



# **ADITYA BIRLA SUN LIFE PENSION MANAGEMENT LIMITED INVESTMENT POLICY**

**(Version 3.0)**

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**Document Version Control**

Version	Owner of the Document	Date of Approval by IC	Date of Approval by Board	Revised Policy Effective from	Nature of Change
1.0	Investment Mid-Office	27/07/2016	27/07/2016	27/07/2016	New Policy
1.1	Investment Mid-Office	03/02/2017	03/02/2017	03/02/2017	Revised
1.2	Investment Mid-Office	20/07/2017	20/07/2017	20/07/2017	Revised
1.3	Investment Mid-Office	24/10/2017	24/10/2017	24/10/2017	Revised
1.4	Investment Mid-Office	23/07/2018	23/07/2018	23/07/2018	Revised
1.5	Investment Mid-Office	22/10/2018	22/10/2018	22/10/2018	Revised
1.6	Investment Mid-Office	23/04/2019	23/04/2019	23/04/2019	Inclusion of Valuation Policy Inclusion of Credit Policy New Valuation Agency appointment Formatting changes
1.7	Investment Mid-Office	18/10/2019	18/10/2019	18/10/2019	- Review frequency of Investment policy- Quarterly - Benchmark for Equity Schemes - CRO role in credit appraisal process - Re-definition and change of IC Sub  Committee composition for Credit Approvals - Updation of Qualifying Norms for PSU credit

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1.8	Investment Mid-Office	20/01/2020	20/01/2020	20/01/2020	<ul style="list-style-type: none"> <li>- Updating of Valuation policy</li> <li>- Revised definition of Liquid Investment under permitted investment for schemes</li> </ul>
1.9	Investment Mid-Office	28/04/2020	28/04/2020	28/04/2020	<ul style="list-style-type: none"> <li>- Updation of Stop Loss policy</li> </ul>

1.10	Investment Mid-Office	21/07/2020	21/07/2020	21/07/2020	<ul style="list-style-type: none"> <li>- Updating revised money market Limits, residual maturity limits for Corporate Bonds and addition of Debt ETFs as eligible asset class for Scheme C.</li> </ul>
2.0	Investment Mid-Office	22/10/2020	22/10/2020	22/10/2020	<ul style="list-style-type: none"> <li>- Updation of framework for Tax Saver2 scheme</li> </ul>
2.1	Investment Mid-Office	20/07/2021	20/07/2021	20/07/2021	<ul style="list-style-type: none"> <li>- Minor correction in Sector/Groups under the Validity of Credit Limits. Removed "associates of SBI"</li> </ul>
2.2	Investment Mid-Office	27/09/2021	28/09/2021	28/09/2021	<ul style="list-style-type: none"> <li>- Updated as per new investment regulation issued in the month of July-2021, PFRDA requirement for composition of Committee and removed shareholder fund coverage in the Policy as the investment of shareholder's fund is subject to provision of Companies Act.</li> </ul>
2.3	Investment Mid-Office	21/01/2022	21/01/2022	21/01/2022	<ul style="list-style-type: none"> <li>- Updated as per Changes in Investment Guidelines – 2021 issued in the month of December</li> </ul>
2.4	Investment Mid-Office	21/04/2022	21/04/2022	21/04/2022	<ul style="list-style-type: none"> <li>- Updated change in valuation agency and PFRDA circular on segregation of Investment Deviation.</li> <li>- Change in Credit Policy</li> </ul>

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2.5	Investment Mid-Office	25/07/2022	25/07/2022	25/07/2022	<ul style="list-style-type: none"> <li>- Rebalancing of Portfolio based on Market capitalisation</li> <li>- Invest in Government Securities as Lender in Triparty Repo conducted over the Triparty Repo (Dealing) System (TREPS)</li> <li>- Incorporated changes as advised by PFRDA vide its letter dated July 7, 2022.</li> </ul>
2.6	Investment Mid-Office	20/10/2022	20/10/2022	20/10/2022	- Changes made as suggested by NPS Trust
2.7	Investment Mid-Office	23/01/2023	23/01/2023	23/01/2023	- Changes made as per PFRDA circular on Investment guidelines dated November 18,
2.8	Investment Front Office	17/10/2023	17/10/2023	17/10/2023	Changes made as per PFRDA circular on Investment guidelines dated September 22, 2023
2.9	Investment Front Office	18/01/2024	18/01/2024	18/01/2024	Updating in Asset Allocation
3.0	Investment Front Office and Mid Office	18/04/2024	18/04/2024	18/04/2024	Changes made as per Clarification issued by NPS Trust and PFRDA circular on Investment guidelines dated September 22, 2023

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## **INVESTMENT POLICY**

### **1.0 GENERAL**

#### **1.1 Purpose/ Objective**

This document sets out the Investment Policies for the Shareholders' and Subscribers' funds ('Funds') of Aditya Birla Sun Life Pension Management Limited, hereinafter called the Company. The purpose of this document is to establish the appropriate investment policies, and standards that will govern the investment practices of the Company. These Policies are consistent with the investment regulations of the Pension Fund Regulatory and Development Authority ("PFRDA") and shall always be within the current and revised guidelines of PFRDA.

