TATA PENSION FUND

Jaisa Aaj, Waisa Kal

TATA PENSION FUND MANAGEMENT PRIVATE LIMITED

RISK MANAGEMENT POLICY

Version 9 – 16th October 2025

Version No.	Date of approval by Investment/ Risk Management Committee	Date of approval by Board	Revised policy effective date	Brief description/ Nature of changes
V1	-	28th June, 2022	28th June, 2022	New Policy adoption
V2	12th January, 2023	12th January, 2023	12th January, 2023	Changes related to Management Action Trigger (MAT) & updation in the various risk parameters
V3	19th July, 2023	19th July, 2023	19th July, 2023	Change in the name of the Company
V4	19th October, 2023	19th October, 2023	19th October, 2023	To incorporate the PFRDA Investment Guidelines dated 22nd September 2023.
V5	19th January, 2024	19th January, 2024	19th January, 2024	Change related to frequency & maintenance credit notes.
V6	22nd July, 2024	22nd July, 2024	22nd July, 2024	Streamlining the Risk Management Policy
V7	22nd January, 2025	22nd January, 2025	22nd January, 2025	Change in the name of the company
V8	15th July, 2025	15th July, 2025	15th July, 2025	No change
V9	16th October 2025	16th October 2025	16th October 2025	Risk Policy being applicable to the new multi scheme frameworks

Table of Contents

RISK MANAGEMENT POLICY

1. Preamble:

Tata Pension Fund Management Private Limited is engaged in the business of investment management of the pension corpus received from NPS Trust and regulated by the Pension Fund Regulatory and Development Authority (PFRDA).

In terms of the Investment Management Agreement (IMA) entered into with the NPS Trust, the Company is required to have a Risk Management Policy duly approved by the Board of Directors. The Policy was last approved by the Board of Directors at its meeting held on 15.07.2025.

2. Objective:

The main objective of the risk management policy of the Company is to:

- Put in place a risk management framework to effectively identify, measure, manage and control risks inherent in the Company's Business.
- Define an appropriate risk management structure with clear roles and responsibilities.
- Always ensure Regulatory Compliances & Business Continuity.
- Ensure compliance with the requirements of the Group Risk Management Policy of Tata Group to the extent applicable to the operations of the Company.

3. Risk Management Framework:

The risk management framework of the Company is based on the tenets of identification, measurement, control, and mitigation of various risks and reporting to the Top Management. The Company follows a committee-based approach to business decisions and effective risk management through a well-defined risk management architecture with clear roles and responsibilities put in place.

3.1. Role as Pension Fund Manager (PFM)

The Company has entered into Investment Management Agreement (IMA) with the NPS Trust for managing schemes of NPS regulated/administered by PFRDA on 12th of April 2022 post receipt of Certificate of Registration by PFRDA on 01st of February 2022 as Pension Fund. Investment activities are governed by Investment Guidelines issued by PFRDA and the Investment Policy approved by the Board of Directors of the Company.

3.2. Range of Activities

The business undertaken by the Company may broadly be classified as under:

- Investment in Government Securities/SDL.
- Investment in Corporate Bonds.
- Investment in Equity.
- Investment in Money Market Instruments
- Investment in Term deposits/ Mutual Funds.
- Investment in all other instruments as approved by PFRDA.

The investment portfolio is required to be marked to market and NAV is declared on a daily basis. Consequently, investments made are exposed to various risks viz. market risk, credit risk, liquidity risk and operational risk.

3.3. Key Risks:

In the current PFM business model, credit and market risks of the portfolio are "pass through" to the subscribers. Net Asset Value (NAV) is arrived at by valuing the securities on a mark-to-market basis and any loss in market value has to be borne by the subscriber. Nevertheless, reputation risk is a pass-through to the Company and, thereby, to the Group. As PFM, the business objective of the Company is to maximize returns to the subscriber and as such, the Company is required to identify, measure, control and mitigate such risks. Keeping this in view, and inter-relationships between the risks, the following have been identified as key risks for the Company.

