SBI PENSION FUNDS PRIVATE LTD.
INVESTMENT POLICY FOR PRIVATE SECTOR NPS

1 BACKGROUND:

The Company manages the pension corpus received under both Government Sector NPS covering government employees and Private Sector NPS covering other subscribers (all citizens model). Though both the Government and Private Sector Pension schemes fall under the common umbrella of the National Pension System (NPS), Pension Fund Regulatory Development Authority (PFRDA) have prescribed different investment guidelines for each sector. The Investment policy for the Private Sector NPS is based on instructions/guidelines issued by PFRDA from time to time and provisions of the Investment Management Agreement for the Private Sector entered into with the NPS Trust.

2 SCOPE:

This policy will be applicable for the investment of corpus received under Private Sector NPS (all citizens model Tier I and Tier II) schemes.

3. OBJECTIVE:

Considering the nature of the pension fund business, the Company has to look at generating best available returns for the subscribers over the long term while ensuring safety and security of such investments. Keeping in view the fact that returns are market related, it is proposed to strive for yield maximization within the investment pattern approved by PFRDA and chosen by the subscribers.

4. INVESTMENT PATTERN:

Investments in both Tier I & II schemes are to be managed by way of separate underlying asset classes and accordingly, asset class-wise investment guidelines as prescribed by PFRDA are as under-

4.1.1 Asset class E - Equity market instruments

The eligible investments are:

a. Companies listed on National Stock Exchange (NSE) or Bombay Stock Exchange (BSE), on which derivatives are available, and have Market Capitalization of not less than Rs. 5,000 crore as on the date of investment, are eligible for investment except in case of IPO, but the same should be available in the F&O segment in either of the two stock exchanges within one year to remain invested in that stock.
b. Units of mutual funds regulated by the Securities and Exchange Board of India, which have minimum 65% of their investment in shares of body, corporate listed on BSE or NSE.

Provided that the aggregate portfolio invested in such mutual funds shall not be in excess of 5% of the total portfolio of the fund in any point in time and the fresh investment in such a mutual funds shall not be in excess of 5% of the fresh accretions invested in the year.

c. Exchange Traded Funds (ETFs)/Index Funds regulated by the Securities and Exchange Board of India that replicate the portfolio of either BSE Sensex Index or NSE Nifty 50 Index.
d. ETFs issued by SEBI regulated Mutual Funds constructed specifically for disinvestment of shareholding of the Government of India in body Corporates.
e. Exchange traded derivatives regulated by the Securities and Exchange Board of India having the underlying of any permissible listed stock or any of the permissible indices, with the sole purpose of hedging.

Provided that the portfolio invested in derivatives in terms of contract value shall not be in excess of 5% of the total portfolio invested in sub-categories (a) to (d) above.

- A list of Companies conforming to the above requirement will be compiled and reviewed periodically by the Investment Sub- Committee.
- NSE/IISL issues notifications for inclusion / exclusion of Companies in the Indices on which derivatives are available, with minimum Market Capitalization of Rs 5000 Crores from a future date. Depending on market conditions, the Company may invest in shares of to be included Companies from the date of notification.
- No fresh investments shall be made in shares of to be excluded Companies. The Company would exit from existing equity investments in such Companies, at the appropriate time.
- The decisions of the Investment Sub-Committee shall be reported to the Investment Committee of the Company at its next meeting.
- Out of the list of companies compiled for investment in equities, the due diligence process which is to be undertaken before making any under equity market instruments are as under:

a) A detailed research note should cover the promoter credentials, reputation, corporate governance, performance evaluation versus peers and benchmarks.
b) A comparison of following parameters with the sector & Industry to be done:
   i) Revenue
   ii) EBITDA
   iii) PAT
   Large variations if any, need to be commented upon in detail.
c) A complete documentation of the analysis and assessment and due diligence done along with all backing documents, references and research needs to be maintained for scrutiny.