#### **1.2 Review and Approval of Investment Policy and Guidelines by the Investment Committee and Board of Directors**

The Investment Committee of the Company shall periodically review the Policy and Guidelines and any amendments suggested thereto and recommend the same to the Board of Directors (Board) of the Company for approval. The Board shall review and approve the Investment Policy on a quarterly basis. The Board will be advised by the Investment Committee in writing of the adherence to these policies by the Company. Significant deviations vis a vis the Policy shall be reported to the Investment Committee at the immediate next Investment Committee meeting.

The details of the investment policy or its review as periodically decided by the board shall be submitted to the National Pension System Trust (NPS) within 30 days of its decision thereto.

#### **Composition of Investment Committee**

The Board of Directors of the company shall constitute an Investment Committee to oversee the investments of the company. Investment Committee will monitor the investment exposures, performances, risk management, market developments and investment strategies. The reporting of the investment function to the IC shall take place once in every quarter. As per PFRDA regulations, Investment Committee should comprise of at least the following members:

- Two Independent Directors
- Chief Executive Officer
- Chief Risk Officer and
- Chief Investment Officer or Fund Manager incase CEO and CIO are the same official.

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### 1.3 Prudent Investment Policies

The Company will adhere to investment policies, standards and operating guidelines that are reasonable and prudent person would apply in respect of a portfolio of investments to avoid undue risk of loss of capital and obtain a reasonable return. Certain policies are fundamental to the investment operations of the Company:

- 1 Investment strategy will be developed having due regard to the nature of the Company's liabilities.
- 2 Investment in all segments will be made keeping in mind the objective of the fund scheme, product, commitment made to the subscribers and prevailing regulatory and internal provisions for the segment.
- 3 All investment portfolios will be diversified.
- 4 The company will develop detailed operating guidelines for investment in each scheme as and when it decides to make such investment and the same will be in line with the PFRDA

Regulations or any other amended thereafter. The Operating guidelines will also list the exposure and prudential norms. The same would be reviewed by IC yearly.

- 5 Portfolio liquidity requirements are to be prudently managed, effectively measured and monitored in the context of strategic and operational considerations, including the state of the economy and overall portfolio quality.
- 6 Sufficient "due diligence" must be carried out, with respect to any proposed investment decision, so that those involved can properly assess the potential risks and returns.
- 7 "Due Diligence" must be carried out with respect to any third party through whom the Company deals in the conduct of its investment operations.
- 8 Any two persons shall have the power to carry out an investment transaction. These personnel will be authorized by the Board of the Company.
- 9 Those responsible for settlement and accounting entries must be independent from those responsible for recommending and approving investment transactions.

### 1.4 Compliance with Investment Policy



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Investments must comply with the investment policies that are in effect at the time the investment is made. Changes to the Investment Policies will not apply to investments approved prior to such changes. However, the Investment Committee or designated authorities will decide whether divestments have to be made due to changes in regulatory requirements.

#### 1.5 **Internal Audit –Review of Controls, Compliance**

As per regulatory requirement and Company's internal Audit Policy, these Investment Policy and associated documents will be examined along with the adequacy of the control process to ensure compliance. The scope of audit should include Investment Risk management & compliance with regulation systems and process.

The audit report shall be placed to the Investment Committee / Audit Committee for its review post every audit on quarterly basis.

#### 1.6 **Compliance with Law and PFRDA Regulations**

It is the policy of the Company to be a good corporate citizen, and comply with all applicable laws and regulations, including standards and reporting requirements established from time to time by any regulatory authority.

Investment Policy of the Company is subject to applicable Investment guidelines for the schemes under NPS or any other pension schemes administrated by PFRDA including its statutory amendment or modification thereof from time to time as issued by PFRDA. In the event of any conflict or confusion arises on investment norms between the Investment Policy and Investment guidelines (including amendment) issued by PFRDA, the Investment guidelines shall prevail over the Investment Policy of the Company.