- Operational Risk
- Reputation Risk
- Market Risk
- Credit Risk & Investment Risk
- Disaster Management & Business Continuity
- Other Risks (Compliance/Contagion/Strategic/Counter Party Risk/ IT Risk/Talent Risk)

Settlement of deals for all transactions is routed through a Custodian appointed by NPS Trust. Further, settlement of government securities transactions is guaranteed by CCIL and equities transactions by Stock Exchanges. As such, the Settlement Risk stands mitigated.

3.3.1 Risk Identification:

We have adopted Risk Control Self-Assessment (RCSA) methodology to identify organization wide risks.

RCSA is a systematic process which leverages collective knowledge of individuals within the organization to proactively identify, assess, mitigate/control, monitor and report significant risks in the areas of operative business.

All the functions shall participate in the identification exercise and document the results and analysis in the risk register. The register is to be reviewed annually or whenever there are material changes to the business environment.

The risks identified through the process of self-assessment includes:

- Credit/Market Risk
- Operational Risk
- Reputation Risk
- Regulatory/Compliance Risk
- Contagion Risk
- IT Risk
- Disaster Management & Business Continuity

An annexure detailing the reporting structure of RCSA is attached here with.

3.4. Risk Limits, Monitoring & Reporting:

3. 4. 1. Market Risk

a) Limit:

- Management Action Trigger (MAT) threshold:

✓ Bonds: In the case of bonds, MAT would not be applicable for the price movements on account of interest rate movements. However, in case of downgrade of a security in the corporate bonds, an analysis would be carried out to assess the exposure based on the fundamentals of the company and the overall market scenario. A note would be recorded in such cases mentioning the proposed course of action and put up with the Investment Committee of the Company.

The position would be continuously monitored, and both Investment & Risk Committees of the Company would be apprised of the same on a quarterly basis w.r.t. actions taken by Investment Team.

✓ Equities: MAT for investment in equities would be triggered on 20% adverse movement in the weighted average price (WAP) of a stock.

b) Monitoring and Control:

In case of equities, the investments are based on fundamental evaluation. Once MAT is triggered in a security, a note analysing the reasons for the price correction based on the overall market scenario and the fundamentals of the company along with the investment strategy related to the position within a reasonable time frame be presented up to the Investment Committee. Further, in case the prices continue to be on a downward trend for the 3 consecutive quarters after the quarter in which the MAT was triggered, the decision to continue/exit (partial/full) from the position would be taken by the Investment Committee. The position would be continuously monitored in either cases and the Investment & Risk committee of the Company would be apprised of the same on a quarterly basis.

3. 4. 2. Exposure Limits:

a) Exposure Limits-Equity & Debt:

i. Exposure Limits: Sponsor Group

Equity: NPS Equity investments have been restricted to 5% of the 'paid up equity capital'* of all the sponsor** group*** companies or 5% of the Total AUM managed by the Pension Fund under Scheme/ Asset Class G, C, E, & A for both Tier-I & Tier-II & the new multi framework schemes, whichever is lower, in each respective scheme.

*Paid up share capital': Paid up share capital means market value of paid up and subscribed equity capital.

'Sponsor' shall mean an entity described as "Sponsor" under Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015 and subsequent amendments thereto.

***'Group' means two or more individuals, association of individuals, firms, trusts, trustees or bodies corporate, or any combination thereof, which exercises, or is established to be in a position to exercise, significant influence and / or control, directly or indirectly, over any associate as defined in Accounting Standard (AS), body corporate, firm or trust, or use of common brand names, Associated persons, as may be stipulated by the Authority

Debt: NPS Debt Investments have been restricted to 5% of the 'net-worth'# of all the sponsor group companies or 5% of the Scheme AUM whichever is lower in each respective scheme

ii. Exposure Limits: Non-Sponsor Group

Equity: NPS Equity investments have been restricted to15% in the paid-up equity capital of all the non-sponsor group companies or 15% of the Scheme AUM whichever is lower, in each respective scheme.

