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) Shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks in terms of full market capitalization as on date of investment.

b) Units of Equity Schemes of mutual funds regulated by the Securities and Exchange Board of India, which have minimum 65% of their investment in shares of body, corporates 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 at any point in time and the fresh investment in such 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.

f) Initial Public Offering (IPO), Follow on Public Offer (FPO) and Offer for Sale (OFS) of companies, approved by SEBI :

i) Investment shall be made in Equity shares which are proposed to be "listed" through IPO.

ii) Investment shall be made in Equity shares of such Companies through IPO where the full float market capitalization, calculated using the lower band of the issue price of the IPO, is higher that the market capitalization of 200th company in the list of Top 200 stocks of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE) as provided by NPS Trust (last published) for investment into equity space under the Investment Guidelines.

Further, if an investment in equity shares of any company made through an IPO and if the equity shares do not fulfill the market capitalization condition prescribed under investment guidelines post listing, a time period of maximum one year shall be provided for making decision on selling/holding such stock. At the time of completion of one year, if no decision to sell such stock was made, the said stock shall be sold if it does not fall in the last list of Top 200 stocks published by NPS Trust.

Further, fresh shares of the same company can be acquired in which the allotment has been received through IPO as long as the investment meets the conditions prescribed in Investment guidelines/circulars issued in this regard.

iii) The investment in Equity Shares though Follow on Public Offer (FPO)/Offer for Sale (OFS) shall be made in the shares of body corporates listed on BSE or NSE which are in top 200 stock in terms of full market capitalization as provided by NPS Trust (last published) list of stocks prepared by NPS Trust in this regard from time to time.

iv) The details of all investments in Equity shares through IPO/FPO or OFS shall be reported to NPS Trust within 30 days of making such investments.

- A list of companies of top 200 stock as provided by NPS Trust (last published) for investment in equity shares from time to time to be strictly followed by investment team and reviewed by the Internal Investment Sub-Committee. Subsequent to any updation in the list, rebalance of portfolio is to be done in line with updated list within a period of **six** month.

- The decisions of the Internal Investment Sub-Committee shall be reported to the Investment Committee of the Company at its next meeting.

- Out of the list of top 200 companies as provided by NPS Trust from time to time for investment in equities, the due diligence process which is to be undertaken before making any investment in shares of body corporates 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 research 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 Internal 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 Internal Investment Sub-Committee (IISC) 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 fulfilment of conditions mentioned under guidelines in this regard.

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

h) Investments in the shares of body corporates listed on BSE or NSE, which are in top 200 stocks is required to adopt the list of stocks prepared by NPS Trust which will be updated by NPS Trust every six months. Subsequent to any updation in the list, rebalance of portfolio is to be done in line with updated list within a period of one month.

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 investment under this category shall be implemented prospectively i.e. w.e.f. date of issuance of letter to the pension funds and only fresh issuances in the GOI fully serviced bonds shall be treated and classified under category 4.2.1 under sub-category 4.2.1 (ii-a) Other securities.

The portfolio invested under sub-category 4.2.1 (ii- a&b) of securities shall not be in excess of 10% of the total AUM under the scheme G.

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 AUM under the Scheme G.

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 period of less than three years from the date of investment shall be limited to 10% of the total AUM under the scheme C.

In case of securities where the principal is to be repaid in a single payout the maturity of the securities shall mean residual maturity.

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 period of less than three years from the date of investment shall be limited to 10% of the total AUM under the scheme C.

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.

Provided that Deposits with any one scheduled commercial bank including its subsidiaries should not bemore than 10% of the portfolio of the scheme.

4.3.1 (iv) Units of Debt Mutual Funds as regulated by SEBI. Provided that these schemes shall exclude schemes of mutual funds having investment in short term debt securities with Macaulay Duration of less than 1 year.

Provided further that the portfolio invested in such mutual funds shall not be more than 5% of the total portfolio of the Debt investments in the concerned scheme at any point of time.

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 Affordable housing as defined under Government of India's harmonized master-list of infrastructure sub-sectors.

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 the total AUM under the Scheme C.

4.3.1 (viii) Debt securities issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India.

4.3.1 (ix) Debt securities issued by Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India.

Provided that investment under category (4.3.1- viii) & (4.3.1- ix) shall bemade only in such securities which have minimum ratingof AA or equivalent rating in the applicable rating scale ofthe Trust from at least two credit rating agencies registered by SEBI.