#### 1.7 **Related Party Policy**

The investment in the promoter group companies shall be in line with the regulatory and internal guidelines. All such investment shall be reported to the Investment Committee in the next Investment Committee meeting.

#### 1.8 **Code of Business Conduct**

All investment staff of the Company must comply with the Investment Code of Conduct of the Company.

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## 1.9 Intermediaries / Brokers

All transaction where intermediaries are involved will be done with the empanelled intermediaries only. The investment committee will lay down norms and approve the empanelment of Intermediaries/broker.

## 2.0 INVESTMENT NORMS

### 2.1 Scheme Policies

The Investment Committee of the Company should ensure that the investment in individual scheme shall be made in accordance with the policies laid down at each scheme level and as approved by Board of Directors. Detailed scheme norms shall be part of Investment Policy. Each scheme option shall have a clearly defined objective, asset allocation and Investment strategy.

### 2.2 Portfolio Review

An investment team will table the investment portfolio exposure and performance on quarterly basis for review to Investment Committee.

## 3.0 APPROVAL AND REPORTING PROCESS

The Investment Committee will lay down approval matrix for all investment transaction and will review the same once in a year.

### 3.1 Approval of Investment Transactions

The Company can only make investments as approved by one of the following as per the pre-defined approval limits approved by the Board of Directors:

- (a) The Board of the company, or
- (b) The Investment Committee, as authorised by the Board, or Officers as authorized by the Investment Committee

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### 3.2 Reporting of Transactions

All investment transactions for the Company shall be reported to the Investment Committee on quarterly basis. The quarterly Investment Report shall be in such form as the Investment Committee may determine for review, approval or other necessary action.

### 3.3 Minutes of Authorized Investments

A minute's system for recording the approval of investments will be maintained.

## 4.0 ASSET CLASSES

### 4.1 General

Eligible asset classes for investment and types of derivative transactions shall be approved by the Investment Committee and communicated to the investment personnel.

### 4.2 Operating Guidelines

The Investment Committee will develop operating Guidelines for each eligible scheme class. These Operating Guidelines, where appropriate, will contain requirements for approving individual investments, asset class portfolio constraints and parameters exposure and prudential norms and reporting procedures.

### 4.3 Scheme Allocation

The Investment scheme allocation will be adhered as per commitment made to subscriber and approval from the regulator.

### 4.4 Valuation

As per direction received from NPS trust, Valuation of investments is carried out by valuation agency CIRISIL Limited (CIRISIL Research).

The investment methodology adopted by CIRISIL Research is as per revised norms prescribed by PFRDA (Valuation Policy Guidelines 2019).

### 4.5 Stop Loss Policy:

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### **Equity Investments:**

Investments under Scheme “E” are made with long term investment horizon. Investment Team implement their portfolio strategies based on market developments and fundamental research. Equity investments are volatile and may, at times, be influenced by short term developments which are not anticipated. In order to limit the losses to the portfolio due to sharp volatility, a prudent stop loss policy is implemented. In case of any significant development which can have material impact on company’s financial performance, change in ownership control or any corporate governance issues the investment shall be reviewed. Upon more than 25% decline in purchase value any individual security and stock price fall is more than 1.5 times the benchmark fall, over a period not exceeding 3 months the investment shall be reviewed. Provided, the stock will be out of the stop loss if price recovery above purchase value of any individual security

Upon more than 40% decline in purchase value any individual security and stock price fall is more than 1.5 times the benchmark fall, over a period not exceeding 3 months the investment will be exited

### **Approval and Reporting**

In case of occurrence of any “Stop Loss Trigger”, the Chief investment officer shall review the investment and decide whether to disinvest or continue to hold and the

reasons for the same shall be documented. The option of exit shall be considered and exercised, as appropriate, in a manner that is in the best interest of the subscribers.

All occurrences of stop loss triggers along with action taken shall be reported to the Investment committee at its next meeting.

### **Fixed Income Investments**

There is no stop loss policy for fixed income investments.