Debt: NPS Debt investments have been restricted to 10% of the net-worth of all the non-sponsor group companies or 10% of the Scheme AUM whichever is lower, in each respective scheme.

Net Worth: Net worth would comprise of Paid-up capital plus Free Reserves including Share Premium but excluding Revaluation Reserves, plus Investment Fluctuation Reserve and credit balance in Profit & Loss account, less debit balance in Profit and Loss account, Accumulated Losses, and Intangible Assets.

iii. Exposure Limit: Industry Sector:

Investment exposure to a single Industry shall be restricted to 15% of AUM under all Schemes managed by each Pension Fund as per Level-5 of NIC classification. Investment in scheduled commercial bank FDs would be exempted from exposure to the Banking Sector.

iv. For investments made in Index Funds/ETF/Debt MF, the exposure limits under such Index Funds/ETF/Debt MF shall not be considered for compliance of the prescribed Industry Concentration, Sponsor/ Non-Sponsor group norms under these guidelines.

v. The restrictions/ filters/ exposure norms mentioned in I, ii & iii would not be applicable to any of the Scheme/ Asset Class under NPS Tier-I & II & the new multi framework schemes till the Scheme/ Asset Class AUM reaches Rs 5 crore and to Scheme/ Asset Class A till the AUM reaches Rs 15 crore.

Monitoring : The limits as stated should not be breached, and if breached it should be reported to Investment Committee & Risk Management Committee.

3.4.3 Credit Risk

All investments should have a minimum AA or equivalent grade rating from at least two rating agencies, with exception as mentioned in investment policy.
In addition to the credit ratings, investments under debt instruments and related investments category shall be made after adequate due diligence on the investee companies. The credit proposal shall be circulated to the CEO and Risk Officer for discussion & approval. The investments will be made only after the approvals from the CEO and Risk Officer is obtained. The exposure limit for the approval would be in line with approved exposure limits for the respective ratings approval. The investments thus made shall be taken up in the subsequent Investment committee meeting for noting.

a) The Investment Team to maintain a list of approved investible universe of debt issuers and for each such issuer, the Investment Team to maintain a credit note on the credit worthiness of the issuers.
b) All initiation notes to be archived electronically and physically, while review notes to be archived physically or electronically on shared drive.
c) Review is an important part of the credit research process. All active issuers in the approved investible universe to be reviewed once in every six months, or more frequently in case of any adverse development by the Investment Team. In addition to annual review, the Investment Team shall also review the creditworthiness of the issuer in case of any event which may materially impact the credit outlook of the issuer.

Monitoring and Control:

- All the corporate bonds shall be reviewed periodically i.e. once in every six months, or more frequently in case of any adverse development.
- Ratings shall be monitored on a daily basis.
- In the event of slippage in the rating below the minimum permissible investment grade prescribed for investment in the instrument when it was purchased, as confirmed by one credit rating agency, the option of exit shall be considered and exercised, as appropriate, in a manner that is in the best interest of the subscribers.

Management Reporting:

- Rating slippages, if any, initially shall be reported to CEO. Rating slippage shall also be reported to Investment/Risk Management Committee of the Company.

- Deviations from exposure limits, if any, to be reported to the Investment Committee and the Risk Management Committee of the Company on a quarterly basis and to NPS Trust at monthly intervals.
    - Any changes in rating, credit views, etc. need to be presented to the Investment & Risk Committee on a quarterly basis.

3. 4. 3. Liquidity Risk:

Premature redemption of contributions is envisaged in the following circumstances:

- Death of Subscriber.
- Redemption of units under Tier 2 (which is essentially a savings scheme)
- Switch out of schemes/Change of PFM.

a) Monitoring and Control:

The redemption request /withdrawals from the various NPS schemes have to be met/managed from the schemes as per regulatory guidelines.