Provided that the investment under sub-categories of 4.3.1 (i), 4.3.1 (v- a to c) and 4.3.1 (vi) of this category-C (Corporate Bond) 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.

Provided further that if the securities/entities have been rated by more than two rating agencies, the lowest of all the ratings shall be considered.

Provided further that Pension Fund can make investment in infrastructure companies rated not less than ‘AA’ along with an Expected Loss Rating of ‘EL1’.

For sub-category 4.3.1 (ii) a single rating of AA or above by a domestic or international rating agency will be acceptable.

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 above-mentioned criteria, 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 Internal 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 Internal 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 other than Public Financial Institution (PFI), the following criteria should be considered before investment (per issuances):

	Category I	Category II	Category III
Investment>	Amount as per Board approved policy	Max. Upto 200 crores per issue	Max. Upto 100 crores per issue
Total AUM	>=Rs. 25,000 crores	> Rs. 16,000 crores	> Rs. 8,000 crores
Networth	> Rs.2000 crores	> Rs.1500 crores	> Rs. 750 crores
Over Gearing	< 7 times	< 7 times	< 7 times
Net NPA Level *	< 2%	< 2%	< 2%
Capital Adequacy	Minimum 15%	Minimum 15%	Minimum 15%
PAT History	Net profit in at least last 3 years	Net profit in at least last 3 years	Net profit in at least last 3 years
Exposure norms	As per PFRDA guidelines	As per PFRDA guidelines	As per PFRDA guidelines

The aforesaid criteria for Net NPA level may be relaxed upto 4% provided the Internal Investment sub-committee (IISC) evaluate the proposal and give proper reasoning for investment. Provided further that the investments under category II & III should have AA+ & above rating at the time of investment.

In case of NBFC-PFI such as NABARD, PFC, IRFC etc., the following criteria should be considered before investment:

Total AUM	> Rs. 20000 crores
Networth	> Rs.500 crores
Over Gearing	=< 10 times
Net NPA Level	=< 5%
Capital Adequacy	As per the RBI guidelines
Exposure norms	As per PFRDA guidelines

The aforesaid criteria for Net NPA level may be relaxed up to 6% provided the Internal Investment sub-committee evaluate the proposal and give proper reasoning for investment. This change is applicable for incremental investment under the category.

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

AUM (Loan book or assets)	> Rs. 12,000 crore
Networth	> Rs. 1,000 crore
Over Gearing	< 10 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 Internal Investment Sub-Committee evaluate the proposal and give proper reasoning for investment. This change is applicable for incremental investment under the category.

o) In case of Scheduled Commercial Banks (SCBs), the following criteria should be considered:

Particulars	**Public Sector Banks**	**Private Sector Banks**
Net-worth	> Rs.500 crore	>Rs.500.00 crore
Gross NPA Level	=<10	=<6
Net NPA Level	=< 4%	=<2%
Capital Adequacy	Minimum 9%	Minimum 9%
Provision Coverage Ratio	>50%	>60%
Exposure norms	As per PFRDA Guidelines	As per PFRDA guidelines.

However, above criteria will not be applicable to a Bank categorized as Private Bank by Reserve Bank of India but ownership is as under:

- **More than 51% is owned by Central Government**
- **More than 51% is owned by State Government/Union Territory**
- **More than 51% is collectively owned by Central Government and State Government/ Union Territory.**

For Banks with aforesaid ownership the criteria's listed under Public Sector Banks will be applicable. The above- mentioned change will be applicable for incremental investment under the category.

p) In case of Corporates other than Banks, NBFCs, SFBs & HFCs, the following criteria should be considered using consolidated financials:

Net-worth	> Rs.500 crore
Debt/Equity Ratio	<2.5
Interest Coverage Ratio*	>1.5
Profitability	Cash Profit in last 3 years
Exposure norms	As per PFRDA Guidelines

*(EBITDA/Interest)

This is applicable for incremental investment under the category.

q) In case of Infrastructure Companies operating assets under Special Purpose Vehicle (SPV) route, the evaluation will be done on the following criteria only for such SPV which have achieved Commercial Operations Date (COD):

Net-worth	> Rs.100 crore
Debt/Equity Ratio	<6.5
DSCR	>1.15
Exposure norms	As per PFRDA Guidelines

This is applicable for incremental investment under the category.