d) The research note should include detailed analysis of financials of company (past and projections), business strategy, liquidity position, industry characteristics, impact of economic conditions, the competencies or deficiencies of management, key business and financial risk and its mitigating factors.
e) It should also comment upon pledge of shares by promoters, contingent liabilities and group level leverage.
f) **The analyst should also analyze the following parameters to evaluate accounting quality of the investee companies :**
    I) Contingent liabilities as % of Networth (for the latest available year) for analyzing off-balance sheet risk.
    II) CWIP to gross block, comments should be made in case of high ratio.
    III) Cashflow from operations as % of EBITDA to check aggressive revenue and earning recognition practices.
    IV) Provisioning for debtors to check aggressive provisioning policies.
    V) Growth in auditors remuneration to growth in revenues. Faster growth in auditors remuneration vis-vis company's operations.

    All the above mentioned parameters should be included in the credit appraisal note of investee companies. In the absence of any of the aforesaid mentioned information, it should be recorded in the credit appraisal note and discussed by the Investment Sub-Committee before making an investment decision.

g) As far as possible, it should be ensured that promotor/promotor group should not been involved in any corporate governance issues.
h) Avoid investment in companies whose promotors/management do not have good track record of being transparent to shareholders and have history of not protecting interest of minority shareholders.
i) The research note will be put up to Investment Sub-Committee (ISC) for approval.
j) The portfolio under this category shall be reviewed once in six months or more frequently in case of any adverse development.

4.1.2. Investment Restrictions-

The Company shall comply with the following PFRDA guidelines:

a) The assets are not to be encumbered.
b) The PF shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale,

deliver the securities and shall in no case put itself in a position whereby it has to make short sale or carry forward transaction or engage in badla finance (except as permitted under the extant regulations, from time to time).

c) Investments have been restricted to 5% of the 'paid up equity capital'* of all the sponsor group companies or 5% of the total AUM under Equity exposure whichever is lower, in each respective scheme.

d) Investments have been restricted to 15% of the paid up equity capital of all the non-sponsor group companies or 15% of the total AUM under Equity exposure 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.

e) Investment in unlisted equity shares or equity related instruments is not permitted except in derivatives for the purpose of hedging and portfolio balancing only in accordance with guidelines issued by SEBI/RBI.

f) Investment in an Initial Public Offering (IPO) Follow on Public Offer (FPO) & Offer for Sale (OFS) is allowed, subject to investment criteria mentioned at 4.1.1(a).

g) No loans for any purpose can be advanced by the PF.

4.2.1 **Asset Class G - Government Securities:** The eligible investments are:

4.2.1 (i) Government Securities:
Government Security means a security created and issued by the Central or a State Government for the purpose of raising a public loan as defined in Section 2(b) of the Securities Contract (Regulation Act) Act 1956.

4.2.1(ii-a) Other Securities are as defined under Section 2(h) of the Securities Contracts (Regulation) Act, 1956, the principal whereof and interest whereon is fully and unconditionally guaranteed by the Central Government or any State Government.

4.2.1 (ii- b). Government of India (GOI) – Fully Serviced Bonds issued by PSUs under Extra Budgetary Resources (EBR) whereof bonds are serviced by GOI and repayment of principal and interest payments towards such bonds are borne by GOI.

The portfolio invested under this sub-category of securities shall not be in excess of 10% of the total portfolio of the G-Sec in the concerned NPS Scheme of the pension fund at any point of time.

4.2.1 (iii) Units of mutual funds set up as dedicated funds for investment in Government securities and regulated by the Securities & Exchange Board of India (SEBI). Provided that the exposure to a mutual fund shall not be more than 5% of the total portfolio of

Government Securities in the concerned NPS Scheme at any point of time and fresh investments made in them shall not exceed 5% of the fresh accretions in the year.

4.2.2 Restrictions

a. The assets are not to be encumbered.
b. No loans for any purpose can be advanced by the Company.

