Investment Policy

Of

UTI Retirement Solutions Limited

[A wholly-owned subsidiary of UTI Asset Management Company Limited,
Incorporated under the Companies Act, 1956]

Edition – XXVI

(Updated in the Board Meeting held on 22nd October, 2021)

Index

Preamble

UTI Retirement Solutions Ltd. (UTI RSL), a 100% subsidiary of UTI Asset Management Company Ltd. was incorporated on 14th December, 2007.

UTI RSL has been set up to carry out the operations as Pension Fund directed by the Board of Trustees of the New Pension System Trust, set up under the Indian Trust Act, 1882, and to undertake asset management as prescribed by the Government or Pension Fund Regulatory and Development Authority (PFRDA).

UTI Retirement Solutions Ltd. (UTI RSL) would be governed by PFRDA Guidelines and Regulations. In addition to the Regulatory/Statutory Guidelines, UTI RSL has evolved certain additional Prudential Investment Norms for effective management of Pension Funds. These norms aim at risk containment and will contribute significantly to the Risk Management Process. Compliance to the norms would greatly diminish the risk of over exposure to a particular company or to a particular sector, while simultaneously adhering to PFRDA Guidelines on investment restrictions.

This Investment Manual is framed in order to formalize the internal processes and to guide the Fund Manager.

This document has been reviewed and updated in the Board Meeting held on 22nd October, 2021.

1. JOB RESPONSIBILITIES OF FUND MANAGEMENT AND OTHER SUPPORT FUNCTIONS

1.1.1 Responsibilities of CIO:

i) CIO is responsible for the performance of the funds managed and ensure that all funds are managed as per the applicable regulatory provisions and internal norms approved by the Board from time to time. The CIO would also abide by the guidance and directions given by the Investment Management Committee and Risk Management Committee constituted by the Board of UTI-RSL.

ii) CIO shall be guided by the strategy, policy reports and other guidelines given by the Investment Committee and the Board from time to time. The actual performance and deviation, if any, from the strategy shall be reported to the Investment Committee.

iii) CIO continuously monitors the portfolio, including cash liquidity for the UTI-RSL as a whole.

iv) CIO will be responsible for every investment recommendation / decision for that Fund, be it ‘buy’ or ‘sell’ either through the primary market or the secondary market.

v) CIO should track corporate action in respect of the scrips held by the funds and coordinate with other departments to obtain requisite information regularly.

vi) CIO should Collect data from back-office and objectively check for data integrity & material discrepancies and follow-up for corrective measures.

vii) CIO should prepare & present investment performance & compliance related reports to the management, Board of UTI Retirement Solutions Ltd. and Pension Fund Regulatory Development Authority (PFRDA).

viii) CIO should adhere / reply to all reports from Internal / Statutory Audits, & Compliance Cell on all investment related issues.

ix) CIO Handles such other activities that are required to be attended to assigned from time to time with regard to Funds Management.

1.2 Responsibilities for Secondary Market Transactions

i) Dealer handles activities relating to the secondary market operations through approved empanelled brokers of UTI RSL and tries to obtain the best possible prices for the purchase/sale of securities. The list of empanelled brokers is approved by Chairman of the Board of UTI-RSL and is reviewed on yearly basis.

ii) Dealer ensures adherence to statutory guidelines and internal guidelines on distribution of business to various approved empanelled brokers.

iii) Dealer provides feed back to CIO on market information during and beyond dealing hours.

iv) Dealer receives bids/offers from brokers during dealing hours and accordingly informs the fund managers.

v) Dealer handles such other activities that are required to be attended / assigned from time to time by senior management with regard to Secondary market equity dealing

vi) These authorised 'officers' will do the dealing and conclude all the deals only from the dealing room (the record lines).

1.3 Responsibilities for Primary Market Transactions

i) Dealer receives primary market proposals from the companies/ Intermediaries / CIO.

ii) Dealer obtains approval of investment as per delegated Powers and issue disbursement advice/s to back office and upkeep of files and approvals.

iii) Dealer ensures that pre-investment /Disbursement conditions are met and adhered to.

iv) Dealer ensures adherence to the regulatory / Internal guidelines on exposure by UTI-RSL as a whole.

v) Dealer follows-up with CIO for their options on warrant conversion dates.

vi) Dealer receives warrant conversion details and processes as per fund managers' decision.

vii) Dealer maintains all records, approvals, notes and backup files in respect of all primary market investments / divestments made by all the funds of UTI RSL.

1.4 Settlement & Fund Accounts

1.4.1 Front Office Automation / Decision Support System:

The team in back office undertakes all software requirements, system administration, system co-ordination and management of front office automation activities. The activities undertaken are

- Software maintenance – integrity checks, bug identification and rectification
- Software enhancements for future requirements e.g. options dealing and accounting, Interest Rate Swaps, Securitisation of Debt, Multi Currency Dealing and accounting.
- Software vendor co-ordination
- Support Module maintenance work.
- Relevant Master updates
- Approval / Delegation Limit updates
- Submitting relevant reports to management
- Price Band updates
- Manual Delegation
- Holiday Maintenance
- Updating Investment checklists
- Changing users / user groups and team set up.

2. INVESTMENT DECISION MAKING PROCESS, RECORDING, RESEARCH METHODOLOGY AND REPORT FORMAT

2.1 The CIO will record the justification for investment decisions/ recommendations in the respective short note / detailed note initiated for the investment. The CIO shall finalise investment decision after ensuring approval of the appropriate authority as per the Delegation of Powers.

2.2 Total exposure of UTI RSL at a consolidated level would be monitored *vis-à-vis* internal guidelines as well as regulatory guidelines on prudential norms.