Further, investments under Corporate Bonds with issue size of more than Rs.500 crore will be restricted to a maximum of 20% of the initial issuance amount.

However, on a case-to-case basis, additional 5% investment (subscription) in initial offering can be done i.e. maximum of 25% (including additional 5%) there is a specific recommendation by the Internal Investment-Sub-Committee provided justification for their decision are recorded in an internal note.

In the rare need to invest more than 25%, the approval of the Investment Committee of the Board will have to be obtained prior to such investment through subscription in the initial offering.

In all the above three situations, the Company can subsequently take additional exposure through the secondary route within the prescribed limit stipulated by PFRDA. However, the aforesaid investment norms for subscribing to initial issuances shall not be applicable to Corporate listed 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.

Provided the Corporates mentioned above at a), b) and c) above are rated AA+ and above at the time of investment in initial offering.

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 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 (from (a) to (d) & (f) above) 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.

Provided further that in case of the sub-categories (b) and (d), minimum rating of AA or equivalent rating in the applicable rating scale of the Trust from at least two credit rating agencies registered by SEBI shall be considered.

Further, in case of the sub-category (a) and (c), rating from only one rating agency will be sufficient.

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 Start-up Funds, 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 Start-up entities, 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) The exposure to single AIF shall not exceed 10% of the AIF size.

5) 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.

6) The sponsors of the Alternative investment funds should not be the promoter in Pension fund or the promoter group of the Pension Fund.

7) 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.

4.4.3 - The investments in category (f) of Alternative Asset Class is allowed provided that:-

(i) In case of initial offering of the bonds, investment shall be made only in such Tier-I bonds which are proposed to be listed.

(ii) Investment shall be made in such bonds of a scheduled commercial bank (SCB) from the secondary market only if such Tier I bonds are listed.

(iii) Total portfolio invested in this sub-category, at anytime, shall not be more than 5% of the total portfolio ofthe fund, i.e. G+C+E+A for both Tier I and Tier II.

(iv) No investment in this sub-category in initial offerings shall exceed 20% 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 that Bank.

(v) The investment in single issuer shall not exceed 10% of the AUM of the scheme.

Further, it is required to ensure and apply all measures of due diligence in the best interest of subscribers before investing in Asset Class/Scheme A. 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 Asset Class/Scheme A and these are to be documented while making such decisions for scrutiny by Authority/NPS Trust.

4.5 Short-term Debt Instruments and related Investments (not exceeding a limit of 10% of the scheme corpus on temporary basis):

1. Money market instruments:

   a) Provided that investment in commercial paper issued by body corporates shall be made only in such instruments which have minimum rating of A 1 + by at least two creditrating agencies registered with the Securities and Exchange Board of India. Provided further that if commercial paper has been rated by more than two rating agencies, the two lowest of theratings shall be considered.

   b) 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 in category 4.3.1 (iii) above.

2. Investments in units of a Debt scheme of a Mutual Fund as regulated by Securities and Exchange Board of India where investment is in short term securitieswith Macaulay duration of less than 1 year viz. Overnight fund, Liquid Fund, Ultra Short Duration Fund and Low duration fund with the condition that the average total asset under management of AMC for the most recent six-month period should be at least Rs. 8,000/- crores.

3. Investments in Term Deposit Receipts of up to one year maturity issued by such scheduled commercial banks which satisfy all conditions mentioned in category 4.3.1 (iii) above.

   Provided further that the limit with respect to investment in Money market instruments under Scheme A (under Tier – I), C - Tier II and G - Tier II shall be 10% of the scheme corpus, however, this exposure norm shall not be applicable till the scheme corpus is below Rs.5.00 crore.

4. **The pension Funds are allowed to invest in Government Securities as Lender in Triparty Repo conducted over the Triparty Repo (Dealing) System (TREPS) provided by RBI through Clearing Corporation of India Limited (CCIL) as a settlement guarantor. The fulfilment of margin requirement, etc. for TREPS shall**

be on similar lines as applicable for settlement of G-Sec outright trades currently managed by the Pension Funds.

