HSBC Asset Management (India) Private Limited

Risk Management Policy

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This document sets out the Risk Management Policy ("RMP") for HSBC Asset Management India ("AMIN" or "HSBC") and describes our approach to managing risk to AMIN. RMP is a macro-level description of risk management governance, the organization's risk appetite and key elements of its risk management process. Risk Management Policy is applicable to all employees of AMIN as well as HSBC Mutual Fund and risk management applies to all risks (AMC level risks and scheme level risks) that we are exposed in our mutual fund operations and business. The RMP document is approved by the HSBC Asset Management India Board and the Trustees of HSBC Mutual Fund and applies to the Mutual Fund activities of AMIN. The construct of this document, adapted to the local business, is derived from HSBC Group Risk Management Framework and HSBC Global Asset Management Risk Management Policies and Procedures. This document is also aligned with the requirements of Securities and Exchange Board of India (SEBI) Circular on Risk Management Framework ("Circular") dated 27th September 2021 for Mutual Funds. AMIN RMP will be made available on the AMIN website and will be updated regularly.

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1. Introduction

HSBC Asset Management (India) Private Limited ("AMIN" or the "Company") is a private limited company incorporated under the Companies Act, 2013. AMIN has been appointed as the Investment Manager of HSBC Mutual Fund (the "Fund") by the Board of Trustees to the HSBC Mutual Fund (MF Trustee Board) vide an Investment Management Agreement (IMA) executed between the MF Trustee Board and AMIN.

AMIN manages the schemes of the HSBC Mutual Fund in accordance with the provisions of IMA, the Trust Deed, the SEBI Regulations and the investment objectives of the Schemes as documented in their respective Scheme Information Documents (SID). The schemes of HSBC Mutual Fund are managed by a team of investment professionals with relevant experience and expertise in equity and fixed income asset classes.

2. Our culture and values

We define culture as the shared attitudes, beliefs, values and norms that shape our behaviour. HSBC's culture is rooted in our purpose and shaped by our values: We value difference; We succeed together; We take responsibility and We get it done. These guide us in all our actions, underpin our culture and set out the behaviour we expect. We believe that behaviour is one of the clearest expressions of culture. This means our culture is not static. As new challenges and opportunities emerge, our culture has to adapt to help us achieve our strategic outcomes. We assess culture through employee sentiment, observed behaviour and business outcomes. We do not consider risk culture as something separate to HSBC's overall culture; rather, it is simply a way of looking at how our culture either supports or inhibits our ability to manage risk. Our culture creates the environment that either enables or inhibits us in delivering the right conduct outcomes. Conduct impacts can arise across all risk types, and are sometimes referred to as "conduct risk". Conduct risk is often defined as the risk to the delivery of fair customer outcomes or to market integrity. Each of us in AMIN has a role in in supporting the delivery of good conduct outcomes for customers and maintaining the orderly and transparent operation of financial markets

3. Risk Management defined

Risk Management can be defined as the overall process of identifying and understanding the full spectrum of an organization's risk and taking informed actions to help it achieve its strategic objectives, reduce the likelihood of failure and decrease the uncertainty of overall business performance.

4. Our Risk Management Approach

Doing business is fundamentally about taking considered risks within an effective framework of controls to manage them. We face many risks as a Group. Some we accept as part of doing business, but there are others we must avoid so we can protect our customers, people, business, and all our shareholders. HSBC Global Principles guide all that we do at HSBC, embodied in our strategy, our values, how we conduct our business, and sets out how these connect with risk management. Active risk management helps us to achieve our strategy, serve our customers and grow our business safely. HSBC's risk management framework, which is underpinned by our values, outlines our overall approach to managing risk.

Our Risk Management Framework ensures we:

i. Manage risk in a consistent manner across the Group
ii. Have a strong risk culture: managing risk is simply part of how we work
iii. Are aware of our risks, identify our most material risks, then make better decisions and take appropriate risks as a result
iv. Have sufficient controls in place to ensure we only take the right type and amount of risk to grow our business safely and within our appetite
v. Deliver fair outcomes for customers and maintain the orderly and transparent operation of financial markets

5. Governance Structure

AMIN and HSBC Mutual Fund are licensed and regulated by the SEBI. HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). HSCI ("Sponsor) is a member of the HSBC Group, one of the world's largest banking and financial services organizations. HSBC's governance model includes executive and non-executive governance committees, delegated authority to individuals, and an escalation path for material risks and issues.

Boards of Directors and Trustees

As a private Limited company, AMIN has a Board of Directors to provide appropriate governance and oversight on the activities carried out by AMIN under its Investment Manager license issued by SEBI. It reviews and sets the strategy and risk appetite for the Company within the context of the HSBC Group's, HSBC Global Asset Management's and Regulator's directions/framework. The Board also oversees the operation, governance on Company's business activities to help ensure the Company is fulfilling its fiduciary responsibilities and is acting in the interests of customers at all times.

Further, in accordance with SEBI (MF) Regulations, the Sponsor has appointed a Board of individual Trustees to safeguard the interest of the unit holders of the Fund and to hold the assets of the Fund in trust for the benefit of the unit holders. The Trustee Board provides fiduciary governance and oversight to the activities of the Fund and AMIN through periodic meetings and reviews. Trustee Board's objective is to ensure that the activities of the Fund are being managed in accordance with the Regulations, in the interest of unit holders and in compliance with the Group's values, business principles and risk appetite. The Board of Trustees have also constituted an Audit Committee headed by an Independent Director to review internal controls and deficiencies highlighted by external auditors appointed by the Trustees.

Together, the Board of Directors of AMIN and Board of Trustees of HSBC Mutual Fund are executive governance committees for AMIN and have adequate representation from Independent Directors. The Boards of Directors and Trustees are responsible for the overall risk management of AMIN, along with the Management. To enable oversight on the implementation and ongoing monitoring of the RMF, the Boards of Directors and Trustees have each constituted a Risk Management Committee (RMC) as a sub-committee of their respective Boards. The RMCs report to the Board of AMCs and Trustees respectively and will recommend long term solutions regarding risk management both at the AMC level as well as the scheme level. AMIN Chief Risk Officer (CRO) attends the RMCs of both Boards. The RMCs of the Boards have formal Terms of Reference (TOR) approved by the respective Boards and meets at quarterly intervals. The TORs details the roles and responsibilities of the RMCs.