As of now redemption request, is generally matched with corresponding inflows. However, if corresponding inflows are insufficient to match the outflows, the shortfall can be met by liquidating the securities by accessing the markets on T+1/T+2 basis, since the pay-out of the funds takes place on T+2 basis.

Asset Liability Management /Liquidity of investments has been addressed in Investment policy. To meet out any eventuality of mass redemption, liquidity and ALM concerns, in any scheme which may occur if a Subscriber decides to change the Pension Fund Manager, the schemes should have sufficient investments in liquid securities. Reports are prepared to analyze the inflow & outflow trend which helps in predicting the liquid investments which must be kept as as to avoid the shortfall of funds to meet the adverse redemption request.

b) Management Reporting:

Necessary reports on age profiling and other analytics should be reported by the Head of Operations to Investment Team & CEO for further action on ALM.

3. 4. 4. Operational Risk:

Operational risks arise due to inadequate or failed internal processes, people and systems or from external events. Such risks include failure of critical systems and infrastructure, obsolete systems, critical knowledge loss/skill shortage, administrative errors and natural disaster risks etc.

Monitoring and control/ Management reporting:

a. People
- The accounting system shall be based on maker-checker concept.
- The essential compliance requirements for dealing room shall be laid down by Compliance function.

b. Processes
- Investment Policy has been prepared and updated.
- Investment & Investment Operations SOPs have been created.
- Company operations are subjected to Internal Audit & Concurrent Audit (for NAV certification) by external agencies. Observations, if any, are attended to & reported to appropriate authorities.

c. Systems

IT systems are secured and reliable. IT operations are subject to system audit to identify and address shortcomings.

d. External Events
- A formal backup and recovery plan have been developed for major physical disaster for systems, communications, and power failures.
- The Disaster Recovery and Business Continuity plan is in place. The Company has near DR site at CTRL S Mahape & will be setting up far disaster recovery site at CTRL S, Hyderabad .
- Fire Alarms and protection equipments are in place. The physical assets of the company at the Company office are adequately insured.

3. 4. 5. Other risks:

✓ **Compliance Risk:**

The Company faces the following major compliance risks:

- Risk of non-compliance with regulatory requirements leading to censure and/or penalties.
- Financial loss resulting from non-adherence to the Company's internal compliance rules, regulations, code of conduct, other best practices and standards.

Monitoring and Control:

Compliance function to ensure Employee Dealing guidelines are in place and strictly adhered to.

✓ **Reputation Risk:**

The reputation Risk may arise due to the following:

- Non-compliance inviting regulatory action.
- Cases of system failures, breakdown of internal controls
- Adverse press coverage.
- Performance slippage in comparison with other PFMs.

a) Monitoring and Control:

- Review and analysis of Audit Findings relating to internal controls and business processes issues.
- Performance tracking on absolute and comparative basis (peer group).

b) Management Reporting:

- Quarterly Internal Audit Report to be placed before the Audit Committee of the Board along with Management comments and corrective measures initiated, if any.
- Performance of the Company shall be reviewed by the Board at quarterly intervals.

✓ **Contagion Risk:**

With the corporate strategy of using common logo and uniform branding across the Tata Group, adverse developments in any Group entity could affect the operations & image of the Company.

Monitoring & Control / Management Reporting:

The Internal Audit Reports and Audit Reports from other external agencies shall be put up to the Audit Committee of the Board.

✓ **Strategic Risk**

As the Company cannot undertake any other business without the specific, prior approval of the Regulators, the best indicators for Strategic Risk shall be in terms of consistent inability to meet business goals and objectives despite favorable market conditions. The inability of the Company to grow due to lackadaisical performance consistently vis –a-vis the peer group shall also be an indicator under this risk.

Monitoring and Control/ Management Reporting:

The progress on the implementation of various strategic initiatives viz. Business Development, AUM Growth, League table ranking shall be monitored by the Top Management and the Board through regular performance reviews.

✓ **Counter Party Risk**: It is the probability that the other party in an investment, credit, or trading transaction may not fulfill its part of the deal and may default on the contractual obligations.