4.6. Operational Guidelines for National Pension Scheme Tier – II Tax Saver Scheme, 2020 (NPS-TTS): The following investment limits has been prescribed for NPS Tier-II – Tax Saver Scheme:

Asset Class	**Limits**
Equity*	10%-25%
Debt**	Upto 90%
Cash/Money Market/Liquid MFs	Upto 10%

*Investment Guidelines as applicable to E-II.

**Investment Guidelines as applicable to G-II and C-II.

Further, the above exposure norm shall not be applicable till the scheme corpus is below Rs.5.00 crores.

4.7 Investment Restrictions

a. All investments (except at 4.3.1 (i), 4.3.1 (ii), 4.3.1 (v- a to c) and 4.3.1 (vi) 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. Tenor of bonds should not exceed 15 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 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.
d. Investment exposure to a single industry has been restricted to 15% under all NPS schemes, as per Level-5 of National Industrial Classification (NIC).
e. If the Pension Fund makes investments in Equity/Debt instruments, in addition to the investments 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 the Industry Concentration, Sponsor/ Non Sponsor group norms under these guidelines.
f. Investments in fresh issuance of "Govt. of India- Fully Serviced Bonds" issued by PSUs under Extra Budgetary Resources (EBR) should be considered investments under "Asset Class G" instead of Investment in "Asset Class C."
g. The following restrictions/filters/exposure norms would be applicable to reduce concentration risks. It would, however, not be applicable to Asset Class A (Scheme A) and Tier II Schemes till the scheme corpus reaches Rs.5 crore in each scheme:

   i). 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, whichever is lower, in each respective scheme and 15% in 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.

   '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, from time to time, by issuance of guidelines under these Regulations.

Explanation: Use of common brand names in conjunction with other parameters of significant influence and / or control whether direct or indirect shall be reckoned for determination for inclusion as forming part of the group or otherwise.

All Pension Funds shall publish on their respective website a list of their group companies and those of their sponsor.

ii). NPS Debt 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 and 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.

#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). Investment exposure to a single Industry has been restricted to 15% under all NPS Schemes by each Pension Fund Manager as per Level-5 of NIC classification.

iv). If the Pension Fund makes investments in Equity/Debt instruments, in addition to the investments 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 the Industry Concentration, Sponsor/ Non- Sponsor group norms under these guidelines.

v) The exposure norms for investment in InvITs/REITs are as under:

a) The cumulative investments in Units and Debt Instruments of InvITs and REITs shall not exceed 3% of the total AUM of pension fund at any point of time.
b) The pension fund shall not invest more than 10% of the outstanding debt instruments issued by single InvIT/REIT issue.
c) The pension fund shall not invest more than 5% of the Units issued by a single InvIT/REIT issue.

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) Proceeds arising out of exercise of put option, tenure or asset switch or trade of any asset before maturity can be invested in any of the permissible categories described above in the manner that at any given point of time the percentage of assets under that category should not exceed the maximum limit prescribed for that category and also should not exceed the maximum limit prescribed for the sub-categories, if any. However, asset switch because of any RBI mandated Government debt switch would not be covered under this restriction.

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 securities within the same scheme or inter-scheme are allowed only if such transfers are done at the prevailing market price for quoted instruments on spot basis and the securities so transferred are in conformity with the investment objective of the scheme to which such transfer has been made. Such transfers may be allowed in following scenarios:

    i) To meet liquidity requirement in a scheme in case of unanticipated redemption pressure.

    ii) To adjust securities received through corporate action.

The inter-scheme transfers are allowed only on exceptional basis and it should be informed to NPS Trust and Authority upon exercise of this option.

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) Due caution should be exercised to ensure that the same investments are not churned with a view to enhancing the fee payable.
k) The fiduciary responsibility of investment of the funds must be exercised with utmost due diligence.
l) Suitable steps should be taken to control and optimize the cost of management of the fund.
m) 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.
n) While preparing the single consolidated list of stocks, average full market capitalization of the previous six month of the stocks shall be considered. Subsequent to any updation in the list. Pension Funds would have to rebalance their portfolios (if required) in line with updated list, within a period of six months. The decision to hold such stocks in the portfolio shall have to be approved by the Investment Committee of the Company (Pension Fund) and also to be informed to the Board of the Company (Pension Fund).