2.3 The Fund Manager shall submit a comprehensive report on Fund activities and performance to the Chairman of the Board quarterly.

2.4 In absence of CIO, CEO will take decision in consultation with Fund Manager / Dealer (Debt) in case of Debt / G-Sec securities and in consultation with Fund Manager / Assistant Fund Manager / Dealer (Equity) in case of Equity.

2.5 The Board of UTI-RSL, in its meeting held on 11th April, 2008, has constituted an Investment Committee comprising of three Directors (Mr. S C Bhargava, Mr. A. Krishna Rao, Mr. S. Venkatraman), CEO and CIO. The Investment Committee would primarily look after the following functions:

a) implementation of the investment policy as approved by the Board;

b) review the changes, if any and forward its recommendation to the Board; and

c) providing over all guidance and directions on the management of the Fund in the best interest of the subscribers on various investment related matters, including issues relating to liquidity, prudential norms, exposure limits, stop loss limits in securities trading, management of all investment & market risks, management of assets liabilities mismatch, investment audits and investment statistics, etc. and the provisions of the PFRDA guidelines/directions.

In particular the Investment Committee shall give its guidance and directions, within the over all guidelines of PFRDA, on the following aspects:-

1. Broad Asset classification as to various assets categories such as Central Government Securities, State Government Securities, Units (gilt/Equity linked Schemes) of Mutual Funds, Bonds/ Securities (Public Financial Institutions, Public Sector Companies and Private Sector Companies), Fixed Deposits of Public Sector Banks, CBLO and Equity Shares of the Companies

2. List of Companies available for investment in debt /equity instruments

3. To decide on the Benchmark and Peer group of the Fund to track the performance of the fund

4. the proportion of the portfolio available for active management

5. To consider and approve the investment proposals which do not fall under the delegation powers of CEO.

6. Other matters which may be delegated by the Board from time to time.

The CIO shall adhere to the guidance and directions given by the Investment Committee from time to time.

The Investment Management Committee was reconstituted in the Board Meeting held on 27th March, 2009 comprising of the following:

a) Mr. S. Venkatraman, Chairman
b) Mr. Gautam Bhardwaj, Member,
c) Chief Executive Officer, Member
d) Chief Investment Officer, Member

The Investment Management Committee was reconstituted in the Board Meeting held on 5th September, 2011 comprising of the following:

a) Mr. S. Venkatraman, Chairman
b) Chief Executive Officer, Member
c) Chief Investment Officer, Member

The Investment Management Committee was reconstituted in the Board Meeting held on 15th January, 2014 comprising of the following:

a) Mr. S. Venkatraman, Director
b) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director as Member
c) Ms. Silpita Guha, Chief Investment Officer as Member

The Investment Management Committee was reconstituted in the Board Meeting held on 12th January, 2016 comprising of the following:

a) Mr. S. Venkatraman, Director
b) Mr. P. H. Ravikumar, Director
c) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director as Member
d) Ms. Silpita Guha, Chief Investment Officer as Member

The Investment Management Committee was reconstituted in the Board Meeting held on 12th January, 2016 comprising of the following:

a) Mr. S. Venkatraman, Director
b) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director as Member
c) Ms. Silpita Guha, Chief Investment Officer as Member

The Investment Management Committee was reconstituted by the Board on 18th October, 2019 comprising of the following:

a) Mr. P.H. Ravikumar, Director
b) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director as Member
c) Ms. Silpita Guha, Chief Investment Officer as Member

The Investment Management Committee was reconstituted by the Board on 21st July, 2020 comprising of the following:

a) Mr. P.H. Ravikumar, Director
b) Mr. Puneet Gupta, Director
c) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director as Member
d) Ms. Silpita Guha, Chief Investment Officer as Member

The Investment Management Committee was reconstituted by the Board on 27th October, 2020 comprising of the following:

a) Mr. P.H. Ravikumar, Director
b) Mr. Puneet Gupta, Director
c) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director as Member
d) Ms. Silpita Guha, Chief Investment Officer as Member
e) Mr. Omkar Patwardhan, Chief Risk Officer.

The Investment Management Committee was reconstituted by the Board on 16th July, 2021 comprising of the following:

a) Mr. Puneet Gupta, Independent Director and Chairman
b) Mrs. Sangeeta Sharma, Independent Director
c) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director
d) Mrs. Silpita Guha, Chief Investment Officer
e) Mr. Omkar Patwardhan, Chief Risk Officer.

The roles and other functions of the Committee remain same.

3. INVESTMENT NORMS AND PRUDENTIAL GUIDELINES

A. Investment guidelines for govt. Sector pension asset (Applicable to Scheme - Central Govt., Scheme - State Govt., Scheme – Corporate CG, Scheme - NPS Lite and Scheme - APY) w.e.f. 20th July, 2021

1.

Category	Investment pattern as per PFRDA guidelines	Percentage amount to be invested	Additional internal guidelines
(i)	**Government Securities and related Investments** (a) Government Securities, (b) Other Securities {'Securities' as defined in 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. 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. (c) Units of Mutual Funds set up as dedicated funds for investment in Govt. securities and regulated by the Securities and Exchange Board of India. Provided that the portfolio invested in such mutual funds shall not be more than 5% of the G-Sec in the concerned NPS Scheme of the Pension Fund at any point of time.	**upto 55%**	The exposure to a Single Mutual Fund Scheme shall not be more than 25% of the Scheme's AUM at the time of Investment

<table>
<tr>
<td>(ii)</td>
<td>Debt Instruments and related Investments

(a) 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 corporate bond portfolio of the Pension Fund.