Internal governance committees

Besides the Board driven risk management governance, AMIN being a part of HSBC Global Asset Management has put in a place a robust internal governance framework with constitution of various key internal governance committees (non-executive committees). AMIN has a matrix reporting structure with key roles have dual reporting structures – functional and entity – to ensure that there is adequate oversight of roles and escalations for appropriate actions around risk mitigation or acceptance. Escalations of material risks and issues besides being discussed in the internal governance committees are also escalated to relevant regional/global governance forums, as appropriate in line with internal procedures and to the Boards. A brief overview of the key Internal committees in AMIN are provided below

i. Local Management Committee (LMC)

The AMIN LMC, chaired by the CEO, AMIN assists the CEO in the day to day management of AMIN as well defining broad strategy for the business. The Committee meets every month and reviews the performance of the entity with particular emphasis on business development, sales and distribution activity, product development and HR issues, compliance with Regulations. AMIN Local Management Committee also ensures an appropriate control framework is operating effectively and an appropriate risk and control culture is in embedded within the organization. Besides the CEO, LMC has as its Members all direct reports of the CEO including the CRO and the Compliance Officer. The LMC meets on a monthly basis.

ii. RMM (Risk Management Meeting)

AMIN RMM is a formal risk governance forum established to provide recommendations and advice to the AMIN CRO on enterprise wide risk management of all risks including key policies and frameworks for management of risks within AMIN. RMM supports the CRO's individual accountability for the oversight of enterprise risk as set out in the HSBC's Risk Management Framework. Decision making authority in relation to matters considered at the RMM remains with the CRO, except where the decision making authority is within the scope of another RMM Member (e.g. business related decisions taken by AMIN CEO). RMM is chaired by the CRO with membership broadly mirroring that of the LMC. AMIN RMM reviews material risks affecting the AMIN business and is responsible for the oversight of the risk and internal control environment in AMIN. The RMM meets on a bi-monthly basis and escalations of material risks/issues progresses to the Regional RMM and/or Global RMM, Boards as appropriate.

iii. **Pricing and Valuation Committee**

Pricing and Valuation Committee establishes and maintains appropriate policies and controls regarding pricing and valuation of securities/funds. This Committee is chaired by AMIN CRO and deliberates and decide on all matters pertaining to the valuation and pricing of securities of the schemes of HSBC Mutual Fund in accordance with the Valuation Policy approved by the Board of AMC and the Board of Trustees.

iv. Investment Management Committee (IMC)/Front Office Management Committee (FOMC)

AMN IMC provides 'front line' governance of investment and trading activities and to review, discuss, set direction and make decisions on associated management issues. The AMIN IMC is also responsible for overseeing the people, process and performance of the AMIN Investment Team. The IMC is chaired by the AMIN Chief Investment Officer (Equity and Fixed Income) and meets on a quarterly basis.

v. Local New Business Committee (LNBC)

LNBC is the product governance committee for AMIN and through this committee AMIN exercises management control and oversight on the risks of launching and distributing new or materially changed products or services and also ensuring that the product is acceptable for the local market. It is also responsible for continuing oversight of products and services during their lifecycle, including product mergers.

vi. AMIN Technology Committee

AMIN Technology Committee has been constituted by the Board of AMIN and Board of Trustees to provide recommendations and advice related to the cyber security and cyber resilience framework, including key policies for the management of information and cyber security related risks within AMIN. Chaired by the AMIN CEO, this committee also has an external independent subject matter expert as a Member of the Committee. This committee meets at quarterly intervals.

vii. Dividend Distribution Committee

Steered by Head – Products, the scope and remit of AMIN Dividend Committee is to determine the dividend policy for the HSBC Mutual Fund; and propose/recommend the dividend amount/rate to be distributed for each fund. The Board of Trustees on basis of the proposal from the Committee review and approve dividends in the schemes. Trustees have delegated to this Committee powers to determine dividends for all frequencies up to and including monthly dividends.

Each of these governance committees follow an agreed meeting agenda and operate under a Terms of Reference (TOR) which details the scope, members, quorum, agenda etc. and this TOR is refreshed on an annual basis by the respective committees. AMIN CRO and AMIN Compliance Officer are inducted as Members of all the above governance committees.

Delegation of Powers

The Board of AMIN has delegated day-to-day management responsibilities to the AMIN CEO and further delegated responsibility for the overall risk management of the mutual fund operations including the key risks to the AMIN CRO. AMIN CEO is responsible for all the risks at both AMC and Scheme level. AMIN CRO is responsible for ensuring that there is an effective governance framework and reporting framework of risk management in line with the regulatory requirements.

The Board of AMIN has also delegated responsibility of managing individual AMC level risks and Scheme level risks to various CXOs of AMIN with overall responsibility for all risks at both AMC and Scheme level residing with the CEO of AMIN. The delegations specifically cover daily risk management, daily risk reporting and corrective actions at the level of the Fund Manager, CIO, CXOs and CEO. Notwithstanding delegations provided under this Policy, both board of AMC and the Trustees will also be responsible for the overall risk management of the mutual fund. The Board of AMC will review the delegations from time to time and make suitable modifications, as appropriate.

Three Lines of Defence

All employees have a role to play in risk management. Day-to-day responsibility for risk management is cascaded through delegation of individual accountability, with reporting and escalation facilitated through appropriate Governance structures. Policies, procedures and limits are defined to ensure activities remain within an understood and appropriate level of risk. This is supported by an effective system of controls to ensure compliance.

We use three Lines of Defence (“LOD”) model to define roles and responsibilities within HSBC. The activity-based model delineates accountabilities and responsibilities for risk management and the control environment within each LOD. The model applies to all individuals and all risk types, and supports the delivery of conduct outcomes. There is clear segregation between risk ownership (First LOD), risk oversight and stewardship (Second LOD) and independent assurance (Third LOD) to help support effective identification, assessment, management, and reporting of risks. To ensure effective risk management, care is taken to ensure appropriate levels of resource, knowledge, skill and experience within each LOD to enable the respective responsibilities to be adequately carried out.