4.3.1 **Asset class C - Credit risk bearing fixed income instruments:**

The eligible investments as per PFRDA, subject to investment stipulations at 4.6 are:

4.3.1(i) **Listed (or proposed to be listed in case of fresh issue) debt securities issued by bodies corporate, including banks and public financial institutions (Public Financial Institutions' as defined under Section 2 of the Companies Act, 2013).**

Provided that investment in debt securities with minimum residual maturity three years or less than three years from the date of investment, shall be limited to 10% of the corporate bond portfolio of the pension fund.

4.3.1 (ii) **Rupee bonds issued by institutions of the International Bank for Reconstruction and Development(IBRD), International Finance Corporation(IFC) and Asian Development Bank(ADB).**

Provided that investment in rupee bonds with minimum residual maturity three years or less than three years from the date of investment, shall be limited to 10% of the corporate bond portfolio of the pension fund.

4.3.1 (iii) Fixed Deposits of not less than 365 days of scheduled commercial banks with conditions of:

i. Continuous profitability for immediately preceding 3 years.
ii. Capital Adequacy Ratio should not be less than 9% for Public Sector Commercial Bank and not less than 11% for Private Sector Banks in last three years or mandated by prevailing RBI norms, whichever is higher.
iii. Having a net NPA of not more than 4% of the net advances.
iv. Having a minimum net worth of not less than Rs.500 crores for Public Sector Banks and Minimum Rs 10,000 crores for Private Sector Banks.
v. Private Sector Banks must have Long Term Rating of AA or above.

4.3.1 (iv**)** Debt Mutual Funds as regulated by SEBI.

4.3.1 (v**)** The Fund can invest in following infrastructure related debt instruments:

(a) Listed (or proposed to be listed in case of fresh issue) debt securities issued by body Corporates engaged mainly in the business of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing.

Further, this category shall also include securities issued by Indian Railways or any of the body Corporates in which it has majority shareholding. This category shall also include securities issued by any Authority of the Government which is not a body corporate and has been formed mainly with the purpose of promoting development of infrastructure.

It is further clarified that any structural obligation undertaken or letter of comfort issued by the Central Government, Indian Railways or any Authority of the Central Government, for any security issued by a body corporate engaged in the business of infrastructure, which notwithstanding the terms in the letter of comfort or the obligation undertaken, fails to enable its inclusion as security covered under 4.2.1(**ii a&b**) , shall be treated as an eligible security under this sub-category.

(b) Infrastructure and affordable housing Bonds issued by any scheduled commercial bank, which meets the conditions specified under 4.3.1 (iii).

(c) Listed (or proposed to be listed in case of fresh issue) securities issued by Infrastructure debt funds operating as a Non-Banking Financial Company and regulated by Reserve Bank of India.

(d) Listed (or proposed to be listed in case of fresh issue) units issued by Infrastructure Debt Funds operating as a Mutual Fund and regulated by Securities and Exchange Board of India.

It is clarified that, barring exceptions mentioned above, for the purpose of this sub-category 4.3.1(v), a sector shall be treated as part of infrastructure as per Government of India's harmonized master-list of infrastructure sub-sectors.

4.3.1 (vi) Listed and proposed to be listed Credit Rated Municipal Bonds.

4.3.1 (vii) Investment in units of Debt ETFs issued by Government of India specifically meant to invest in bonds issued by Government owned entities such as CPSEs, CPSUs/CPFIs and other government organizations, etc. provided that the portfolio invested in such Debt ETFs shall not be more than 5% of Asset Under Management of Corporate Bond Portfolio of the respective schemes.

Provided that the investment under sub-categories of 4.3.1 (except **4.3.1 (i**), 4.3.1(ii) and 4.3.1(iv)) shall be made only in such securities which have minimum AA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with Securities and Exchange Board of India under Securities and Exchange Board of India (Credit Rating Agency) Regulation, 1999. Provided further that in case of the sub-category

4.3.1(v-c) the ratings shall relate to the Non-Banking Financial Company and for the sub-category.