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

In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of security.

(b) Basel III Tier-1 bonds issued by scheduled commercial banks under RBI Guidelines:

Provided that in case of initial offering of the bonds 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 scheduled commercial bank from the secondary market only if such Tier I bonds are listed.</td>
<td>upto 45 %</td>
<td>(a) Exposure to one PFI or Public Sector Companies / Body Corporate/ Banks shall not exceed the under noted limits:
<table>
<tr><th>Rating of the Instrument</th><th>% of AUM</th></tr>
<tr><td>AAA / Corresponding Highest short term rating</td><td>15%</td></tr>
<tr><td>AA+, AA, /corresponding short term rating</td><td>10%</td></tr>
</table>

The debt exposure to any unlisted company or SPV shall not exceed 1% of total AUM of the Pension Fund.

All investments in unlisted bonds of NBFCs and real estate companies will be subject to approval of Investment Committee.

The debt exposure to one Private sector company shall not exceed 5% of total AUM of Pension Fund and should not be rated below AA or equivalent.</td>
</tr>
</table>

	Total portfolio invested in this sub-category, at any time, shall not be more than 2% of the total portfolio of the fund. 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. (c) Rupee Bonds issued by institutions of the International Bank for Reconstruction and Development, International Finance Corporation and Asian Development Bank. 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 corporate bond portfolio of the Pension Fund. (d) Term Deposit receipts of not less than one year duration issued by scheduled commercial banks, which meets the regulatory requirement of Net-worth and CRAR as stipulated by Reserve Bank of India and additionally satisfy the following conditions on the basis of published annual report(s) for the most recent years, as required to have been published by them under law: (i) having declared profit in the immediately preceding three financial years; (ii) having net non-performing assets of not more than 4% of the net advances;		(b) <u>Term Deposit Receipt:</u> The exposure in one Public Sector Bank shall not exceed 20% of total AUM and in case of Private Banks 10% of the total AUM of the Pension Fund. Investment in Private Sector Banks would be restricted to HDFC Bank, Axis Bank and ICICI bank only provided all the conditions mentioned in proviso to Clause (ii) (b) are fulfilled. (c) Any investment in NBFCs below AAA would continue to be referred to the Investment Management Committee.

	Provided that Deposits with any one scheduled commercial bank including its subsidiaries should not be more than 10% of the portfolio of the scheme. (e) Units of Debt Schemes of Mutual Funds as regulated by Securities and Exchange Board of India. Provided these schemes shall exclude schemes of mutual funds having investment in short term debt securities with Macaulay Duration of less than 1 year. (f) Debt securities issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India. (g) Debt securities issued by Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India. Provided that investment under category (f) & (g) shall be made only in such securities which are rated as AAA rating or equivalent in the applicable rating scale of the Trust from at least two credit rating agencies registered with SEBI. The rating of sponsor floating the Trust should be AA or equivalent in the applicable rating scale from at least two credit rating agencies registered with SEBI. (h) The following infrastructure related debt instruments: (i) 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 category (i) (b) above, shall be treated as an eligible security under this sub-category. (ii) Infrastructure and affordable housing Bonds issued by any scheduled commercial bank, which meets the conditions specified in (ii)(d) above. (iii) 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.		

	(iv) 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 (h), a sector shall be treated as part of infrastructure as per Government of India's harmonized master-list of infrastructure sub-sectors: (i) Listed or proposed to be listed Credit rated Municipal bonds. Provided that investment under this category shall be made only in such securities which are rated as AAA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with SEBI. (j) 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 (a), (b) and (h) (i) to (iv) of this category No. (ii) 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 (h) (iii) the ratings shall relate to the Non-		

	Banking Financial Company and for the sub-category (h) (iv) the ratings shall relate to the investment in eligible securities rated above investment grade of the scheme of the fund. 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. Provided further that Pension Fund can make investment in infrastructure companies rated not less than 'A' along with an Expected Loss Rating of 'EL1'. Provided further that investments under this category requiring a minimum AA rating, as specified above, shall be permissible in securities having investment grade rating below AA in case the risk of default for such securities is fully covered with Credit Default Swaps (CDSs) issued under Guidelines of the Reserve Bank of India and purchased along with the underlying securities. Purchase amount of such Swaps shall be considered to be investment made under this category. For sub-category (c), 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 (i)(b) above are excluded from this category (ii). The Pension Funds are allowed to invest in corporate bonds/securities which have a minimum of 'A' rating or equivalent in the applicable rating scale subject to the condition that the investment between 'A'		

	and 'AA-' rated bonds is made to the extent of 10% of the overall corporate bond portfolio of the Pension Fund at any point of time.		
(iii)	**Short term debt instruments and Related Investments** (a) Money market instruments: 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 credit rating 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 the ratings shall be considered. 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 (ii) (d) above. (b) Term Deposit Receipts of up to one year duration issued by such scheduled commercial banks which satisfy all conditions mentioned in category (ii) (d) above. 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 securities with Macaulay duration of less than 1 year viz.	**Upto 10%**	The exposure to a single Mutual Fund Scheme shall not be more than 25% of the scheme's AUM at the time of investment. Investment is Money Market instruments should be in companies / Banks / Body Corporate etc. with a minimum rating of P1 (or equivalent).

	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.5,000/- crores.		
(iv)	**Equities and related Investments** (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	**Upto 15%**	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 as approved and published by NPS Trust on half yearly basis. b. Investments in companies other than above to be done with the approval of Investment Committee. c. Exposure to one company shall not exceed (i) 1.5% of the Fund Size at the time of investment or (ii) 10% of the paid up capital of the investee Company, whichever is lower. d. Exposure in one sector shall not exceed the "Sector weight in BSE 200 + 10%".