The First LOD has ultimate ownership for risk and controls, including read across assessments of identified issues, events and near misses, and the delivery of good conduct outcomes and has three key roles. First LOD has three key stakeholders – Risk Owners, Control Owners and Control Officers. Risk Owners are accountable for identifying, assessing, managing and reporting key existing and emerging risks that they own for their business or function in line with the risk appetite set by the Board while Control Owners are accountable for operating controls on behalf of Risk Owners / Business Service Owners, and for the control monitoring processes to assess and report control effectiveness. Chief Control Officers (CCO) are accountable for driving the effective governance and management of non-financial risks in the First LOD

The Second LOD, as Risk Stewards, review and challenge the First LOD’s activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The Second LOD is independent of the risk-taking activities undertaken by the First LOD and includes Risk Management and Compliance functions. Risk Management and Compliance are independent and specific functions with AMIN reporting directly to the CEO AMIN as well as to Regional Risk Management and Compliance Heads respectively.

Third LOD is HSBC Group Internal Audit. HSBC Group Internal Audit provides independent assurance that our risk management, governance and internal control processes are designed and operating effectively in line with the requirements of HSBC Group. In addition, HSBC Mutual Fund Trustees have also appointed external auditors to perform internal audit of the business and operations of AMIN including material third party service providers such as Registrar and Transfer Agent (RTA), Fund Accountant (FA) and Custody to assess if HSBC MF/AMC is operating within the requirements of SEBI (MF) Regulations. Scope of external auditors also include audit of the status of implementation of the SEBI Risk Management Framework.

Accountability for ensuring compliance with rules, regulations and laws lies with the AMIN CEO, as the executive level Risk Owner. Risk Owners are accountable for determining and implementing necessary changes to their operations as a result of changes to rules, regulations and laws, by updating their procedures and ensuring appropriate controls have been implemented. Risk Stewards are accountable for identifying and understanding the rules, regulations and laws that affect their risks. In addition, Risk Stewards is accountable for monitoring for changes to those rules, regulations and laws that impact their risk types, assessing the impact on their specific risk types, updating their policies as required, and communicating these changes to Risk Owners in a timely manner.

AMIN has identified one CXO level officer to be responsible for the risk management of every scheme/AMC risks of the AMC/Mutual Fund. Roles and responsibility assigned to the CXO are aligned as per the requirements of the SEBI Circular on Risk Management Framework for Mutual Funds, as amended from time to time (hereinafter referred to as SEBI RMF circular) and aligned with HSBC guidelines. CXOs have responsibility for line management and process ownership for risk management and the same is reflected in the performance appraisal through Key Result Areas (KRAs) for key officials of line management.

6. Active Risk Management

Our active risk management is a five step process – Define and enable; identify and assess; manage; aggregate and report; and govern. Governance is covered across this RMP document for various activities and risk types. Hence this section will have specific focus on the first four steps of the active risk management approach.

i. Define and enable

We expect everyone at HSBC to reflect our values in how they behave and conduct business. We are committed to delivering fair outcomes for our customers, and to ensuring we act with integrity in the financial markets. The personal conduct of our people is critical to our ability to live up to these commitments. People drive risk management and each of us has a responsibility to demonstrate our values through delivering the right conduct behaviour and consistently delivering the appropriate outcomes. The behaviour underpinning our values are designed to support a wide range of outcomes – including a culture that is effective in managing risk and that leads to good conduct outcomes.

Our culture supports and encourages the following behaviour – accountability, speak up and good judgement. We recognize and reward exceptional conduct demonstrated by our employees. We also discourage poor conduct and inappropriate behaviour that is not in keeping with our values, or which exposes us to financial, regulatory and reputational risk. We ensure that the basis for managing performance and determining remuneration is consistent with prudent risk management and encouraging the right behaviour.

The principle of individual accountability is exercised across the organization and is fundamental to effective risk management within HSBC. Individual accountability is reinforced through the three LOD model. Risk issues are monitored and actively managed by the accountable individuals as part of their role. Further, HSBC Risk Taxonomy as well HSBC Risk Appetite Statement clearly identify and define our risks as well as appetites/thresholds for these risks so that they can be properly managed.

ii. Identification and Assessment of Risks

Due to the ever-changing business environment that we operate in, risk identification is an ongoing process to ensure all material risks are known, well understood and proactively managed. Therefore, learning from the past and external events is as critical as recognizing new and emerging risks in preparing for what could happen in the future. Identified risks have clear ownership, and their potential impacts are assessed against AMIN's risk profile. We proactively manage any material risks identified, and whenever possible, immediate action is taken to limit the impacts on our business and investors.

When assessing risk, we measure the likelihood of a risk occurring and the impact on our business against risk appetite. The outcome of the risk assessment should provide a forward-looking view that enables the prioritization of appropriate management actions to mitigate the most material risks. Risks are identified, assessed, and recorded in relevant systems and used for reporting and management decisions. The First LOD, in collaboration with the Second LOD (Risk and Compliance), are accountable for assessing risk impacts and likelihood to understand the cost and wider consequences of risk materializing.

Risk materiality is assessed by considering the financial, customer, regulatory and reputational impacts. Understanding the risk likelihood is equally important and is assessed along with the risk impact. There are a number of factors considered and different methodologies used when assessing risk likelihood; for example, using historic data and management overlay to model the probability of similar risks materializing in the future.

iii. Management of Risks

Risk Management is an ongoing process involving both the First LOD and Second LOD to ensure we monitor and manage our risks in accordance with our risk appetite and, where necessary, appropriate risk management actions are taken in a timely manner.