Credit risk in terms of failure of counterparty in a deal does not arise as the Settlement of deals on behalf NPS fund management is on Delivery Versus Payment (DVP) basis with all transactions routed through **Custodian** appointed by NPS Trust. Further, settlement of the government securities transactions is guaranteed by CCIL and equities transactions by respective Stock Exchanges. As such, the counterparty and settlement risk stands mitigated. However, the counterparty risk in terms of OTC trades may arise during the settlement process.

Monitoring and Control/Management Reporting :

- Back-office should follow-up with Custodian for settlement of all the deals and reconciliation of bank account and holding of stocks should be done on daily basis. Exceptions if any related to the non-settlement of deals should be reported to the top management.

- KYC of Counter Party: In order to address the counterparty risk in the OTC trade for Corporate Bonds, KYC for all our counterparties is in place. Investment in Corporate Bonds through OTC shall be restricted in case of Counterparties who have not completed the KYC requirement.

✓ **IT Risk :**

IT risks include hardware and software failure, spam, viruses and malicious attacks, as well as natural disasters such as fires, cyclones or floods. It is identified through cyber events, incident reports, Annual IT Audit report by third party qualified auditors, various audit observations, Vulnerability Assessment & Penetration Testing (VAPT) of all critical internet facing web applications and infrastructure etc.

Monitoring and Control/ Management Reporting:

- The monitoring of the Information Security preparedness for the organization is done through continuous monitoring framework providing visibility into organizational assets, awareness of threats and vulnerabilities, etc.
- Chief Information Security Officer (CISO) will be responsible for establishing and maintaining the enterprise vision, strategy and program to ensure information assets and technologies are adequately protected against cyber security threats. CISO should periodically evaluate and review effectiveness of Information security policies, procedures, standards, guidelines and processes etc.
- CISO will also be responsible for maintaining a record of information security incidents & breaches, take remedial action to reduce / diminish the impact of information security incidents & breaches and report the same to top management approval immediately on occurrence of such incidents.
- Identification, authorization and granting of access to IT assets.
- Ensuring compliance with legal and regulatory requirements for Information security and timely report of data breaches to CERT In.
- Management of technology solutions for information security like a firewall, anti-virus/anti-malware software, monthly patch management, backup, offsite backup retention, Baseline IT security for all IT devices and application etc.
- Issuing alerts and advisories with respect to new vulnerabilities / threats to all concerned.
- Clearly indicating acceptable usage of IT assets including application systems that define the information security responsibilities of users (staff, service providers and customers) in regard to the usage of IT assets and thereby ensure data integrity.
- Annual Information Security Audit Report by Third party qualified auditors.
- Board approved Information Technology and Cyber Security Policy is in place.
- Periodic review of the policy at least on annual intervals and in case of any significant event occurs.
- Business Continuity Plan (BCP) and Disaster Recovery Plan (DR) is in place and half yearly conduct of full operations at DR site to evaluate effectiveness of business continuity plan.

- Firewall for network protection is in place.
- Maintenance of records of Information security incidents and breaches.
- Risk Control Self-Assessment (RCSA) at annual intervals or as and when required.
- Conducting Information security awareness among management, employees, vendors and other stake holders.
- Monitoring all information security logs, configurations, Access Controls and incidents. Report any breaches of any deviations and mitigate and report all IT security incidents, take appropriate actions to prevent recurrence.
- Maintenance of authorization records in case of system modification.

Further, CISO will analyze and evaluate the IT related risks and inform about the risk events if any to Risk Management committee at quarterly intervals.

