immediate. | Severe impact and sensitive to severe in nature, is publicized at a national or global level causing customer or market participant distrust, identification and/or resolution is not immediate. |
| Legal/Regulatory | Observations / recommendations from a regulator that don't warrant a formal adverse penalty. Any regulatory action taken likely to be suggestions or advisory in nature. | Official findings of violations by a regulator. Regulator issued corrective measures, minor fines/penalties, and/or some degree of additional regulatory attention. | Considerable fines, punishments, and/or substantial extended or additional scrutiny from regulator. Includes alterations/revocations of regulatory status, changes imposed on business activities. |
| Operational | Short-term service or operations failure affecting, an isolated customer group, product or specific processes. Resolved with no client or business impact. | Prolonged failure of service or operations failure affecting a broader customer group, product, or one or more business processes. Limited client impact with quick resolution. | Prolonged and/or widespread service or operations failure affecting broad customer group(s) products, and/or has a pervasive impact on additional processes or the entity as a whole. Negative client impact which requires remediation and may draw regulatory scrutiny. |
| Client | Limited or no harm to clients/no outreach to clients required and is unlikely to impact customers. | Minor/moderate harm to clients leading to customer dissatisfaction. | Prolonged, widespread, or significant harm to clients leading to loss of customers. |

| Probability* | Probability Score |
|-----------------|-------------------|
| Not Likely | 1 – 3 |
| Somewhat Likely | 4 – 7 |
| Very Likely | 8 - 10 |

* Likelihood of the risk to occur during a rolling 6-month period

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Risk Measurement - Overall



Risk Measurement - Schemes

Risk-o-Meter

Stress Testing Reports

Credit Quality Review

Potential Risk Classification
Matrix

ALM Reports

Portfolio Attribution Reports

Liquidity Reports
(LR-RAR / LR-CRAR)

Exposure Limits
(Asset Class / Sector / Group / Issuer)