Controls are defined in our policies and procedures, to ensure our risks are managed effectively and consistently across the entity. Controls are integral to risk management framework, and as such are an integral part of the systems and processes that we use to manage risk. Controls are used to prevent, detect or limit risks across the entity throughout operational processes to ensure risks are managed within appetite. The effectiveness of identified controls must be tested taking into account both the design and operating effectiveness. Continuous monitoring activities are performed across the entity to ensure controls managing material risk are adequately evaluated for intended design and operating effectiveness. Controls are designed to enable effective risk mitigation and help comply with legal and regulatory obligations. Control effectiveness ratings are assigned to individual controls based on the delivery of intended risk mitigation. Identification of issues requiring remediation may arise through any stage of our risk management approach. Issues are raised and action plans are developed to address controls deficiencies and/or inefficiencies in order to improve the operating effectiveness of the current control environment in a timely manner. Remediation actions are recorded in the relevant system of record.

iv. Reporting of Risks

Risk reporting helps senior management to understand what the top risks are and if they are managed within risk appetite. It also provides visibility of common themes and systemic issues across the organization, which enables us to manage risks more proactively and effectively. Three standard enterprise risk reports are used to provide a consistent end to end view of risk management across the entity. The enterprise risk reports are –

1. Risk Appetite Profile - monitors the performance of risk appetite metrics against the Board approved Risk Appetite and Tolerance Thresholds
2. Risk Map – provides a second LOD view of the residual risk profile of the entity
3. Top and Emerging Risk Profile - provides forward-looking analysis of risk themes, which are often external / internal circumstances or events, difficult to predict and are often beyond the entity's ability to directly control

A summary of the key issues and common themes detailed in the enterprise risk reports as well as the three enterprise risk reports are placed in AMIN RMM and also in the Risk Management Committees of the Board and Trustees.

7. Formalizing AMIN's Risk Appetite

Risk management starts with a strong risk culture, clear accountability, and a formally-defined risk appetite that articulates the level and types of risks that AMIN accepts to achieve our strategic objectives. We formally articulate our risk appetite through our Risk Appetite Statement (RAS) which is approved by the AMIN RMM, RMCs of the Boards and the Boards. The RAS consists of qualitative statements and quantitative metrics covering financial and non-financial risks with defined Risk Appetite and Tolerance thresholds. This helps us make sure that planned business activities provide an appropriate balance of return for the risk we are taking and that we agree on a suitable level of risk for the entity.

We define Risk Appetite as the articulation of the types of risks and thresholds that we are willing to take in order to achieve our strategic objectives. Our Risk Appetite shapes our requisite controls and dictates risk behaviors. Embedding Risk Appetite means there is a clear understanding among the Board, senior management and all employees for the ownership and accountability for risks, and the acceptable levels of risk.

Risk Appetite Statement provides the foundation for the Second LOD to design policies and limits for the entity. These form the basis of the processes and decision making that the First LOD undertakes in its management of risks. We identify risks to our business and assess their materiality by considering their likelihood and potential customer, financial, reputational and regulatory impacts, as well as market conduct and competition outcomes. We manage these risks through a combination of limits and controls to ensure risks are within our appetite. We then aggregate and report risk data to highlight material risks and support good decision making. Where necessary, these risks are escalated to senior management and risk governance committees to facilitate management decisions, challenge and remediation.

8. HSBC Risk Taxonomy/SEBI Risk Classification

The risks faced by AMIN and its operations can emanate both from external and internal factors. These risks can be broadly categorized as AMC level Risks and Scheme level risks, collectively referred to as Risk Taxonomy.

The table below provides a list of the various risks along with the CXO responsible for managing these risks within AMIN.

Types of Risk	**CXO Assigned**
Risk Management Framework governance and reporting	CRO
Scheme specific risks	
Investment risk	CIO – Equity and Fixed Income
Liquidity risk	CIO – Equity and Fixed Income
Credit risk	CIO – Fixed Income
Governance risk	CIO – Equity and Fixed Income
AMC Specific Risks	
Operational Risk	COO
Technology, Information and Cyber Risk	CISO
Reputation Risk	CRO
Conduct Risk	Compliance Officer

Outsourcing Risk	COO
Sales and Distribution Risk	Head – Retail Sales and Institutional Sales
Financial Reporting Risk	CFO (for AMC)/COO (For MF)
Legal Risk	Compliance Officer
Tax Risk	CFO
Talent Risk	HR
Compliance Risk (covering both scheme specific and AMC specific risks)	Compliance Officer

The CEO shall be responsible for all the risks at both AMC and Scheme level. Board of Directors and Trustees will be responsible for the overall risk management of the mutual fund, along with the Management (broadly includes CEO, CRO, CIOs, CXOs and the Fund Managers)

To help ensure consistency and comparability in risk categorization across the Group, AMIN uses a standardized set of risk types known as the HSBC Risk taxonomy.

The HSBC risk taxonomy categorizes risks into two broad categories -

A. **Financial risks** – the risk of a financial loss as a result of business activities. We have five level 1 (broad definition) financial risk types (of which only one financial risk type is relevant for AMIN business) and;

B. **Non-financial risks** – the risk of loss resulting from people, inadequate or failed internal processes, data or systems, or external events. These risks arise during our day-to-day operations, while taking financial risks. Non-financial risks may have an impact on our management of financial risks, for example, inaccurate financial reporting may lead to unexpected capital or liquidity risk, or a trading process failure may result in higher market risk taking. There are seven level 1 (broad definition) Non-financial risks which are Financial Reporting and Tax Risk, Resilience Risk (includes Transaction processing Risk, Third Party Risk, Technology and Cyber Security Risk, Data Risk), Financial Crime Risk, Regulatory Compliance Risk, People Risk, Legal Risk and Model Risk.

SEBI RMF circular categorizes risks into two broad categories – AMC level risks and scheme level risks. There are overlaps between HSBC Risk Taxonomy and SEBI RMF circular especially the Non-Financial Risks as per HSBC Taxonomy and AMC level risks from SEBI Risk Management Framework. This document assimilates both HSBC Risk Taxonomy as well SEBI RMF in defining relevant Risks as well as risk management process in place around these risks.

9. Scheme specific risks

There are four scheme specific risks and risk management around these four scheme specific risks are detailed in the sections below. The scheme specific risks are the risks majorly associated with the core activities of investment and portfolio management.

i. Scheme specific Governance

Internal governance and oversight of scheme specific risks rests with the Investment Management Committees of AMIN chaired by the Chief Investment Officer – Equity & Fixed Income respectively and has the CEO, Compliance Officer and CRO as Members. Performance of the Scheme vis-à-vis benchmarks as well as peers are reviewed at these meetings. Scheme specific risks are also part of the Risk Management meeting agenda. The Board of Directors and Trustees in their meetings review the performance of AMIN funds including significant losses and outlier trades. Minutes of the IMC and RMM meetings are also placed in these meetings for the review of the Boards.