	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.		
(v)	**Asset Backed, Trust Structured and Miscellaneous Investments:** (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. Provided that investment under this category No. (v) shall only be in listed instruments or fresh issues that are proposed to be listed. Provided further that investment under this category shall be made only in such securities which have minimum AA or equivalent rating in the applicable rating scale from at least two credit rating agencies registered by the Securities and Exchange Board of India under	**Upto 5%**	

	Securities and Exchange Board of India (Credit Rating Agency) Regulations, 1999. Provided further that in case of the sub-categories (b) and (d), minimum rating of AAA or equivalent rating in the applicable rating scale of the Trust from at least two credit rating agencies registered by SEBI shall be required and the sponsor entity floating the trust should have minimum rating of AA or equivalent in the applicable rating scale of the Trust from at least two credit rating agencies registered with SEBI. Provided further that if the securities/entities have been rated by more than two rating agencies, the two lowest of the ratings shall be considered.		

2. Fresh accretions to the fund will be invested in the permissible categories specified in this investment pattern in a manner consistent with the above specified maximum permissible percentage amounts to be invested in each such investment category, while also complying with such other restrictions as made applicable for various sub – categories of the permissible investments.

3. Fresh accretions to the funds shall be the sum of un – invested funds from the past and receipts like contributions to the funds, dividend / interest / commission, maturity amounts of earlier investments etc., as reduced by obligatory outgo during the financial year.

4. 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 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.

5. 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.

6. On these guidelines coming into effect, the above prescribed investment pattern shall be achieved separately for each successive financial year through timely and appropriate planning.

7. The prudent investment of the funds within the prescribed pattern is the fiduciary responsibility of the Pension Funds. NPS Trust and needs to monitor the investment decisions of the Pension Funds with utmost due diligence.

8. The Pension Funds and Trust will take suitable steps to control and optimize the cost of management of the fund.

9. i. The Trust and Pension Funds will ensure that the process of the investment is accountable and transparent.

ii. It will be ensured that due diligence is carried out to assess risks associated with any particular asset before investment is made by the fund in that particular asset and also during the period over which it is held by the fund. The requirement of ratings as mandated in this notification merely intends to limit the risk associated with investments at a broad and general level. Accordingly, it should not be construed in any manner as an endorsement for investment in any asset satisfying the minimum prescribed rating or a substitute for the due diligence prescribed for being carried out the fund.

10. Due cautions will be exercised to ensure that the same investments are not churned with a view to enhancing the fee payable, in this regard, commissions for investments in Category III instruments will be carefully charged, in particular.

11. Investments in Initial Public Offer (IPO), Follow on Public Offer(FPO) and Offer for Sale (OFS) are permitted subject to fulfilment of conditions mentioned under separate guidelines issued in this regard.

12. Following restrictions/filters are being imposed for Government NPS schemes (Applicable to Government Sector, Corporate CG and NPS Lite schemes of NPS and Atal Pension Yojana) to reduce concentration risks in the NPS investment of the subscribers:

a) NPS 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 10% in the paid up equity capital of all the non-sponsor group companies or 10% 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.

b) 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 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.

c) 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. Investment in scheduled commercial bank FDs would be exempted from exposure to Banking Sector.

d) 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.

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 before computing the payment due to them in order to avoid double incidence of costs. However, investments made by Pension Funds in Liquid Mutual Funds would not be 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.

14. Pension Funds making investments in fresh issuance of “Govt. of India- Fully Serviced Bonds” issued by PSUs under Extra Budgetary Resources (EBR) shall treat these investments under “Government Securities and Related Investments” instead of investment in “Debt Instruments and Related Investments”.

15. Pension Funds making investments in the shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks, would be required to adopt the list of stocks prepared by NPS Trust in this regard and NPS Trust would adhere to the following points while preparing the list:

    i. If a stock is listed on more than one recognized stock exchange, an average of full market capitalization of the stock on all such stock exchanges, will be computed;

    ii. In case a stock is listed on only one of the recognized stock exchanges, the full market capitalization of that stock on such an exchange will be considered.

    iii. The list of stocks under (i) and (ii) above, would be circulated by NPS Trust and the same would be updated every six months based on the data as on the end of June and December of each year. The data shall be circulated by NPS Trust within 5 calendar days from the end of the 6 months period.

    iv. 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 one month. NPS Trust shall monitor the compliance of the above provision and inform PFRDA at regular interval.

16. 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. The Pension Fund shall inform NPS Trust and Authority upon exercise of this option.

B. Investment Guidelines for Private Sector NPS {applicable to E (Tier- I & II),C (Tier I & II), and G (Tier – I & II), Scheme A (Tier I & II), w.e.f. 20th July, 2021

2.

Scheme / Asset Class	**Category**	**Investment pattern as per PFRDA guidelines**	**Additional internal guidelines**
G	**(i)**	(a) Government Securities, (b) Other Securities {'Securities' as defined in 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. Provided that the portfolio invested under this subcategory of securities shall not be in excess of 10% of the total portfolio of the G-Sec separately in the concerned NPS Scheme of the Pension Fund at any point of time. (c) Units of Mutual Funds set up as dedicated funds for investment in Govt. securities and regulated by the Securities and Exchange Board of India: Provided that the portfolio invested in such mutual funds shall not be more than 5% of the of the G-Sec in the concerned NPS Scheme of the Pension Fund at any point of time.	The exposure to a Single Mutual Fund Scheme shall not be more than 25% of the Scheme's AUM at the time of Investment

<table>
<tr>
<td>C</td>
<td>(ii)</td>
<td>(a) Listed (or proposed to be listed in case of fresh issue) debt securities issued by body corporates, 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 corporate bond portfolio of the Pension Fund.