✓ **Talent Risk :**

- Risk of Key performers or employees in the company quitting their jobs.
- Risk of key critical positions remaining unfulfilled or not having a succession plan for them.

a) Monitoring & Control:

- Continuous tracking of attrition is done by the HR team with main focus on key positions.
- If any spike in the attrition parameters is observed, the same are considered for immediate and urgent action.
- The company has a Board approved HR policy which is issued to all employees.
- It is ensured that salaries and benefits are competitive and in tune with the market.
- Performance Linked Incentive policy is in place to retain key/critical talent.
- Multiple avenues for employees to provide feedback through performance discussion, during off-site visit etc.
- Regular training is provided to employees in their respective areas to enhance knowledge, skill and competency.
- Succession plan is in place for key positions in the company.
- For hiring of critical/specialized talent, the company is using HR consultant e.g. Pathfinder, Naukri.com, LinkedIn platform etc.

b) **Management Reporting**:

- Periodic updates are shared with Management for information and action.
- Staff Attrition' is one of the Key Risk Indicators (KRI) which is monitored and reported on a quarterly basis. If the KRI breaches the defined risk appetite, mitigating actions are put in place.

3.5. Risk Management Committee of the Company (RMCC):

The Company has constituted a Risk Management Committee of the Company with one independent director, CEO, Chief Risk Officer (Manager- Risk), CIO and Compliance Officer, as members. The Committee shall exercise Board level oversight over the risk management operations of the Company. The minimum quorum for the Committee meetings shall be two with at least one Independent Director present in the meeting. The Committee shall meet quarterly.

The role of the Committee will include inter-alia, formulating and reviewing risk policy, reviewing deviations from Guidelines/Policy, if any; reviewing risk adjusted returns of the schemes, review of entire portfolio in conjunction with Investment Committee examining underlying business processes of the Pension Fund to identify inherent and emerging risks like IT & Infrastructure risks, recordkeeping risks, maker checker risks, assess/ prioritize and put in place mitigation plans, etc. In its oversight functions, the Committee will be assisted by Chief Risk Officer.

3.6. Chief Risk Officer (CRO):

The risk monitoring & control function shall be the responsibility of the CRO who shall report directly to CEO. Broadly the role and responsibilities shall, inter-alia, include:

- Identification, measurement, monitoring/ control/ reporting, analysis and mitigation of risks, embedded and emerging, in the Company's business.
- Assisting RMCC in formulating and reviewing risk management policies, setting and reviewing risk parameters, etc.
- Risk Control Self-Assessment (RCSA) exercise with a view to identify and mitigate various risks.
- Monitoring, Management Action Trigger (MAT), Monitoring of Investment Guidelines, , Downgrades in Corporate Bonds. In case of any deviation /breach of limits, flag the same to Investment Committee.
- Ensure smooth conduct of various audits pertaining to Risk Management and to deal with audit reports objectively.
- Preparation of reports for submission to NPS Trust/Regulators, Sponsors; MIS reports for Top Management
- Periodical review of external credit ratings of investments in debt securities,
- Fraud Monitoring and timely reporting
- Periodical review of empaneled brokers as stated by Broker Empanelment Policy which is created separately.

3.7. Operational Guidelines

The Company has in place IC/Board approved Investment Manual/ SOP- Front Office & Back Office covering all the investment operations of the Company. The operations of the company shall be subject to Internal audit by external agencies. The Company has a Compliance Officer to ensure compliance with various laws and regulations applicable to its operations.

3.8. Audit

The operations of the company shall be subject to Internal Audit, Concurrent Audit (NAV Certification) by an external agency, Statutory Audit, Scheme Audit by NPS Trust appointed Auditors. Observations, if any, of the auditors should be attended to immediately and action taken reported to the Audit Committee of the Board at quarterly intervals.

4. Review/ Renewal

The Risk Management Policy shall be reviewed at half yearly intervals or earlier, if required. If any change is approved by the Board subsequent to this policy, consequent upon any change in corporate strategy, regulatory guidelines, market conditions, changes in risk profile of the Group etc., such changes and approvals shall be deemed to be a part of the policy until the next review.