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

A disproportionate part of the business should not be transacted through only one or a few brokers. Company should fix aggregate contract limits for each of the approved brokers. A limit of 5% of total transactions through brokers (both purchase and sales) entered into by a company during a year should be treated as the aggregate upper contract limit for each of the approved brokers. This limit should cover both the business initiated by a company and the business offered/brought to the company by a broker. Company should ensure that the transactions entered into through individual brokers during a year normally do not exceed this limit. However, if for any reason it becomes necessary to exceed the aggregate limit for any broker, the specific reasons for the same should be recorded, in writing, by the authority empowered to put through the deals. Further, the Board should be informed of this, post facto. However, the norm of 5% would not be applicable to Company's dealing though PDs. The reports of all such investments are to be sent to the Authority and the National Pension System Trust on a quarterly basis and reported to the NPS Trust on annual basis.

ii). **BROKER EMPANELMENT**: Broker Empanelment: It should be done as per the PFEDA guidelines and Board approved policy on empanelment of brokers. The policy will be reviewed on annual basis.

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. PRUDENTIAL NORMS FOR INCOME RECOGINITION, ASSET CLASSIFICATION AND PROVISIONING FOR INVESTMENT PORTFOLIO:

In terms of PFRDA (Identification, Income Recognition and Provisioning of NPA) Guidance Note 2013 and as per clause 13 of Part II in Schedule A of PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines -2012', an investment is regarded as non-performing, if interest/payments or both amounts have not been received or have remained outstanding for 90 days" from the day such income/installment has fallen due. The prescribed guidelines are as under:

i). Identification of Non-Performing Asset (NPA): A debt security ('asset') shall be classified as 'Non-Performing Asset' (NPA) if the interest and/or installment of principal have not been received or remained outstanding for one quarter, from the day such income and/or installment principal was due.

ii). Treatment of Income accrued on NPA and further accruals :

a) After the expiry of the 1st quarter, from the date the interest has fallen due, there will be no further interest accrual on the asset i.e. from the beginning of the 2nd quarter from the date the interest has fallen due, interest should not be accrued on the asset.

b) On classification of the asset as NPA, provision for all interest, accrued on that asset and recognized in the books of accounts of the scheme till date, should be made.

c) However, for monitoring purpose, the calculation of the interest accrued and due on the NPA (security wise) should be done separately through the system, as a mirror account but should not be accounted for in the books of account of scheme.

d) Interest on NPA is recognized and booked as income only when it is actually received (i.e. on cash basis).

iii). Provisioning for NPAs: On classification of the asset as NPA, provision must be made on the book value in the following manner or at a higher percentage at the discretion of the Pension Fund with the approval of the Investment Committee. However, Pension fund will not have the discretion to extend the period of provisioning. The provisioning against the book value should be made at the following rates irrespective of whether the principal is due for repayment or not.

Period past due from due date of interest/installment of principal	Period past due from the date of classification of assets as NPA	% Provision on Book Value
6 months	3 months	50%
9 months	6 months	75%
12 months	9 months	100%

iv). Classification of Deep Discount Bonds as NPAs: Investment in Deep Discount Bonds can be classified as NPAs, if any two of the following conditions are satisfied.

a) If the rating of the Bond comes down below investment Grade.

b) If the issuer is defaulting in their commitments in respect of other assets.

c) Full net worth erosion of Issuer.

Provision should be made as per the norms set at point no. (iii) above as soon as the asset is classified as NPA.

v). Writing-back of provisioning and further accruals on re-classification of NPA as 'performing' :

a) Reclassification of Assets : The non-performing asset shall be re-classified as 'performing asset, if all the arrears of interest and installment of principal are cleared and the debt is regularly serviced for consecutive two quarters, or subsequent coupon is paid on due date, whichever is later.

b) Written-back of provisioning of interest: Upon reclassification of asset as performing asset, in case an issuer has fully cleared all the arrears of interest, the interest provisions can be written back in full.

c) Written-back of provisioning of principal: The provision made for the principal can be written back in the following manner:

i). 100% of the asset provided for in the books, will be written back at the end of the 2nd calendar quarter, where the provision of principal was made due to the interest defaults only.

ii.) 50% of the asset provided for in the books will be written back at the end of the 2nd calendar quarter and 25% after every subsequent quarter, where both principal and interest were in default earlier.

d) Accounting for accrual of interest: Further, accrual of interest on the performing assets shall be made after it has been classified as performing asset. Till such time, interest on the asset should be recognized on cash basis only. The interest not credited on accrual basis would be credited only at the time of actual receipt of interest.