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

In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of security.

(b) Rupee Bonds issued by the International Bank for Reconstruction and Development, International Finance Corporation and Asian Development Bank.

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 corporate bond portfolio of the Pension Fund.

(c) Term Deposit receipts of not less than one year duration issued by scheduled commercial banks, which meets the regulatory requirement of Net-worth and CRAR as stipulated by Reserve Bank of India and additionally satisfy the following conditions on the basis of published annual report(s) for the most recent years, as required to have been</td>
<td>(a) Exposure to one PFI or Public Sector Companies / Body Corporate/ Banks shall not exceed the under noted limits:
<table><tr><th>Rating of the Instrument</th><th>% of AUM</th></tr><tr><td>AAA / Corresponding Highest short term rating</td><td>15%</td></tr><tr><td>AA+, AA, /corresponding short term rating</td><td>10%</td></tr></table>
The debt exposure to any unlisted company or SPV shall not exceed 1% of total AUM of the Pension Fund.

All investments in unlisted bonds of NBFCs and real estate companies will be subject to approval of Investment Committee.

The debt exposure to one Private sector company shall not exceed 5% of total</td>
</tr>
</table>

		published by them under law: (i) having declared profit in the immediately preceding three financial years; (ii) having net non-performing assets of not more than 4% of the net advances; Provided that Deposits with any one scheduled commercial bank including its subsidiaries should not be more than 10% of the portfolio of the scheme. (d) Units of Debt Schemes of Mutual Funds as regulated by Securities and Exchange Board of India: 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. (e) Debt securities issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India. (f) Debt securities issued by Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India. Provided that investment under category (e) & (f) shall be made only in such securities which have 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. (g) The following infrastructure related debt instruments:	AUM of Pension Fund and should not be rated below AA or equivalent. (b) <u>Term Deposit Receipt:</u> The exposure in one Public Sector Bank shall not exceed 20% of total AUM and in case of Private Banks 10% of the total AUM of the Pension Fund. Investment in Private Sector Banks would be restricted to HDFC Bank, Axis Bank and ICICI bank only provided all the conditions mentioned in proviso to Clause (ii) (b) are fulfilled. (c) Any investment in NBFCs below AAA would continue to be referred to the Investment Management Committee.

		(i) 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 category (i) (b) above, shall be treated as an eligible security under this sub-category. (ii) Infrastructure and affordable housing Bonds issued by any scheduled commercial bank, which meets the conditions specified in (ii)(c) above. (iii) 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.	

		(iv) 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 (g), a sector shall be treated as part of infrastructure as per Government of India's harmonized master-list of infrastructure subsectors: (h) Listed and proposed to be listed Credit Rated Municipal Bonds. (i) 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 (a), (g) (i) to (iii) and (h) 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 (g) (iii) 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 two lowest of all the ratings shall be considered.	

		Provided further that Pension Fund can make investment in infrastructure companies rated not less than 'A' along with an Expected Loss Rating of 'EL1'. Provided further that investments under this category-C requiring a minimum AA rating, as specified above, shall be permissible in securities having investment grade rating below AA in case the risk of default for such securities is fully covered with Credit Default Swaps (CDSs) issued under Guidelines of the Reserve Bank of India and purchased along with the underlying securities. Purchase amount of such Swaps shall be considered to be investment made under this category. For sub-category (b) 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 (i) (b) above are excluded from this category (ii). The Pension Funds are allowed to invest in corporate bonds/securities which have a minimum of 'A' rating or equivalent in the applicable rating scale subject to the condition that the investment between 'A' and 'AA-' rated bonds is made to the extent of 10% of the overall corporate bond portfolio of the Pension Fund at any point of time.	
E	**(iii)**	**Equities and related Investments** (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.	a) Shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock

		(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 of category (iii). (f) Initial Public Offering (IPO), Follow on Public Offer (FPO) and Offer for Sale (OFS) of companies, approved by SEBI.	Exchange (NSE), which are in top 200 stocks in terms of full market capitalization as on date of investment as approved and published by NPS Trust on half yearly basis. b) Investments in companies other than above to be done with the approval of Investment Committee. c) Exposure to one company shall not exceed (i) 9.5% for Benchmark stocks & 5% for Non Benchmark stocks of the total Fund size 10% of the paid up capital of the investee Company, whichever is lower. d) Exposure in one sector shall not exceed the “Sector weight in BSE 200 + 10%”.

A	**(iv)**	**<u>Alternative Asset Class:-</u>** The permissible securities for alternate asset class are as under:– (a) Commercial mortgage based Securities or Residential mortgage based securities. (b) Asset Backed Securities regulated by the Securities and Exchange Board of India. (c) Units issued by Real Estate Investment Trusts 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) Investment in SEBI Regulated 'Alternative Investment Funds' AIF (Category I and Category II only) as defined under the SEBI (Alternative Investment Fund) Regulations, 2012. (f) Basel III Tier-1 bonds issued by scheduled commercial banks 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 (b) above. Provided further that investment under this category (from (a) to (f) above) shall be made only in such securities which have minimum AA equivalent rating in the applicable rating scale from at least two credit rating agencies	Investment in Basel III Tier-1 bonds is restricted to securities issued by State Bank of India and Bank Of Baroda as approved in Board meeting held on 27th January, 2021.

		registered with the Securities and Exchange Board of India (SEBI) under SEBI (Credit Rating Agency) Regulations, 1999 and if the securities/entities have been rated by more than two rating agencies, the lowest two of the ratings shall be considered. Provided further that in case of the sub-categories (c) 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 sub category (a), (b) and (e), rating from only one rating agency will be sufficient. However, in case Govt. owned AIFs under sub category (e), ratings would not be required. The investments in category (e) (i.e. AIF – Cat. I and Cat. II) is allowed subject to satisfaction of the following conditions:- (i) 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. (ii) 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 Startup entities, infrastructure entities or SMEs or venture capital or social welfare entities. (iii) Pension Fund shall invest only in those AIFs whose corpus is equal to or more than Rs.100 crores.	