The governance oversight is supported by appropriate Policies which provide the investment team with an operating framework for day to day investment management activities. These key policies include

Investment Policy (covering all asset classes we invest in), Best Execution Policy, Stewardship Code, Broker Empanelment Policy, and Policy for Polling.

A key element of scheme's risk management is clear and transparent articulation of the scheme's risk profile – investment risk, liquidity risk and credit risk (as applicable) – as well as its mitigations in its communications with investors including in the Scheme Information Documents and marketing materials. For fixed income schemes, risk profile (investment and credit risk) is reinforced through the potential risk classification matrix (PRC) and the overall risk is reflected through the product level Risk-o-Meter for all schemes.

Prior to launch of new products, investment risk is calibrated for the new products (equity/multi-asset/medium-long term fixed income funds) basis the indicative asset allocation as well model portfolios which also undergo back-testing and scenario analysis to ensure that the investment risk metrics are aligned to the investment objectives of the new product.

One of the key triggers for scheme specific risks is concentration of exposures at the portfolio level (asset side) or concentration of investors in a scheme. Concentration limits are defined at the issuer (credit)/company (equity) level both at the Scheme level and at an aggregate (mutual fund) level and these limits are monitored on a monthly basis. Investor concentration and distributor concentration is tracked by AMIN on a monthly basis across all funds on a monthly basis and reported to the RMM. Stress testing for all funds, as required by Regulations, is carried out on a monthly basis and the results along with concerns and rationale from fund managers, if any, are placed before both the IMC and the RMM.

ii. To ensure that here is minimal counterparty/settlement risk, AMIN has an approved process for classifying and on-boarding counterparties for OTC fixed income trades, based on their category and structure. List of counterparties is refreshed every year and reviewed by the RMM. AMIN undertakes an annual review of brokers (equity and fixed income) empaneled by the business and the review is approved at the AMIN RMM. **Limit monitoring framework**

AMIN has robust processes in place to ensure that funds/portfolios are managed in accordance with the spirit and the word of all client, fund, regulatory and internal investment restrictions. It is the Fund Manager's primary responsibility to ensure that all restrictions/guidelines are properly understood and adhered to.

AMIN Product is responsible for the identifying and documenting investment restrictions arising from SID of new funds as well as changes to existing product level investment restrictions. AMIN Compliance function is responsible for identifying and document (new or changes to existing) regulatory restrictions while AMIN Risk team is responsible for establishing and maintaining in-house rules/internal restrictions. The MF Operations functions, which is independent of the Investment teams, is responsible for the coding of restrictions and guidelines into the Order Management System (Quantis). Restrictions and its severity/overrides are coded in the Quantis system by MF Operations in consultation and agreement with the restriction owner. Restrictions that are not subject to automated system based monitoring are recorded as Non-codeable restrictions and an alternate monitoring mechanism is agreed by relevant AMIN stakeholders and also approved at the AMIN RMM (for Regulatory and Internal limits)/AMIN LNBC (for SID limits) and reviewed on an annual basis. Investment restrictions are coded in the Quantis system with level of severity increasing from soft, soft manual to hard according to the nature of investment restriction. Pre and Post-trade monitoring of all types of investment restrictions are undertaken by functions independent of Investments and approval for any soft manual overrides in the Quantis system are provided by the respective restriction owners.

Another important area of scheme risk governance is in the area of breach monitoring. AMIN has defined approaches for identifying breaches – both passive and active breaches. All the investment restrictions are applicable at the time of making investments. In the event of any active breach of the regulatory limits, the same will be rectified immediately and reported to CIO, Risk and Compliance functions. For any active breach of the other limits specified in the Scheme Information Document, prior approval will be sought from the CIO, Risk and Compliance with a reasonable rectification timeframe and in case of internal active breaches, prior approval will be sought from CIO and Risk with a reasonable rectification timeframe. Passive breaches may occur due to redemptions and/or market movements. All passive breaches will be rectified as per the Procedure for rectification of passive breaches approved in the AMIN RMM. In line with internal procedures, breaches are required to be cured in two business days else the fund manager takes the approval of the CIO, COO and CRO to continue the breach for a maximum period of 30 days with adequate justifications. Uncured regulatory/SID breaches beyond specified time period are reported to the Trustees. The primary responsibility for monitoring the active breaches and reporting the same to Risk and Compliance, rest with the respective fund managers.

iii. Investment Risk

Investment risk can be defined as the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Occurrence of losses relative to expected return on any particular investment arises largely through fluctuation in the market value of portfolio positions due to changes in market variable such as equity prices, interest rates or widening credit spreads due to deterioration of broad market fundaments.

Investment risk management is based on reasonable investor expectations about the risks that the mutual fund will take in order to achieve its investment objectives. Investment Risk along with Liquidity Risk and Credit Risk can be thought of as three key drivers of risk in a scheme or alternatively defines a scheme's risk profile.

AMIN uses a number of investment risk management tools to monitor and manage investment risk. Ex-ante tracking error is the primary investment risk management tool for actively managed equity funds, where tracking error ranges are identified according to the underlying equity scheme category and monitored. For open-ended fixed income funds as well as multi-asset funds, AMIN uses ex-ante portfolio volatility as investment risk metric, where operating ranges for volatility are defined as per underlying scheme's risk profile. AMIN uses APT Pro for measuring investment/market risk metrics. In addition, as a secondary metric, AMIN monitors portfolio turnover of individual schemes against an established turnover ceiling. Investment Risk metrics are monitored on a monthly basis by the Risk team and any breaches are escalated to the Fund Manager for rationale/corrective action, if relevant, and the exception internally referred to as Management Action Trigger (MAT) and Fund Manager response are placed in the RMM for noting. Investment Risk metrics are reviewed and approved on an annual basis in the AMIN RMM.

iv. Credit Risk

The credit risk relevant to AMIN is the issuer credit risk attributable to individual securities and the negative outlook on specific sectors or industries and its consequent impact on the credit exposures. To mitigate credit risk, AMIN has in place a robust credit risk management framework that spans issuer selection, ongoing monitoring and governance.