vi). Re-schedulement of an asset: In case any issuer of debt security defaults in the payment of interest and installment of principal, if any and the pension fund has accepted re-schedulement of NPA, it may be re-classified as 'performing asset' if the next two coupons/installments of principal, if applicable, is regularly serviced as re-scheduled. Point no. (v) will be applicable for written-back of provisioning and further accruals on its reclassification as 'performing asset'.

vii). Disclosure of NPA in the monthly portfolio details :

a) The pension fund shall make security-wise monthly disclosures of NPAs in the monthly portfolio details.

b) The total amount of provisions made against the NPAs shall be disclosed in addition to the total Book-Value of NPAs. Further, the proportion of NPA with respect to the Assets Under Management (AUM) of the respective scheme may also be disclosed. In the list of investments an asterisk mark shall be given against such investments which are recognized as NPAs.

c) Where the date of redemption of an investment has lapsed, the amount not redeemed shall be shown as 'Sundry Debtors' and not as investment provided, that where an investment is redeemable by installments, it will be shown as an investment until all investments have become overdue.

viii). Written off NPA on identification as 'loss assets':

A 'loss asset' is one which is deemed as un-recoverable or its value has been diminished and has been identified by the Pension Fund or scheme auditors as such. On classifying the NPAs as loss asset, the asset along with its provision should be written off by the Pension Fund after obtaining approval from its Board of Directors or its Investment Committee (subject to report to the Board of Directors).

The 'Provision for Interest Overdue' made as mentioned in point no. (ii), may be written off against 'Interest Due on NPA account'.

11. VALUATION OF PORTFOLIO:

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

12. INVESTMENT COMMITTEES:

The company proposes the setup of a new committee named Internal CIO-Level Investment Committee (ICIC). The company already has a Investment Sub-Committee (ISC) and it is proposed to rename this committee as the Internal Investment Sub-Committee (IISC). The functions of the two committees are listed below:

12.1 Investment Committee of the Board (ICB):

a) The Company has constituted an Investment Committee of the Board 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.

12.2 a) Internal CIO-level Investment Committee (ICIC):
(Formation of new committee with effect from the date of its approval in Board meeting of April 2022).

a) The Internal CIO-level Investment Committee (ICIC) will consist of the Chief Investment Officer as Chairman of the committee and will have the responsibility of convening the meeting on a daily basis to collectively decide on the investment ideas/proposals. The minutes of the meeting to be recorded and kept as per the record retention policy of the company.

b) The CIO will have the primary responsibility of digitally storing the scanned copies of such daily ICIC meetings on the server of the company in a folder specially carved out on the server and that this folder has no access by any of the employees except the CISO.

c) The digital date stamp on the digitally stored file will be the default date on which the minutes were prepared, signed, scanned and stored. This is to ensure that the meetings are conducted as per this policy.

d) The committee should meet every day preferably in the evening after market hours to draw up the strategy for the next day. Timing of the meeting would, however, be the discretion of the CIO in consultation with the Equity / Debt Fund Managers.

e) The ICIC will also have as its members, the Fund Managers (Equity) including any future deputy/assistant Fund Managers (Equity), Fund Managers (Debt/Fixed Income) including any future deputy/assistant Fund Managers (Debt/Fixed Income).

f) The quorum for holding of this meeting will be two with one of the two being the CIO / officiating CIO.

g) The ICIC may invite equity and/or debt analysts to the meetings but should ensure that no such information should be given out in their presence that is normally not to be divulged to the analysts, if any.

h) The decisions taken at the ICIC will be acted upon by the two vertical heads within the Investment department viz Equity & Debt by holding early morning hurdle meetings with their respective research analysts and dealers starting at least 30 minutes before the start of the day's trading hours.

i) The ICIC will have to ensure that investments in Bond issuances are done both in PSU and non-PSU corporates in order to achieve a better risk adjusted return for the subscriber. Therefore, an ideal ratio between PSU and non-PSU bond purchases will need to be maintained by the ICIC taking into account spreads and credit risks.

j) It will be the responsibility of the ICIC in general and that of the CIO in particular to ensure that direct participation in bond issuances through the NSE/BSE platforms and through Lead Arranger/Arranger/market intermediaries (indirect participation) are in a minimum ratio of 2:1 both in terms of bids put up and the total amount of successful bids on an annual basis.