		(iv) The exposure to single AIF shall not exceed 10% of the AIF size. (v) Pension Funds to ensure 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. (vi) The sponsors of the Alternative investment funds should not be the promoter in Pension Fund or the promoter group of the Pension Fund. (vii) 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. 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 from the secondary market only if such Tier I bonds are listed. (iii) Total portfolio invested in this sub-category, at any time, shall not be more than 5% of the total portfolio of the 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.	

		Pension Funds are required to ensure 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. **Asset Class A shall not be available to NPS subscribers under Tier II account.**	
Short – term investment	**(Applicable to I, ii, iii and iv)**	**Short term debt instruments and Related Investments (not exceeding a limit of 5% of the scheme corpus on temporary basis only)** (a) Money market instruments: 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 credit rating 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 the ratings shall be considered. 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 (ii) (c) above.	<u>Investment in Term Deposit Receipt:</u> The exposure in one Public Sector Bank shall not exceed 20% of total AUM and in case of Private Banks 10% of the total AUM of the Pension Fund. Investment in Private Sector Banks would be restricted to HDFC Bank, Axis Bank and ICICI bank only provided all the conditions mentioned in proviso to Clause (ii) (b) are fulfilled.

		(b) Investments in Term Deposit Receipts of up to one year maturity issued by such scheduled commercial banks which satisfy all conditions mentioned in category (ii) (c) above. (c) 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 securities with 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. 5,000/- crores. (d) Further, the Pension Funds are allowed additional exposure of 5% of the corpus in the 'short term debt securities and related investments' in Scheme E-I, E-II, C-I and G-I so that the Pension Funds may deploy additional cash and cash equivalents during the highly volatile market conditions. Provided further that the limit with respect to investment in Money market instruments under Scheme A (under Tier-I) shall be 5% of the scheme corpus or Rs.10 lacs whichever is higher. For investment under Scheme C-II and G-II the limit shall be 10% of the corpus of the scheme, however, this exposure norm shall not be applicable with corpus below Rs.5 crore under the said scheme.	

2. 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 the sub – categories, if any. However, asset switch because of any RBI mandate Government debt switch would not be covered under this restriction.

3. 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.

4. The prudent investment of the funds within the prescribed pattern is the fiduciary responsibility of the Pension Funds. NPS Trust and needs to be monitor the investment decisions of the Pension Funds with utmost due diligence.

5. The Pension Funds and Trust will take suitable steps to control and optimize the cost of management of the fund.

6. i. The trust ad Pension Funds will ensure that the process of investment is accountable and transparent.

   ii. It will be ensured that due diligence is carried out to assess risks associated with any particular asset before investment is made by the fund in that particular asset and also during the period over which it is held by the fund. The requirement of ratings as mandated in these guidelines merely intends to limit the risk associated with investments at a broad and general level. Accordingly, it should not be construed in any manner as an endorsement for investment in any asset satisfying the minimum prescribed rating or a substitute for the due diligence prescribed to be carried out by the fund.

7. Due caution will be exercised to ensure that the same investments are not churned with a view to enhancing the fee payable. In this regards, commissions for investments in Category (iii) instruments under asset class E will be carefully charged, in particular.

8. Investments in an Initial Public Offering (IPO), Follow on Public Offer (FPO) and Offer for Sale (OFS) are permitted subject to fulfilment of conditions mentioned under separate guidelines issued in this regard.

9. The following restrictions / filters / exposure norms would be applicable to reduce concentration risks. It would, however, be not applicable to Asset Class A (Scheme A) and Tier II Schemes till the scheme corpus reaches Rs. 5 crore in each scheme:

   a) NPS 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.

b) 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 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.

c) 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.

d) 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.

10. In the interest of subscribers, in the non-government sector, the Central Recordkeeping Agencies (CRAs) would monitor 'the ceiling of exposure in Asset Class E (Equity), C (Corporate Debt), G (Government Securities) and Asset Class A (For Tier I only) by Private Sector subscribers at 75%, 100%, and 5% respectively' is adhered to.

11. 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 before computing the payment due to them in order to avoid double incidence of costs. However, investments made by Pension Funds in Liquid Mutual Funds would not be 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.

12. Pension Funds making investments in fresh issuance of "Govt. of India- Fully Serviced Bonds" issued by PSUs under Extra Budgetary Resources (EBR) shall treat these investments under "Asset Class G" instead of investment in "Asset Class C".

13. Pension Funds making investments in the shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks, would be required to adopt the list of stocks prepared by NPS Trust in this regard and NPS Trust would adhere to the following points while preparing the list:

    i. If a stock is listed on more than one recognized stock exchange, an average of full market capitalization of the stock on all such stock exchanges, will be computed;

    ii. In case a stock is listed on only one of the recognized stock exchanges, the full market capitalization of that stock on such an exchange will be considered.

    iii. The list of stocks under (i) and (ii) above, would be circulated by NPS Trust and the same would be updated every six months based on the data as on the end of June and December of each year. The data shall be circulated by NPS Trust within 5 calendar days from the end of the 6 months period.

iv. 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 one month. NPS Trust shall monitor the compliance of the above provision and inform PFRDA at regular interval.