## **4.6 Credit Process Flow**

Any investment in Fixed Income instruments has to follow the below mentioned credit process:

- Investments proposals for setting up the credit limits in fixed income instruments have to be initiated by the Investment Team. Detailed Credit Approval Policy is specified in Annexure

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- Investments in Government Securities/T-Bills/CBLO/Repo transactions, State Development, Loans (SDLs) are excluded from this.
- Assessment of a company's credit risk profile covers the three broad areas of:  
Business Risk – Industry risk, Competitive positioning, Operational efficiencies  
Financial risk – Earnings profile, Capital structure, Debt-servicing capacity, Liquidity  
Management risk – Competence, Risk appetite, Governance, parentage
- Credit analysis is not simply based on the past performance; but understanding the current scenario and projecting the company's future business, industry and financial profiles are critical elements in arriving at the overall credit profile of the company.
- Detailed management interaction mandatory before any new investment / revalidation.
- Compliance with regulatory and internal regulations on all investments.
- Investment Team shall present the credit proposal to the CIO/CEO/Investment Committee for approval.
- Investment Team shall maintain an ongoing review of outstanding corporate debt portfolio and ensure timely revalidation of credit limits.
- In case of any rating downgrades, should be communicated to the Investment Committee in the subsequent meeting.
- Anything mentioned in this policy document shall be subject to PFRDA regulations and investments norms.

**Notes:**

- Minimum rating criteria for long term instruments shall be A or higher and for short term instruments shall be A1+ from at least two rating agencies, to be used both at the time of sanction of credit limits and at the time of investment. Further, Investment between A and AA-rated bonds should not be more than 10% of the overall Corporate Bond Portfolio (Scheme / Asset Class C) of the pension fund. The limit structure recommended is as under and is as per PFRDA regulations
- The limit structure recommended is as under and is as per PFRDA regulations:
  - Investments have been restricted to 5% of the "networth" 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 "networth" of all the non-sponsor group companies or 10% of the total AUM in Debt securities (excluding Government securities) whichever is lower, in each respective scheme.

"Networth": Networth 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 & loss account, accumulated losses and intangible assets.

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Single industry exposure has been restricted to 15% under all NPS schemes as per Level 5 of NIC classification. However, investment in scheduled commercial bank FDs would be exempted from exposure to banking sector.

- If Investments are made in Index Funds/ETF/Debt MF, in addition to Equity and Debt Investments, the exposure limits under such Index Funds/ETF/Debt MF shall not be considered for compliance of the prescribed Industry Concentration, Sponsor/NonSponsor group norms.
- In case of any corporate debt instruments the rating falls below the minimum permissible investment limit, 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.
- We shall publish on our website a list of our group companies and those of our sponsor

**4.7 Inter-Scheme Transfer**

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. We shall be required to inform NPS Trust and Authority upon exercise of this option.

**5.0 INVESTMENT RISK MANAGEMENT**

The Investment Committee will ensure that appropriate policies are made and implemented in order to mitigate following Investment Risks.

**5.1 Market risk:**

Market risk is exposure to loss from volatility or changes in the level of market prices of assets. It includes:

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5.1.1 Interest rate risk: the risk of loss resulting from movements in interest rates and their impact on future cash flows. The primary approach to managing interest rate risk for interest sensitive segments will be to manage the duration gap of assets and liabilities within specified tolerance limits. Cash flow characteristics of assets and liabilities will also be taken into account, as will other interest rate risk measures. The exposure to interest rate sensitive segment will be made as per the commitment made to subscribers.

5.1.2 Equity and other asset value risks: the risk of loss resulting from movements of market values of equities and other assets. Equity exposures will be managed within specified tolerance limits and monitored on a regular basis. Equity exposure tolerances will reflect the nature of the liabilities and surplus segments and the extent of protection against downside risk; and

5.1.3 Related credit risk: the counterparty credit risk arising from activities undertaken in connection with the management of exposure to market risk.

**5.2 Credit risk:**

Credit risk is the risk associated with loss resulted from default by or change in the credit quality of issuers of securities, counterparties, and intermediaries to whom the company has an exposure. The company shall work within the credit risk policy & framework to manage the credit risk.

**5.3 Liquidity risk:**

Liquidity risk is the risk of loss in the event that sufficient liquid assets will be unavailable, or will be available only at excessive cost, to meet the cash flow requirements of obligations when they are due. Due care needs to be taken while constructing portfolios.

**6.0 QUALITY**

The Investment Committee will lay down the quality norms for each asset class. These can be in the form of ratings, financial strengths, Promoters and Management etc. The company will carry out required review, meetings of the companies. If multiple rating for any debt is available from different rating agencies, the lowest rating issued will be taken into account.

**7.0 INVESTMENT IN SUBSIDIARIES AND PROMOTER GROUP COMPANIES**

Investments in subsidiary companies shall be made with the prior approval of the Board. Investments in promoter group companies shall be made in accordance with the regulatory provisions.

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## 8.0 CUSTODIAN

An external custodian, notified by PFRDA, is responsible for custody of the assets.