Issuer selection: AMIN credit selection process is built on the premises of independent and comprehensive assessment of each credit. Each of the entity (credit) is discussed via a credit discussion wherein the credit is discussed by the analyst, fund manager, and CIO - Fixed Income.. No investment in credit is undertaken before the discussion in the credit discussion forum. The credit selection process is driven by fundamental research supported by tradability and liquidity of the instruments proposed to be invested. The framework assigns investible quantum and tenor based on internal credit rating and actual balance sheet size of the company, including networth and total debt. All decisions to invest in corporate debt should be supported by relevant research reports / financial data and recorded. Subsequent decisions on the same security should indicate the reasons for the same. The research recommendation is based on independent assessment and exclusive of the ratings recommendation. HSBC credit research is largely independent of fund management and sales and credit recommendations are based on independent research of the analysts.

Ongoing monitoring: The credit research team continuously evaluates potential early warning signals on an ongoing basis based on traded price of the market instruments, sharp movements in yields, market news/events, earnings announcements, rating actions and analyst/ratings conference calls to constantly monitor the developments on the industry and company. Any change in the credit quality of the issuer is discussed in the credit discussion forum. This includes deterioration in credit profile and rating changes. Alongside the course of action is also discussed which could include reduction in tenor for prospective investment, exit option for existing investment, not taking any fresh investments or holding on the existing investment until maturity.

Governance: The list of credits reviewed and the action discussed in the credit discussion forum is noted in the FOMC (Investment Management Committee – Fixed Income) on a quarterly basis. Any change in the credit view (both positive and negative) discussed in the credit discussion forum, is reported subsequently to the FOMC. Investment team on a monthly basis reports the rating changes to the risk team which is subsequently reported in the RMM (Risk Management Meeting). AMIN has a process of evaluating the potential Early Warning Signals (like Corporate governance/litigations, credit events, market rumors, sharp share price movements, sharp yield / spread movements, external rating actions etc.) from various sources. The credit discussion forum, incorporates the discussion on the early warning signals and market indicators into the credit review and assessment and any deterioration in credit profile presented to the FOMC. Based on the discussions in various forums including credit discussion forum, FOMC, RMM, if there is a view that any issuer has potential for severe deterioration in credit profile which could result in rating downgrade below investment grade during the tenor of the investment, then such investments will be reported to the Board and Trustees along with the proposed actions. AMIN has also enabled segregation of portfolio to manage issues around credit default with adequate oversight on the segregation process.

v. Liquidity Risk

Liquidity is a measure of how easily an investment can be converted to cash without experiencing material exit barriers or significant loss of value. Liquidity Risk/ Mismatch is the risk that a fund may encounter difficulty meeting its obligations in respect of financial liabilities, thereby compromising existing or remaining investors. Lack of liquidity may compel fund managers to exit an asset at a price lower than its fair value thus harming interests of existing investors in the fund.

Liquidity management is integrated into the investment process. Due consideration is given to liquidity while constructing portfolios both in equity, fixed income and multi-asset schemes. Adequate liquidity is maintained in AMIN schemes on an ongoing basis to meet redemptions as they arise. Liquidity Risk Management (LRM) framework is deployed along the lines mandated by the Regulator for in-scope open-ended schemes.

Liquidity at scheme level is monitored using internal liquidity models and liquidity is assessed in normal (20% participation in volumes) and stressed (10% participation in volumes) market conditions. There are liquidity risk metrics (lower bounds) set for all open ended schemes which are monitored on a monthly basis and the schemes are expected to maintain the minimum level of liquidity in the schemes. Liquidity risk monitoring is with AMIN Risk team and the results are reviewed at the AMIN RMM. Apart from this, less liquid securities held in individual schemes as well as at an enterprise level are monitored. This ensures that the tail liquidity risk remains within acceptable levels. On the liability side, AMIN risk monitors redemption trends in all schemes and track significant redemptions across 5-day, 10-day and 21 day windows to help understand redemption patterns over time. Liquidity risk is also subject to stress testing for all in-scope fixed income schemes on a monthly basis and any concerns are flagged off in the first instance to the RMM and IMC.

vi. Governance Risk

Governance risk is a risk that the persons who are in position of power or fiduciary responsibility towards the holders of security (equity/debt), do not act in the best interest of such stakeholders, rather compromise the interest of such stake holders for their personal gain. A fiduciary duty arises where AMIN holds, manages, oversees or has responsibilities for assets for a third party (investor) that involves a legal and/or regulatory duty to act in their best interests and place the wants and needs of the third party (investor) first, above the needs of the organization. AMIN may be held liable for damages or other penalties caused by failure to act in accordance with those duties.

To mitigate Governance Risk and to ensure that its fiduciary obligations are met, AMIN adheres to the Stewardship code prescribed by SEBI which inter alia includes continuous monitoring of the investee companies on various matters such as operational and financial performance, corporate governance, related party transactions, opportunities or risks including ESG risks etc. Increased engagement with investee companies is an important step towards improved corporate governance in the investee companies and is expected to lead to protection of the interest of investors in such companies. AMIN Stewardship Code is uploaded on AMIN's website.

10. AMC specific Risks

The AMC specific risks are the risks associated with the functioning of the mutual fund business by the AMC. In the same way as AMIN manages scheme specific risks, AMIN has a robust risk management framework for AMC specific risks too. These risks usually arise when our processes or systems including that of our third party service providers fail, we make mistakes or we are impacted by external events. If these risks are not identified and managed appropriately, it will result in financial losses, customer detriment as well regulatory and reputational impact for AMIN. There are nine AMC specific risks and risk management in AMIN around AMC specific risks are detailed in the sections below -

i. Governance

Policies and procedures support our management of AMC specific risk and is a key element in risk management of AMC specific risks. They are critical to making sure we are controlling our risks effectively in line with our risk appetite. These documents define the minimum risk management and control requirements that must be adopted throughout the organization to ensure consistency and appropriate management of each risk in the taxonomy. At a high level, they also outline how specific risk management processes and controls (informed by the minimum requirements from relevant policies) are to be implemented into their activities to effectively manage risks. Each AMC specific risk type has associated policies and procedures and adoption of the policies and procedures is well embedded across the three lines of defence with individual accountability either as a Risk Owner, Control Owner or Risk Steward. These are also supported by supplementary guidance, detailed user guides, and training materials, which are targeted to specific risk roles.