14. 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. The Pension Fund shall inform NPS Trust and Authority upon exercise of this option.

<u>Operational Guidelines for National Pension Scheme Tier II – Tax Saver Scheme, 2020 (NPS-TTS)</u>

<table>
<tr>
<td>Investment Choice & Pattern</td>
<td>No Investment choice to the subscriber. It will be a Composite Scheme with the following investment limits for the Pension Funds:-
<table>
<tr><th>Asset Class</th><th>Limits</th></tr>
<tr><td>Equity*</td><td>10%-25%</td></tr>
<tr><td>Debt**</td><td>Upto 90%</td></tr>
<tr><td>Cash/Money Market/Liquid MFs</td><td>Upto 5%</td></tr>
</table>
</td>
</tr>
</table>

*Investment guidelines as applicable for E-II

** Investment guidelines as applicable for G-II and C-II

4. DELEGATION OF POWER FOR INVESTMENTS OF PENSION FUNDS

The NPS corpus will be invested in accordance with the below – mentioned delegation of powers as approved by the Board in its meeting held on 27th January, 2020.

A. Overall limit applicable across all the NPS Schemes managed by UTIRSL for the transactions during the day based on the Face Value of Debt instruments / Security.

Sr. No.	Type of Security / Investment category	Delegated authority		
		CIO	**CIO in consultation with CEO**	**Approval of Investment Management Committee of Board**
1	a) Government Securities and units of dedicated G-Sec schemes of Mutual funds.	Rs. 100 Crores	Above Rs.100 Crores and upto Rs. 250 Crores	Above Rs.250 Crores
	b) Debt instruments with AAA rating from atleast 2 credit rating agencies. c) Term deposits with PSU Banks;	Rs. 100 Crores	Above Rs.100 Crores and upto Rs. 250 Crores	Above Rs.250 Crores
	d) CBLO issued by Clearing Corporation of India Limited and approved by RBI.	-	-	-
2	Auction in the G – Sec	Upto Rs. 200 Crores	Above Rs.200 Crore	Fully authorized
3	Debt instruments with credit rating below 'AAA' but with credit rating of AA and above (i.e. the minimum acceptable rating is AA from atleast 2 credit rating agencies)	Nil	upto Rs. 50 Crores	Above Rs.50 Crores
4	Equities and related investment and equity linked mutual funds	Upto Rs. 25 Crores	Above Rs. 25 Crores and upto Rs. 50 Crores	Above Rs. 50 Crores
5	Liquid funds / Money Market Instruments for the purpose of temporary parking of funds	Fully authorized	Fully authorized	Fully authorized

B. Company – wise limit for the transaction across all the NPS Schemes managed by UTI RSL for the transactions during the day based on the Market Value of Equity: -

Sr. No.	Type of Security / Investment category	Delegated authority		
		CIO	**CIO in consultation with CEO**	**Approval of Investment Management Committee of Board**
1.	The total value of Equity Shares transacted in one day in one company	Rs. 10 Crores OR Not more than 5% of the Scheme for one company OR Not more than 1% of paid up equity paid up capital of the said company Whichever is lower	Above Rs. 10 Crores and upto Rs. 25 Crores OR Not more than 7.5% of the Scheme for one company OR Not more than 2% of paid up equity paid up capital of the said company Whichever is lower	All powers in excess of the delegated authority of CIO & CEO.

The Above delegation of powers is subject to the following:-

1. The above delegation is to calculated on the amount to be deployed or the face value of the investments, whichever is higher”.
2. Minimum credit rating shall be “AA” by atleast two registered Credit Rating Agencies.
3. If the securities / entities have been rated by more than two rating agencies, the two lowest of all the ratings shall be considered.
4. The investments in the following shall be made only after the prior approval of the Investment Management Committee of the Board:-
   a) Debt instruments of NBFCs rated below AAA; and
   b) Securities of real estate Companies, SPVs and / or Unlisted Companies; and

C. Reporting mechanism:

1. All deals carried out during the day shall be reported to the CEO at the end of day.

2. A Monthly Transaction Report shall be submitted to the Chairman – UTIRSL

3. Quarterly report on the Securities Transactions and Performance of the NPS Schemes shall be submitted to the Investment Management Committee and Board.

5. VALUATION PRINCIPLES

Valuation Policies have been specified in Clause III of Schedule A of the PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines -2012.

However, as per Clause 3.31 of the Investment Management Agreement (for Govt. Sector Employees) entered into with the NPS Trust, the PF shall adhere to the valuation practices as notified by PFRDA from time to time.

Also, as per Clause 4.31 of the Investment Management Agreement (for Private Sector) entered into with the NPS Trust, the PF shall adhere to the valuation practices / procedures as notified by PFRDA / NPS Trust from time to time.

NPS Trust had hired services of ICRA Management Consulting Services Limited for providing valuation services to the Pension Fund Managers.

Therefore, valuation is done by the ICRA Management Consulting Services Limited.

6. LIQUIDITY:

The cash Flow information is available in the mPower which may be downloaded by Fund Managers / Dealer / Back Office for reference and utilization of funds.

The Fund Manager / back office will prepare a Cash Flow Statement on a daily basis, to ascertain the funds available for investment.