For sub-category 4.3.1 (i) & 4.3.1 (ii), the investment shall be made only in such securities which have minimum AAA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with Securities and Exchange Board of India under Securities and Exchange Board of India (Credit Rating Agency) Regulation, 1999.

It is clarified that debt securities covered under category 4.2.1 (ii - **a & b)** above are excluded from this category 4.3.1.

In addition to the credit ratings, investments under debt instruments and related investments category shall be made after proper due diligence on the investee companies. The process which is to be followed are as under:

a) Proper credit appraisal has to be carried out to assess the risk associated with any particular security/bond before investment is made by the fund.

b) The risks analyzed should include, inter alia, credit risk, liquidity risk and solvency risk.

c) A comparison of following parameters with the sector & industry to be done:
   i) Revenue
   ii) EBITDA
   iii) PAT
   Large variations if any need to be commented upon in details.

d) A complete documentation of the analysis and assessment and due diligence done along with all backing documents, references and research needs to be maintained for scrutiny.

e) The credit appraisal should include detailed analysis of financials of company, the management of the issuer company, liquidity position and other parameters such as liquid investment or cash balances excess to unutilized credit lines, liquidity coverage ratio and adequacy of cash flows for servicing maturing debt obligation need to be analyzed.

f) It should also comment on the nature of business, industry characteristics, impact of economic conditions, business strategy, the competencies or deficiencies of management, key business and financial risk and its mitigating factors.

g) Comment should also be made in credit appraisal regarding pledge of shares by promoters, contingent liabilities of the company and group level leverage.

h) The analyst should also analyze the following parameters to evaluate accounting quality of the investee companies :

   I) Contingent liabilities as % of Networth (for the latest available year) for analyzing off-balance sheet risk.

   II) CWIP to gross block, comments should be made in case of high ratio.

III) Cashflow from operations as % of EBITDA to check aggressive revenue and earning recognition practices.

IV) Provisioning for debtors to check aggressive provisioning policies.

V) Growth in auditors remuneration to growth in revenues. Faster growth in auditors remuneration vis-vis company's operations.

All the above mentioned parameters should be included in the credit appraisal note of investee companies. In the absence of any of the aforesaid mentioned information, it should be recorded in the credit appraisal note and discussed by the Investment Sub-COmmittee before making an investment decision.

i) As far as possible, it should be ensured that promotor/promotor group should not been involved in any corporate governance issues.

j) Avoid investment in companies whose promotors/management do not have good track record of being transparent to shareholders and have history of not protecting interest of minority shareholders.

k) The credit proposal should be put up to the Investment Sub-Committee for approval.

l) All the corporate bonds shall be reviewed periodically. i.e. once in every six months, or more frequently in case of any adverse development.

m) In case of NBFCs, the following criteria should be considered before investment:

Total AUM	> Rs. 25000 crores
Networth	> Rs.500 crores
Over Gearing	< 7 times
Net NPA Level	< 2%
Capital Adequacy	Minimum 15%
PAT History	Net profit in at least last 3 years
Exposure norms	As per PFRDA guidelines

The aforesaid criteria for Net NPA level may be relaxed upto 4% provided the Investment sub-committee evaluate the proposal and give proper reasoning for investment.

n) In case of Small Finance Bank (SFB) and Housing Finance Companies (HFC), the following criteria should be considered:

Turnover	> Rs. 2500 crore
Networth	> Rs.500 crore
Over Gearing	< 8 times
Net NPA Level	< 1%
Capital Adequacy	Minimum 15%
PAT History	Net profit in at least last 3 years
Exposure norms	As per PFRDA Guidelines

The aforesaid criteria for Net NPA level may be relaxed upto 2% provided the Investment sub-committee evaluate the proposal and give proper reasoning for investment.