AMIN has appointed Internal Auditors for audit of MF business as well AMC activities. AMIN RMM has remit for oversight and governance of AMC specific risks with due escalations to the Boards of Directors and Trustees as well as RMCs as appropriate.

ii. Risk and Control Assessment

The key for effective risk management of non-financial risks/AMC specific risks should be to create processes that track the various elements of these risk over time, to identify trends that could be an early warning signal, and to implement an exception/escalation process that ensures the problems which are significant, large, aged or growing are dealt with at increasingly higher levels of management.

The assessment of a non-financial risks/AMC specific risks and the associated control environment is carried out through the Risk and Control Assessment (RCA). RCA process is a structured review of the material risks facing AMIN and the effectiveness of the mitigating controls in place to manage those risks, in order to assess whether risks are being managed within 'appetite'. The RCA process is designed to provide AMIN with a forward-looking view of AMC specific risks and to help to determine proactively whether these risks are controlled within acceptable levels. This process also helps in understanding material risks, potential costs and resourcing requirements associated with controls as well as developing internal control monitoring plans specific to these risk issues. RCAs are reviewed and refreshed atleast annually and dynamically updated based on trigger events including such events defined in the SEBI RMF Circular. A trigger event is any occurrence which necessitates the full or partial reassessment of any component within an RCA (including but not limited to its configuration and scoping) to ensure it remains representative of the risk faced by the entity. RCA process helps in monitoring effectiveness of policies and controls and introduces enhancements and provides assurance on policy compliance.

RCA process helps AMIN in assessing both the Inherent Risk as well as Residual Risk that a business can face from the HSBC risk taxonomy perspective. Against each of the risks in the taxonomy, individual sub-level risks and specific controls are developed and housed in a Risk and Control library. Fundamental to the RCA process is assessing the Inherent Risk as well as Residual Risk for each sub-level risk and assigning a dedicated Risk Owners, Control Owners and Risk Stewards for these risks. Inherent Risk is defined as 'the maximum plausible impact before considering the effectiveness of the key controls in place. Residual Risk is defined as 'the level of risk remaining once Inherent Risk has been mitigated through the application of Key Controls. Once the level of inherent risk has been established, the next stage is to separately assess the residual risk which remains once the mitigating effect of the current control environment has been taken into account.

The impact of risks is categorized as Direct or Indirect Impact and impact is assessed based on scenario analysis and assuming a maximum plausible scenario (severe risk event). Direct Impact refers to the financial impact to the business' bottom line. Indirect Impact refers to those less tangible impacts and are grouped into Customer Detriment Impact, Reputational Impact, and Regulatory Censure. Residual risks are rated "Low", "Medium", "High", or "Very High" depending on their severity of impact and control monitoring protocols are defined according to severity of risk. For residual risks rated High or Very High which will not be remediated or control deficiencies are identified which cannot be mitigated in the next 12 months, Risk Owners must obtain formal approval ("Risk Acceptance") from HSBC Asset Management Global RMM that the risk will remain residually High/Very High for more than 12 months and this risk acceptance is refreshed every year.

The RCA process in AMIN is driven by the AMIN Chief Control Officer (CCO) team reporting into the AMIN Chief Operating Officer. CCO team work closely with Risk Owners and Control Owners to ensure the execution of non-financial risk/AMC specific risk management activities in AMIN and facilitate control testing of significant risks. HSBC Helios is the Non-Financial Risk system of record and provides the facility to record, manage and report on non-financial risks across the HSBC Group. The data managed within Helios includes risks, controls, risks and control assessments, issues & mitigating actions, control monitoring plans, internal incidents and impacts.

iii. Incident management

An incident occurs when there is a failure of internal processes, people, systems or external event that leads to a loss, gain or near miss. Any member of staff discovering an incident must immediately notify their line manager and the CCO team. This includes incidents with non-financial impact which could cause a material adverse client or business impact. The local CCO team is responsible for ensuring that the investigation of the incident has been undertaken appropriately and for making recommendations for its resolution as well as escalations. This includes near misses or incidents that result in a gain. All incidents must be recorded in Helios within 10 business days of the internal event being discovered and is also presented in the AMIN RMM with preventive/remedial measures agreed by relevant stakeholders. Compensation, if any arising due to the incident and payable to investors or funds must be agreed by the Compliance function prior to payment. Compliance function will also assess if it is a reportable incident and if assessed so, will report the same to SEBI with due intimation to the Board of Directors/Trustees.

iv. Third party Engagement

One of the key areas of business engagement which has a potential to trigger many of the AMC specific risks is engagement with third parties. A Third Party is defined as a separate legal entity that provides goods and/or services and/or tangible benefit (collective known as Services) to an HSBC legal entity. A Third Party

can, therefore, be either external to AMIN (e.g. a Supplier) or internal to AMIN (e.g. another HSBC legal entity, also known as an Internal Third Party). Third Party Risk (TPR) is the risk to which AMIN is exposed arising from the receipt of goods and/or services and/or tangible benefit (collectively known as Services) from a Third Party. Inadequate management of significant third party supplies of goods and services can lead to a failure to meet our operational and business requirements which, in turn, may involve regulatory breaches, civil or monetary penalties or damage both to shareholder value and to our reputation/brand image.
As permitted under Regulations, AMIN has outsourced few key activities like Registrar & Transfer (R&T) activity, Valuation, Fund Accounting and Custody activities to third parties. AMIN considers an outsourcing arrangement to be material if the outsourcing arrangement involves sharing of AMIN customer's information, outsourcing of technology operations any other key activities which have to be performed by AMIN.