k) The senior-most Debt/credit/Fixed Income analyst (by date of joining the company) will be primarily responsible for putting up a list of all issuances coming up in the next 2 days as seen on the NSE/BSE platforms and/or other sources, to the MD&CEO through the Fund Manager and CIO. The analysts will also put their notes on each issuance with recommendations as to whether to participate in it or not. Such notes should unambiguously give details inter-alia like tenor, G-sec yield for corresponding tenor, spread expected over the said G-sec corresponding yield, etc. Notes should be put up at least two days before an issuance. This list will be used by the ICIC to take decisions.

l) The senior-most Debt/credit/Fixed Income analyst (by date of joining the company) will be primarily responsible for putting up a report/Note to the MD&CEO through the Fund Manager and CIO, detailing all the issuances that have taken place in the market during a calendar month by the 1st working day of the following month. This report/note should give complete details including tenor, G-sec yield for corresponding tenor, spread expected over the said G-sec corresponding yield, etc., whether we participated in the bid and, if so, whether we got allotment, further giving the details as to the amount of bid and the amount of allotment.

m) In the case of participation in Bond issuances, the Dealer (Debt) should maintain details of all bids done in a manner where permanent record is created and the same is stored on the server space specially created for this purpose by the System Department

n) CIO would be primarily responsible to submit in his own capacity, a monthly compliance certificate that all the instructions contained herein have been complied with, listing out all the items of compliance. The said compliance certificate will have to be submitted to the MD & CEO of the company as well as to the company's compliance officer for each calendar month by the 5th day of the succeeding month.

o) The proceedings of the ICIC will be recorded and are subject to audit/inspection.

p) The powers of the ICIC committee will be on the basis of <u>each asset class on a per day investment limit</u>, as under:

Asset Class	**Per day amount cap (Rs.)**	**Per day per stock/paper amount cap (Rs.)**	**Remarks**
Equity Stock purchase as per NPS Trust list	150 crores	75 crores	Calendar week cap amount of Rs. 600 crores
Equity Stock Sell	75 crores	35 crores	Calendar week cap of Rs. 300 crores
G-Sec Primary Market purchase	2,000 crores	--	G-Sec auctions are normally held only once a week
SDL Primary Market purchase	2,000 crores	500 crores	SDL auctions are normally held only once in a week
Corporate Bonds (PSU) in full compliance of PFRDA & Board mandated norms	1,000 crores	750 crores	Calendar week cap at Rs. 2,500 crores
Corporate Bonds (Non-PSU) in full compliance of PFRDA & Board mandated norms	300 crores on AAA and AA+ rated issuances	Max. 150 crores on single issuance	Calendar week cap at Rs. 600 crores

The above are the delegation of investment powers to the ICIC and are not to be confused/mistaken for the investment caps which would be governed by the Investment Policy of the Company.

Above powers to the ICIC will not be applicable for participation in bond issuances of Municipal Corporations across India for which ICIC will have to put up a recommendation to the IISC for approval on a case-to-case basis.

Daily investments in Overnight/Liquid funds would need the sign off each day of the MD&CEO and in his absence that of the officiating CEO with regard to the entity where these funds are being parked.

The transactions to be put through other than through direct participation using the NSE/BSE platforms will not be covered under the above dispensation. In such cases, decisions arrived at by ICIC will need the sign-off of the MD&CEO on a note put up by the CIO.

The above chart will not be applicable for investment in INVITS & REITS.

All secondary sale of Bonds transactions will be put through on obtaining approval from IISC committee on the recommendation of the ICIC committee

Decisions taken and acted upon by the ICIC committee will have to be put up to the Internal Investment Sub-Committee (IISC) regularly, that is, three times a month which is the frequency of the IISC meetings or more frequently if needed.