Annexures - RCSA

Annexure 1:

Following risks are broadly covered in the RCSA exercise:

Sl No.	Risk Type	Description	Specific Risk under the category
1	Business Risk	The risk of failing to achieve business due to inappropriate strategies, inadequate resources or changes in the economic or competitive environment.	Inability to give returns better or at par with peers, risk of fall in market share, risk of fall in revenue.
2	Operational Risk	The risk of loss due to actions on or by people, processes, infrastructure or technology or similar which have an operational impact including fraudulent activities.	Attrition of key employees, Loss/ damage to documents/ records. Inadequate record keeping, Irregularities in following the operating procedures/manuals prescribed by the Company.
3	Concentration Risk	The risk of loss arising out of larger exposure to a particular group of counterparties.	Non-adherence to investment guidelines issued by PFRDA and investment policy of the company.
4	Regulatory Risk	The risk of non-compliance with legal or regulatory requirements.	Non-Reporting/Late Reporting / Incorrect Reporting. Non-disclosure as per regulatory requirements. Risk of noncompliance with regulatory updates and non-reporting to Board. Omission of Policy creation due to oversight, wrong interpretation of regulations etc. Policy created may not address all aspects of company's operations. Policy not put in place within a stipulated time frame.
5	Information Security Risk	The risk that's associated with any facet of information technology	Access to confidential information due to unauthorised exploitation of systems, network and technologies, Data Loss, etc
6	Reputational Risk	The risk that the reputation of the Organization will be adversely affected.	Performance slippage in comparison with other PFMs. Adverse media publicity, Non-compliance inviting regulatory action.

Annexure 2: Format of Risk Register

S. No.	Function	Risk Owner	Risk Category	Risk Classification	Risk Description	Mitigation measures	Impact (I)	Likelihood (L)	Velocity (V)	Exposure (I*L*V)	Com

Annexure 3: Risk Rating Scale

Impact

Parameters	1. Insignificant	2. Minor	3. Moderate	4. Major	5. Critical
Financial loss	Up to 0.5 % of PBT	0.5% to 1% of PBT	1% - 3% of PBT	3% - 5% of PBT	More than 5% of PBT
Loss of market share	Less than 0.5% decline	0.5% - 1% decline	1% - 3% decline	3% - 5% decline	More than 5% decline
Reputation damage	Localized complaints	Repetitive public complaints	Negative local media coverage	Short term negative media coverage at national level	Continuous negative coverage at national & international level
Regulatory consequence	Insignificant or no impact	Minor compliance failures detected but waived / condoned	Warning show cause legal notice	Penalty up to 50 lakh	- Penalty of 50+ lakh - Partial /complete prohibition of business - Imprisonment
Customer satisfaction	Minimal complaints and recovery cost	Minimal or isolated impact on customer satisfaction	- Decline in customer satisfaction - Impact on sales	- Serious threat to future growth	- Wide-spread impact on customer satisfaction - Inability to sell
Operational Impact / Business Disruption	Very minor systemic breach or service interruption	Minor breakdown in product/service delivery with minimal impact on client or the business	Moderate systemic breach and/or service interruption, may involve a critical system	Moderate breakdown in product/ service delivery across one or more clients and business units	Major/severe widespread systemic breaches and outages to critical systems; serious/ severe breakdown in product service delivery across multiple clients and business units

Likelihood

Rating	Significance	Past Occurrence	Future Occurrence
1	Unlikely	Once in more than 2 year	Unlikely to occur in next 2 year
2	Rare	Once in 1-2 years	Likely to occur in next 1-2 years
3	Possible	Once in 6 months – 1 year	Likely to occur in next 6 months – 1 year
4	Likely	Once in a 1-6 months	Likely to occur in next 1-6 months
5	Almost Certain	Once in every month	Likely to occur in next month

Velocity

Rating	Significance	Velocity
1	Very slow	Impact of risk would be evident in 2 years and above
2	Slow	Impact of risk would be evident in 1-2 years
3	Medium	Impact of risk would be evident in 6 months - 1 year
4	Rapid	Impact of risk would be evident in 3-6 months
5	Very rapid	Impact of risk would be evident in less than 3 months