4.4.1 Alternative Asset Class:

The eligible investments as per PFRDA, subject to investment stipulations at 4.6 are:

a. Commercial mortgage based securities or Residential mortgage based securities.
b. Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India.
c. Asset Backed Securities regulated by the Securities and Exchange Board of India.
d. Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India.
e. Investments in SEBI Regulated Alternative Investment funds (AIF Category I & II) as defined under the SEBI (Alternate Investment Fund) regulations 2012.
f. Basel III Tier I bonds issued by Scheduled Commercial Banks(SCB) under RBI Guidelines. Provided that in case of initial offering of the binds the investment shall be made only in such Tier I bonds which are proposed to be listed. Provided further that investment shall be made in such bonds of a SCB from secondary market only if such Tier I bonds are listed.
   Investments in these bonds can be upto a maximum of 5% of the total portfolio i.e. G+C+E+A for both Tier I and Tier ll.
   No investment in sub category in initial offerings shall exceed 20% of the value of the initial offering.Further,at any point of time, the aggregate value of Tier I bonds of any particular bank held by the fund shall not exceed 20% of such bonds issued by the bank.

Provided that investment under this category shall only be in listed instruments or fresh issues that are proposed to be listed except in case of category (a) and (c) above. Provided further that investment under this category (b), (d), (f) shall be made only in such securities which have minimum AA equivalent ratings in the applicable rating scale from at least two credit rating agencies registered by the Securities and Exchange Board of India under Securities and Exchange Board of India (Credit Rating Agency) Regulations, 1999. If the securities/entities have been rated by more than two rating agencies, the two lowest of the ratings shall be considered.

Further, in case of the sub-category (a), (c) and (e) rating from only one rating agency will be sufficient. However, in case of Government owned AIFs under sub category (e), ratings would not be required.

4.4.2 – Investment under category (e) -Alternate Investment Funds (AIF, Category I & II): is allowed subject to satisfaction of the following conditions: -

1) The permitted funds under category I are Infrastructure Funds, SME Funds, Venture Capital Funds and social venture capital funds as detailed in Alternative Investment Funds Regulations, 2012 by SEBI.
2) For category II AIF as per Alternative Investment Funds Regulations, 2012 by SEBI, at least 51% of the funds of such AIF shall be invested in either of the infrastructure entities or SMEs or venture capital or social welfare entities.
3) Pension Fund shall only invest in AIFs whose corpus is equal to or more than Rs. 100 crores.
4) Investment shall be in only those AIFs having a minimum rating of AA and above from at least one rating agency except in case of Govt. owned AIFs.
5) The exposure to single AIF shall not exceed 10% of the AIF size.
6) It is to be ensured that funds should not be invested in securities of the companies or Funds incorporated and operated outside the India in violation of section 25 of the PFRDA Act 2013.
7) The sponsors of the Alternative investment funds should not be the promoter in Pension fund or the promoter group of the Pension Fund.
8) The AIFs shall not be managed by Investment manager, who is directly or indirectly controlled or managed by Pension fund or the promoter group of the Pension Fund.
9) To ensure and apply all measures of due diligence in the best interest of subscribers before investing in AIF. Pension Funds are advised to consider all the risks such as liquidity risk, integrity risk, operational risk, and control issues and conflicts of interest while making a decision to invest in AIFs and these are to be documented while making such decisions for scrutiny by Authority/NPS Trust.

4.5 Money Market Instruments (Asset Class E/C/G/A)

The investment in money market instruments under this category can go up to 10% of the scheme AUM, except for scheme A Tier I, where investment can be done up to 5% of the scheme AUM, on temporary basis only. This exposure norm of 10% of scheme AUM investment in MM instruments shall not be applicable to PFs with corpus below 5 crores under the scheme C Tier II and G Tier II. The eligible investments are-

1. Provided that investment in commercial paper issued by body Corporates shall be made only in such instruments which have minimum rating of A1+ by at least two credit rating agencies registered with the SEBI. The lower of the two ratings shall be considered.
2. Provided further that investment in this sub-category in Certificates of Deposit of up to one-year duration issued by scheduled commercial banks will require the bank to satisfy all conditions mentioned at 4.3.1 (iii).
3. Units of Liquid Mutual Fund regulated by SEBI, as per stipulation covered under 5(i)
4. Term Deposit Receipts of up to one-year duration issued by such commercial banks which satisfy all conditions mentioned at 4.3.1(iii)
5. Investment in units of Overnight Funds and all such short duration funds as may be permitted by SEBI from time to time with the condition that the average total asset under management of AMC for the most recent six month period should be at least Rs.8000.00 crore in a scheme.