12.2 (b)<u>Internal Investment Sub-Committee (IISC):</u>

a) The Internal Investment Sub-Committee (IISC) will consist of the MD & CEO of the company as Chairman, the Chief Investment Officer, the Fund Managers (Equity) including any deputy/assistant Fund Managers (Equity) if any, Fund Managers (Debt/Fixed Income) including any future deputy/assistant Fund Managers (Debt/Fixed Income) and the Chief Risk Officer (CRO) as the other members of the committee.

b) The minimum quorum for holding of the IISC meeting will be two of which one should be MD&CEO / officiating CEO.

c) Approvals for investing in new entities within the NPS Trust Investment Universe (Equity) will be accorded by the IISC. Similarly, all new corporates for corporate bonds/REITS/INVITS will be approved by IISC.

d) The decisions taken at the IISC committee will be acted upon by the two vertical heads within the Investment department viz Equity & Debt by holding early morning hurdle meetings with their respective research analysts and dealers starting at least 30 minutes before the start of the day's trading hours

e) The IISC committee will meet thrice in a calendar month on the 3rd, 12th and the 22nd and if these dates happen to be holidays then on the previous working day respective to each of the three dates mentioned above. In the case of the first meeting though, it would be on the 3rd working day of the month.

f) Respective heads of equity/debt would get the monthly strategy approach paper approved by the MD &CEO before the first calendar meeting of the IISC. The investment strategy of the company's investment team would be guided by the monthly strategy approach paper. The Monthly Approach Paper will be put up to this committee in its first meeting of the calendar month, that is, the meeting to be held on the 3rd working date of the month.

g) The Chief Investment Officer will have the primary responsibility of convening the meeting at the frequency mentioned, that is, thrice every calendar month and to record the minutes of the meeting, to get the same signed within 24 hours of holding of the meeting, to scan the signed minutes and to arrange with the CISO to store the scanned digital copy of the minutes of the meetings on the server of the company in a folder specially carved out on the server and that this folder has no access by any of the employees except the CISO.

h) The IISC committee will preferably meet in the evening after the market hours. However, it is free to meet at any other convenient time of the day on which it is scheduled to meet.

i) It will be the primary responsibility of the CIO to put before the IISC committee, the agenda that will enable the committee to take directional level decisions to be abided by the investment team headed by the CIO for the period till the next IISC meeting is scheduled to be held. The CIO will provide the detailed backup data preferably in a pre-defined format that will enable the committee to appreciate the investment environment current as well as that for the next 10 days' period.

j) Besides giving the directional guidance for the investment to be made by the company's investment team, it will also take up the recommendations of the Internal CIO-level investment committee (ICIC) for investment approvals that are beyond the scope and authority of the ICIC committee.

k) The Internal Investment Sub-Committee (IISC) will be guided by the monthly strategy approach paper, the cash position (funds kept in Overnight + Liquid schemes of Mutual funds), market conditions and other quarterly/half-yearly/yearly data including the comparative returns by our peers, our performance vis-à-vis Benchmark, comments by the Chief Risk Officer, the regulatory and Board mandates, etc.

l) While arriving at investment decisions the committee will be also consider:

- Company Investment Policy Guidelines based on PFRDA guidelines, exposure limits, market risks, MAT.
- Maximize return to subscribers, consistent with the protection, safety and liquidity of such funds.
- Detailed investment note prepared for the investee company as per the investment policies and Risk Management Policy of the Company.

m) The Internal Investment Sub Committee would also have the powers to review the investment decisions due to changes in the market conditions

n) The proceedings of the IISC will be recorded and are subject to audit/inspection.

The Internal Investment Sub Committee (IISC) would also have the powers to review the investment decisions due to changes in the market conditions.

13. If the Pension Fund has engaged services of professional fund/asset managers for management of its assets, payment to whom is being made on the basis of the value of each transaction, the value of funds invested by them in any mutual funds mentioned in any of the categories or ETFs or Index Funds shall be reduced beforecomputing the payment due to them in order to avoid double incidence of costs. However, investments made by Pension Funds in Liquid Mutual Funds would notbe excluded for payment of investment management fee. Accordingly, Pension Funds shall be eligible for payment of IMF for investment in liquid mutual funds. Also, investment in the ETFs/Index Funds, for the purpose of disinvestment of shareholding of the Government of India in body corporates, shall be eligible for payment of IMF to Pension Funds. The investment made by Pension Funds in Overnight Funds and all such short duration funds, as may be permitted by SEBI from time to time, shall be eligible for payment of IMF to Pension Funds. Also, investment made by Pension Funds in Bharat Bond ETF/Debt ETF issued by Government of India in respect of bonds issued by CPSEs, CPSUs, CPFIs and other Government Organizations, shall be eligible for payment of IMF to Pension Funds.

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.