AMIN has a Board approved Outsourcing Policy in place which provides the framework for AMIN to outsource key activities. There is a dedicated Third Party Engagement Manager (TPEM) for each of the key third parties to which the above activities are outsourced. TPEM is responsible for risk assessment, on-boarding and ongoing due-diligence, documentation for third parties. All Third Party arrangements comply with HSBC global standards, local requirements, if any, on data privacy and customer confidentiality. Before any data can be shared, appropriate controls are put in place to ensure that relevant legal and regulatory requirements are observed and proper safeguards have been established to protect the integrity and confidentiality of the information. Third parties to which AMIN has outsourced key activities like R&T, Fund Accounting and Custody are subject to detailed information security review on an ongoing basis.

v. Disaster recovery and business contingency planning

Business Continuity Management (BCM) is a mandatory activity which aims to reduce the impact and likelihood of a disruption to the normal operations of AMIN's business. Effective BCM seeks to minimize the adverse effects of major incidents by protecting staff, customer services, revenue generation, reputation, regulatory requirements and the integrity of data and documentation. It therefore covers both recovery from a disruption but also prevention and resilience. All departments in AMIN are required to develop and maintain Business Continuity Plans in line with HSBC BCM Policies & Standards and local regulatory requirements, as appropriate. Department level business continuity plans conduct an impact assessment on the department due to unavailability of premises, staff and key dependencies (system/applications/external) and estimates the maximum disruption time as well response activation and process recovery timelines. These are consolidated at the entity level with the most critical dependencies and conservative response times considered for business continuity planning. AMIN conducts suitable periodic drills, call cascades, homeworking, desktop walkthroughs to test the adequacy and effectiveness of the aforementioned response and recovery plan. This periodicity and recovery plans are set basis Business Impact Analysis (BIA) document, in line with HSBC Group policies.

vi. Product governance

Product Governance is the process through which AMIN exercises management control and oversight against the risks of launching and distributing new or materially changed products or services. It also covers continuing oversight of products and services during their lifecycle, including withdrawals and exits. The objective of our approach to product governance is to ensure that we deliver fair outcomes to our customers, meet our regulatory obligations, and maintain market integrity. Product approval documentation must evidence a holistic risk and control assessment, post implementation reviews and the appropriate consideration of, and representation from, all impacted risk types. Product governance is driven by the Local New Business Committee chaired by the Head Products.

Regular reviews of existing products must also be carried out and AMIN must ensure that staff engaged in the manufacturing of products, funds or services have sufficient relevant expertise to understand the characteristics and risks of the products, funds or services they manufacture. Generally, product reviews will be carried out every three years however, higher risk products may require more frequent reviews.

11. Definitions

Investment Risk	The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.
Credit risk	Issuer credit risk attributable to individual securities and the negative outlook on specific sectors or industries and its consequent impact on the credit exposures
Liquidity Risk	Thinly traded securities carry the danger of not being easily saleable at or near their real values. Further, all securities run the risk of not being saleable in tight market conditions at or near their real values
Risk Appetite	The aggregate level and types of risk that HSBC is willing to accept in order to achieve its strategic goals
Risk Owner	Risk Owners are accountable for identifying, assessing, managing and reporting key existing and emerging risks that they own for their business or function in line with the risk appetite set by the Board.
Control Owner	Accountable for operating controls on behalf of Risk Owners and for the control monitoring processes to assess and report control effectiveness.
Risk Steward	Accountable for setting policy and control standards to manage risks, providing advice and guidance to support these policies, and challenging the First LOD to ensure it is managing risk effectively
Risk Management Policy	Macro level description of risk management governance (including roles and responsibilities of the Board of AMIN and the three lines of defence – *Management, Risk Management Team and Internal Auditor*), the organization's risk appetite and key elements of its risk management process
Risk Map	The Risk Map provides a view of the residual risk profile of AMIN across HSBC's risk taxonomy
Top and Emerging Risk report	The Top and Emerging Risks report provides forward-looking analysis of risk themes, which are often large-scale events or external / internal circumstances, difficult to predict and are often beyond the HSBC's ability to directly control.
Risk Appetite Profile	Point-in-time assessment of the current status of each risk appetite metric against the corresponding thresholds
Operational Risk	Risk of loss resulting from inadequate or failed processes, people and systems or from external events, e.g. internal fraud, external fraud, physical damage caused by nature or man-made, etc.

Technology, Information and Cyber Risk	Disruption to a Business Service as a result of error or failure of an IT Asset / IT Service and/or Disruption to a Business Service as a result of malicious activity impacting an IT Asset, IT Service, or Data (including cyber-attack)
Reputation and Conduct Risks	Reputation risk is defined as the failure to meet stakeholder expectations as a result of any event behaviour or action or inaction, either by HSBC itself, its employees or those with whom it is associated, that may cause stakeholders to form a negative view of HSBC. Conduct Risk is the risk that we do not deliver fair outcomes for our customers and/or we disrupt the orderly and transparent operations of the financial markets.
Outsourcing Risk	Inadequate management of outsourced processes lead to errors, frauds, Inefficiencies, poor quality investor services, breach of fiduciary duties data pilferages and long term impact on reputation and contractual obligations
Sales and Distribution Risk	Risks associated with managing distribution channels and processes, commission pay-outs, brokerage disbursements, sales expenses, etc.
Financial Reporting Risk	Financial Reporting Risk is defined as the risk of reporting financial information incorrectly or untimely.
Legal and Tax Risk	Legal & Tax risk is the risk of loss to an institution which is primarily caused by: i. A defective transaction. ii. A claim (including a defence to a claim or a counterclaim) being made or some other event occurring which results in a liability for the institution or other loss (for example, as a result of the termination of a contract). iii. Failing to take appropriate measures to protect assets (for example, intellectual property) owned by the institution. iv. Change in law v. Misinterpretation of statutes and regulations. vi. failure to collect or pay appropriate taxes, or submit required returns or information.
Talent Risk	Talent risk is the risk of not having the right people in place at the right time to drive current and future business growth.
Compliance Risk	Failure by the AMC to meet its regulatory obligations or manage changes in legal statutory and regulatory requirements may result in investigations, fines, financial forfeiture, or regulatory sanctions and material loss to investors and the organization