Quantitative Risk Metrics

← Early Warning Signals across Measurement Tools →

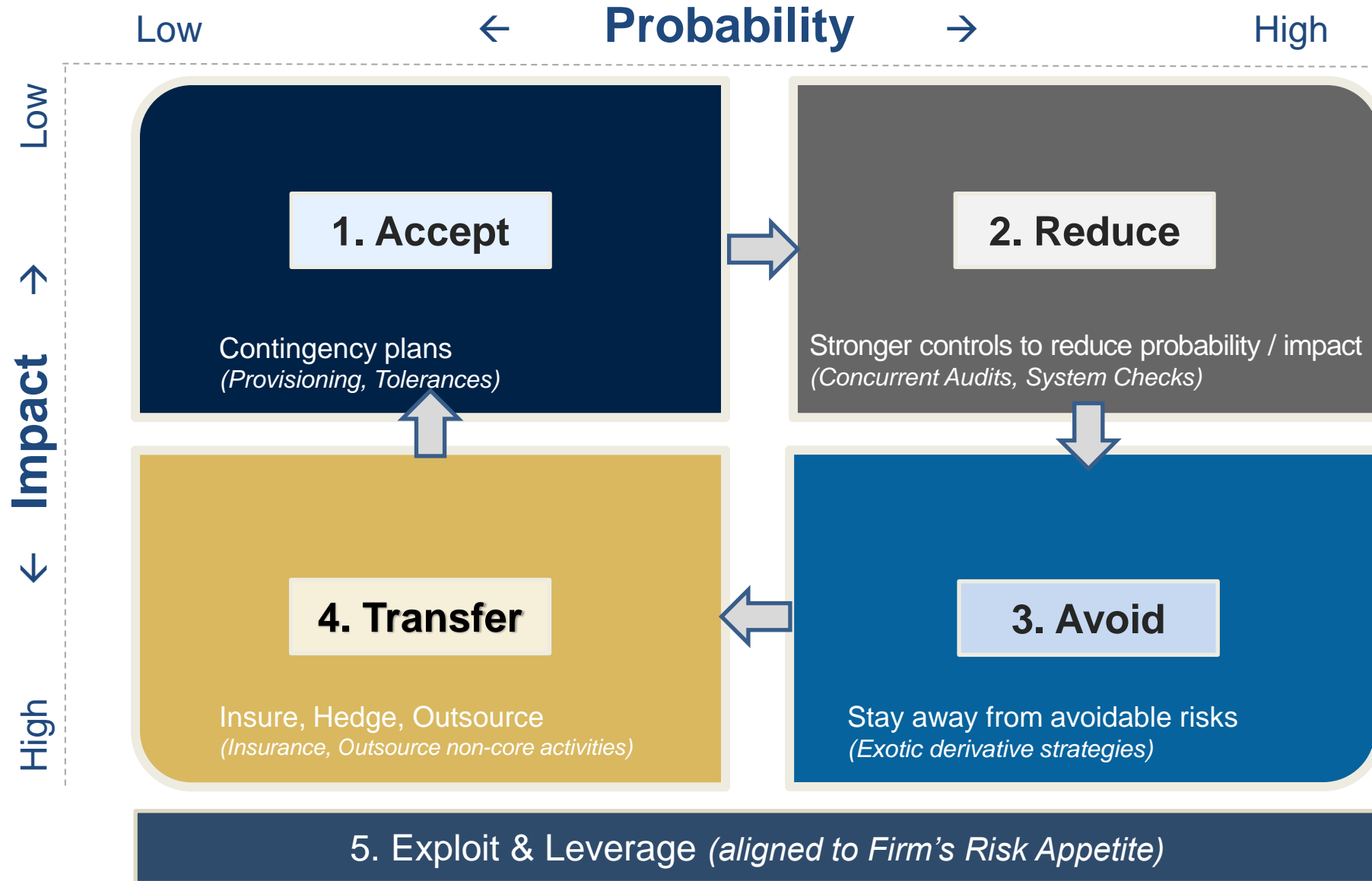


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Risk Management



Risk Management Strategies



Risk Appetite



Current level of risk taken by firm / schemes

E.g. Current positioning under Risk-o-meter or PRC matrix



Amount of risk organisation is willing to accept in pursuit of its long term objectives

E.g. Lower cap on credit quality ; Max. cap on exposure to a particular security



Amount of risk organisation is willing to tolerate temporarily beyond its defined risk appetite

E.g. Near term breach in limits, etc.



Amount of risk organisation has ability to sustain beyond its defined risk appetite / tolerance

Financial strength of the firm to sustain shocks without risking survival



Risk Appetite Framework

Qualitative Risk Expressions – To fulfill our promises to customers



Indicative Quantitative Measures

Risk-o-meter

Investment Limits

Net Worth (AMC)

PRC Matrix

Stress Test Tolerance

Working Capital (AMC)

Liquidity Levels

Error Rates (AMC)

SLA Adherence (AMC)



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Risk Reporting



Risk Reporting

| Report Type | Prepared By | Submitted To | Frequency |
|--|--------------------------|---------------------------|-------------------|
| 1) Material risk observations to SEBI | Board | SEBI | Periodic |
| 2) Key risks and risk metrics (<i>AMC & Scheme level</i>) | Management ^{\$} | Board | Annual |
| 3) Key risks and risk metrics (<i>AMC & Scheme level</i>) | Management | RMC | Quarterly |
| 4) Risk Reporting (<i>Risk metrics, Material risk incidents</i>) | Management | Board | Quarterly |
| 5) Results of stress testing | Board | SEBI | Periodic |
| 6) Results of stress testing | Management | Boards | Quarterly |
| 7) Outcomes of Risk Management Function | Risk Officer | CEO/ Boards | Monthly/Quarterly |
| 8) Major risk related findings by CXO | CXO | CRO | Event based |
| 9) Fraud alerts reporting | Management | Boards | Quarterly |
| 10) Report of review to be placed before Boards | Compliance | Boards | Quarterly/ Annual |
| 11) Internal audit report (<i>internal audit score tracker</i>) | Internal Auditor | Audit Committee/AMC Board | Quarterly |
| 12) Half-yearly Trustee report to include findings from risk management review | Compliance | Boards | Half-yearly |