4.6 Investment Restrictions

a. All investments (except at **4.3.1 (i),** 4.3.1 (ii), 4.3.1 (iv) and at 4.4.1-a/c/e) to have minimum AA or equivalent investment grade rating (provided the rating has been confirmed/retained at AA in one year, i.e. investment in newly upgraded companies will not be done for one year) from at least two rating agencies regulated by SEBI, under SEBI (Credit Rating Agency) Regulation 1999, with minimum tenor of 3 years & maximum tenor shall be 15 years from the date of investment except in case of Basel III Tier I Bonds. Provided further that if the securities/entities have been rated by more than two rating agencies, the two lowest of all the ratings shall be considered. **Under sub category 4.3.1 (i) & (ii), investment shall be made only in such securities which have minimum AAA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with SEBI under SEBI (Credit Rating Agency) Regulation, 1999 for securities having minimum residual maturity of 3 years or less than 3 years from the date of investment and restricted to 10% of the corporate bond portfolio.** Tenor of bonds should not exceed 15 years. The portfolio under sub-category 4.3.1 (i) & (ii) having minimum residual maturity of 3 years or less than 3 years Investments under sub category 4.4.1.(e), to have minimum length of investment of 3 years and maximum length of investment of 15 years from the date of investment.

The aforesaid criteria of 15 years can be relaxed for investment in Companies with criteria mentioned below:

a) Company which is 51% and above owned by Central Government or State Government.

b) State Government or Central Government collectively own 51% and above in the Company.

c) The Company enjoys Central Public Sector Entity Status.

d) It should be rated AA+ and above at the time of Investment.

b. No investment shall be made in perpetual bonds of any Body Corporate except in BASEL III Tier –I Bonds.

c. NPS investments have been restricted to 5% of the 'net-worth 'of all the sponsor group companies or 5% of the total AUM in debt securities (excluding Govt. securities) 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.).

d. NPS investments have been restricted to 10% of the net-worth of all the non-sponsor group companies or 10% of the total AUM in debt securities (excluding Govt. securities) whichever is lower, in each respective scheme.

e. Investment exposure to a single industry has been restricted to 15% under all NPS schemes, as per Level-5 of National Industrial Classification (NIC).

f. **The limit with respect to investment in Money Market Instruments under Scheme G-I, C-I, E-I, G-II, C-II and E-II shall be 10% of the scheme corpus and in Scheme A Tier I shall be 5% of the scheme Corpus or Rs 10 Lakhs whichever is higher**

g. If investments are made in Index funds/ETF/Debt MF, in addition to the investments in Equity/Debt instruments, the exposure limits under such Index funds/ETF/Debt MF should be considered for compliance of the prescribed Industry Concentration, Sponsor/ Non Sponsor group norms.(For example, if on account of investment in Index Funds/ ETFs/Debt MFs , if any of the concentration limits are being breached then further investment should not be made in the respective Industry /non sponsor company/sponsor company).