The Cash Flow Statement will facilitate the CIO / Fund Managers to utilize it for investment / deployment.

7. Stop Loss Policy

Background

UTI RSL manages Pension Funds and invests in accordance with PFRDA Investment Guidelines and Internal Investment norms laid down by the Board. As the funds are long term in nature, the Fund follows a conservative style of management, investing the corpus in listed equities & Debt instruments of corporates with high credit quality with a long term track record.

Stop Loss Policy

Stop Loss Policy is generally used by Traders for a trading portfolio where trades are based on Technical Analysis rather than on long term fundamentals or to capture short term profit in view of the expected change in scenario or event.

The portfolio under NPS follows a different approach and is built for a long term horizon with the inherent objective of safety and stable capital appreciation over the life of investments. It is not a trading portfolio involving frequent entries/exits from securities. Rather any correction in the stock price without any change in fundamentals is viewed as an opportunity to enter the stock.

In the above background, we propose a stop loss policy as under:-

Equity Investments

The Funds invest mostly in Large cap companies with a higher weightage to Index stocks. Continuous monitoring of the equity portfolio & keeping track of the fundamentals of the company is undertaken for all stocks wherein we have investments.

a. In case of a significant decline in the Consolidated top-line of a company (>=20%) quarter on quarter (q-o-q) or year on year (y-o-y) the reasons for the same will be analysed to review whether the decline is temporary in nature or more fundamental to the company and hence has a long term impact . In case of serious concern on the operating performance of the company due to this factor, stop loss in the holding will be triggered.
b. Similarly, if the Consolidated EBITDA & Consolidated net profit declines >=20% q-o-q or y-o-y due to some factors intrinsic to the company or sector leading to a long term impact to the stock , the reasons would be analysed and stop loss will be triggered in the stock. However, the following two restrictions will be applied for points (a) & (b) -

- For Large cap companies with market cap greater than Rs.5000cr, if **both the above parameters (a) & (b) i.e (REVENUE, EBITDA & PAT decline >=20%) occur together,** stop loss will get triggered.

- In case of companies with market cap of less than Rs.5000cr, stop loss will get triggered **if any one of the parameters (a) or (b) above gets triggered.**

c. In case of companies in the Financial Sector, in addition to the above two parameters, asset quality is a key data point. Hence the NPA's for Banks/FIs/NBFCs/Housing Finance Companies would also be analysed and an increase of 100 bps in Gross NPA's on a q-o-q basis in a holding would trigger a stop loss.

d. It is proposed that incase a material stock price correction of >=25% occurs relative to the Benchmark the reason for the price correction would be analysed and the following two situations would be considered :--

   i) If price correction during any period of 30 days relative to the Benchmark is without any deterioration in the fundamentals of the company or is due to market related/global or economic reasons we will continue holding the security. Also, we will continuously monitor for any adverse development in the company, if any.

   ii) If the stock price correction (>=25%) relative to the Benchmark is due to some adverse development in the company, any corporate action, etc. the stop loss will get triggered.

<u>Proposed course of action – Equity</u>

All the above situations as mentioned in (a) to (d) above would be monitored, examined and the decision whether to cost average, exit or hold is taken by the investment team and brought to the notice of the CEO, UTIRSL for approval. All case/s wherein stop loss is triggered would be reported to the Investment Committee and Risk Management Committee on quarterly basis and also informed to the Regulator.

<u>Debt Investment</u>

- ✓ In case the rating is downgraded by two notches in any debentures /Bonds wherein we have exposure and the company's financials are reasonably expected to further deteriorate in future, it would trigger a stop loss.
- ✓ In case of any Investment falling below investment grade all attempt will be made to exit the Investment at the earliest. This is also as per the Guidelines laid down by the Regulator.

<u>Proposed course of action - Debt</u>

All such cases would be monitored, examined and the decision whether to hold or exit would be taken by the investment team and brought to the notice of CEO – UTI RSL for approval. All cases wherein stop loss is triggered would be reported to the Investment Committee and Risk Management Committee on quarterly basis and also informed to the Regulator.

8. Passive Breach Policy

A. Rising Stocks:-

Any passive breach that may occur in funds because of the rising stock prices will be rebalanced within 15 days from such occurrence and Passive Breach Committee [internal Committee] will review the passive breaches at the end of 15 days and if the same are not rebalanced within 15 days will report the same to the Investment Management Committee. However, in all circumstances the passive breaches arising out of the rising stock prices need to be rebalanced within 30 days from the occurrence.

B. Declining stocks:-

Any passive breach that may occur because of the decline in stock prices will be rebalanced within 15 days from such occurrence. However, if owing to adverse market conditions or due to material impact on the schemes because of rebalancing, and with a view to protect interest of subscribers, the Pension Fund Manager is unable to rebalance within such time period, the same will be reviewed by the Passive Breach Committee and also reported to the Investment Management Committee. Also UTIRSL would need to continuously monitor the stock prices to assess if the decline in prices is a sustained phenomenon or a transitory phenomenon. A continuous study of the company, the industry performance and the emerging trends will be done to arrive at a decision as to whether to continue holding on to the stock. However, in all circumstances the passive breaches arising out of declining stock prices would need to be rebalanced within 30 days from the occurrence.

C. Others (Stock concentration limits, asset allocation, stocks moving out of derivatives, allotment of securities other than equities, etc.)

Any other passive breaches that may occur in the funds will be rebalanced within 15 days from such occurrence. However, if owing to any other condition and with a view to protect interest of subscribers, the Pension Fund Manager is unable to rebalance within such time period, the same is to be rebalanced within 30 days from the occurrence.

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