5. GENERAL STIPULATIONS:

a) Investment decisions would be taken without maintaining idle funds for unduly long periods and in the best interest of subscribers with emphasis on safety and optimum return.

b) Any fund received on the maturity of earlier investments reduced by obligatory outgoings shall be invested in accordance with the investment pattern.

c) If for any of the instruments mentioned above the rating falls below the minimum permissible investment grade prescribed for investment in that 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.

d) The Company shall not utilize the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities.

e) NPS funds shall not be used to buy securities/bonds held by the Company or its subsidiary in their own investment portfolio or any other portfolio held by them. Though the Company is permitted to enter into derivatives transactions, in the interest of the subscribers, for the purpose of hedging and portfolio balancing, this may not be resorted to in the initial period as no maturing of liabilities is anticipated.

f) The Company as PFM shall enter into transactions relating to securities only in dematerialized form except Fixed Deposits & Liquid Mutual Fund.

g) The Company as PFM shall, for securities purchased in the non-depository mode get the securities transferred in the name of the NPS Trust on account of the Scheme.

h) Transfer of investments from one Scheme to another Scheme in the Company, shall be allowed only if:-

    i. Such transfers are made at the prevailing market price for quoted Securities on spot basis (Explanation: spot basis shall have the same meaning as specified by Stock Exchange for spot transactions).

    ii. The Securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made.

i) The Company will invest only in units of Liquid Mutual Funds fulfilling the following-

    i. The total corpus of the Scheme should be Rs.8, 000.00 crore or more.

    ii. Minimum Corpus of the fund house shall be Rs.30, 000 crore.

    iii. The expense ratio shall be comparatively low.

    iv. The minimum rating of the scheme has to be CPR 3(Composite Performance Ranking 3).

j) The Company may alter the above stated restrictions from time to time to the extent the PFRDA Regulations change, so as to permit the Schemes to achieve their investment objective.

6. i) **TRANSACTION THROUGH BROKERS:**

Purchase and sale of securities through a broker should not exceed on an average 5% of the aggregate purchase/sale of securities under all schemes for the financial year. In case this limit is exceeded, the justification therefore should be recorded and all such investments reported to the Trustees on annual basis. The aforesaid limit of 5% shall apply for a block of 12 months. Services of only empaneled brokers may be availed.

ii). BROKER EMPANELMENT:

As per the PFRDA guidelines, all the secondary market trades will be done through empanelled brokers only. In terms of guidelines issued by PFRDA for empanelment of brokers and as per best in house practices followed by the Company, the following principal criteria has to be fulfilled by the broking house/ firm for empanelment.

a) Valid SEBI registration certificate for the last three (3) years.
b) Member of both the NSE & BSE for the last three (3) years.
c) Body Corporate with at least five years in existence.
d) Corporate entity with minimum net worth of Rs.10.00 crores. (approved by Board in its meeting dated 23.07.2011)
e) Minimum Turnover of Rs 1000 Crores during last financial year (including cash and F&O segment)
f) Empaneled with at least five (5) institutions comprising Banks/Foreign Institutional Investor/Mutual Funds as brokers.
g) SEBI or any other regulator has not initiated any action against the firm in past (suspend, fined, debarred, expelled) & no criminal litigation or money laundering case is pending against any of the directors of firm.
h) Possess strong research capabilities and good market reputation.
i) No adverse market reputation / reports. (approved by Board in its meeting dated 23.07.2011)

Brokers, who would like to empanel with our company, should submit the following documents:

a) Application Form in Prescribed Format.
b) SEBI Registration Certificate of NSE/BSE.
c) Membership Certificate of NSE/BSE.
d) Memorandum and Article of Association.
e) Audited Annual Report for Last 3 years.
f) Latest Networth Certificate
g) Status Report of NSE/BSE.
h) Latest SEBI Inspection Report.
i) Undertaking from the Director and Company that SEBI or any other regulator has not initiated any action against the firm/company in past and no criminal litigation or money laundering case is pending against any of the directors of the Company.

The chief Risk Officer has to verify the documents to check that all requirements are fulfilled by the Broker. The Chief Risk Officer along with Compliance Officer has to review the history of any penalty imposed by the SEBI or exchanges on the firm/company and verify that the firm/company are not suspended/debarred/fined/expelled or no criminal litigation or money laundering case is pending against any of the directors of firm as part of appraisal procedure.

After appraisal, the note will be put up to the Investment sub-committee approval. After approval of the list of broker for empanelment, the same will be put up to the Investment Committee of the Company for recommendation and thereafter approval from the Board. Once approved by the Board, the dealer can transact deals through broker after execution of terms and condition documents by the broker.

7. **ASSET LIABILITY MANAGEMENT (ALM) /LIQUIDITY OF INVESTMENTS:**

Achieving high return is of paramount importance, however liquidity aspect will be given due weightage in investment decisions to meet redemption requirement as & when it arise as part of ALM exercise.

As per redemption pattern observed in the past, in Private Sector NPS Schemes, redemption requests are small and matched with corresponding inflows. However, if corresponding inflows are insufficient to match the outflows, the shortfall can be met by liquidating the securities. To meet out any eventuality of mass redemption, liquidity and ALM concerns, in Scheme E Tier I and Scheme G Tier I, which may occur if a Corporate decides to change the Pension Fund Manager, the scheme should have sufficient investments in liquid securities in G-Secs and liquid equity scrips. To meet this requirement, we propose the following:

a) Investment of Rs 75 crores and more in Scheme G Tier I scheme should be made in liquid Government Securities which have average daily trading value of Rs 150 crores and above in a month.
b) Investment of Rs 25 crores and more on ongoing basis, in Scheme E Tier I should be made in liquid equity scrips which have average daily turnover of Rs 200 crores and above in a month.

8. **CREDIT RATING:**

SEBI approved Credit Rating agencies identified for rating purposes are CRISIL, ICRA, India Ratings (FITCH), CARE and BRICKWORKS.
If the securities/entities have been rated by more than two rating agencies, the two lowest of all the ratings shall be considered for investment.

9**. MANAGEMENT ACTION TRIGGER POINT:**

When the price of the securities in the portfolio is sliding down the management of the company can review the position depending on the view on the market to either cut loss or re-enter at lower level or wait for the market to reverse. Trigger points will be as defined in the Risk Management policy approved by the Board.

10 **VALUATION OF PORTFOLIO:**

This will be done in accordance with PFRDA guidelines from time to time.

11. **INVESTMENT COMMITTEES:**

a) The Company has constituted an Investment Committee of the Company with two Independent Directors, the MD & CEO, Chief Investment Officer (CIO) and **Chief Risk Officer** as members. The Committee shall exercise Board level oversight over the Company's investment operations and implementation of the Company's Investment Policy as approved by the Board. 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.

b) For day-to-day investment activities, the Company will have an Investment Sub-Committee with full delegated powers comprising of the MD & CEO, CIO, Head-Equity Market and Head-Fixed Income Market. The minimum quorum of the Investment Sub- Committee shall be two, of which one should be CEO/ officiating CEO. All day-to-day investment decisions will be taken by the Sub-Committee and comments from Chief Risk Officer are invited on the same. The proceedings of the Investment Sub Committee meetings will be recorded and are subject to audit/inspection. Reports on the investments made with a certificate from the Chief Risk Officer that the investments are in conformity with Regulatory guidelines and Investment policy provisions, and any other matter relating to investments will be placed before the Investment Committee of the Company every quarter for review/scrutiny and guidance.

12. If the pension fund has engaged services of professional fund/asset managers for management of its asset, payment to whom is being made on the basis of the value of each transaction, the value of funds invested by then in any mutual funds mentioned in any of the categories or ETFs or Index funds shall be reduced before computing the payment due to them in order to avoid the double incidence of costs.

13. REPORTING:

The Company would comply with the disclosure requirements specified by PFRDA from time to time. The Company shall furnish periodic reports as well as such information and documents as may be required by the PFRDA, NPS Trustees and the Central Record Keeping Agency (CRA) from time to time.

14. **REVIEW OF INVESTMENT POLICY**:

As per IMA provisions, the Policy shall be reviewed at half yearly intervals or earlier, if required.