## 9.0 ORGANISATION STRUCTURE AND SEGREGATION OF RESPONSIBILITIES

The company should have a well defined organisation structure for Investment function. The structure should clearly lay out the segregation of responsibilities between front, mid and back office to have smooth processes.

## 10.0 PORTFOLIO POLICIES AT SCHEME LEVEL

Without prejudice to PFRDA Regulations, the Investment shall be made in accordance with the policies laid down at each scheme level.

### 10.1 Scheme A Tier I

#### Objective

The objective is to maximize the risk adjusted return by investing in alternate investments.

#### Strategy

Investments to be made in the following class of assets:

- a) Listed or proposed to be listed Commercial Mortgage Based Securities or Residential Mortgage Based Securities with Minimum AA or equivalent rating in the applicable rating scale from at least One credit rating agencies registered with SEBI.
- b) Listed or proposed to be listed Asset Backed Securities regulated by SEBI with Minimum AA or equivalent rating in the applicable rating scale from at least One credit rating agencies registered with SEBI.
- c) Listed or proposed to be listed Units issued by Real Estate Investments Trusts regulated by SEBI with Minimum AA or equivalent rating of the Trust in the applicable rating scale from at least Two credit rating agencies registered with SEBI. If the securities are rated by more than Two rating agencies, the lowest two of the ratings shall be considered.
- d) Listed or proposed to be listed Units of Infrastructure Investments Trusts regulated by



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SEBI with Minimum AA or equivalent rating of the Trust in the applicable rating scale from at least Two credit rating agencies registered with SEBI. If the securities are rated by more than Two rating agencies, the lowest two of the ratings shall be considered.

- e) Listed or proposed to be listed (in case of fresh issue) SEBI Regulated AIF (Category I and Category II) as defined under SEBI (Alternative Investment Fund) Regulations, 2012. The AIF shall have corpus equal to or more than Rs100crs. The exposure to single AIF shall not exceed 10% of the AIF size. The exposure to single issuer shall not exceed 10% of the AUM of the Scheme. No AIF investment shall be made in sponsor or sponsor group promoted AIF as per PFRDA regulations. AIF should not be investing in securities or funds incorporated and operated outside India.
- f) Listed or proposed to be listed Basel III Tier I bonds issued by scheduled commercial banks under RBI guidelines which have Minimum AA or equivalent rating in the applicable rating scale from at least Two credit rating agencies registered with SEBI. If the securities are rated by more than Two rating agencies, the lowest two of the ratings shall be considered. No investment under 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.

PFRDA Guidelines / NPS Trust notifications shall supersede the Investment Policy at all points of time as amended from time to time.

### **Permitted Asset Classes**

Listed or proposed to be listed Commercial Mortgage Based Securities  
Listed or proposed to be listed Residential Mortgage Based Securities  
Listed or proposed to be listed Asset Backed Securities  
Listed or proposed to be listed Real Estate Investments Trusts  
Listed or proposed to be listed Infrastructure Investments Trusts  
AIF  
Listed or proposed to be listed Basel III Tier I bonds  
Short term Investments

### **Condition of Investment in AIF**

- 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.

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- ii. For category II AIF as per Alternate Investment Fund 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.
- iii. 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 Pension Fund.

**Asset Allocation (To be read in conjunction with the Scheme strategy above)**

Sr. No.	Assets Allocation	Scheme A (of the Scheme AUM)
1	Mortgage backed securities / Real Estate Investments Trusts /	Max 100%

Asset Backed Securities / Infrastructure Investments Trusts / Alternative Investment Funds

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2	Basel III Tier I bonds			<p>Max 5%of Total AUM of the Pension Fund</p> <p>Investment in single issuer shall not exceed 10% of the AUM of the Scheme.#</p> <p>Max 20% of the Total Outstanding of Tier I bonds of a Single Issuer</p>
3	<p>(I) Cumulative Investments in Units and Debt securities of REITs &amp; InvITs</p> <p>(II) Units of REITs and InvITs</p>			<p>Max 3% of Total AUM of Pension Fund.</p> <p>Max 5% of the Units issued by a single InvIT/REIT issue.</p>
4	Short term Investments			<p>Max 10% of Scheme corpus, however, this exposure norm will not be applicable till the scheme corpus is below Rs. 5 Crores.</p>
<b>Exposure norms</b>				<b>Not Applicable until Scheme AUM reaches 5 crs</b>
1	Sponsor Group			<p>Max 5% of networth of all group companies OR Max 5% of the Scheme AUM whichever is lower</p>
2	Non Sponsor Group			<p>Max 10% of networth of all group companies OR Max 10% of the Scheme AUM whichever is lower</p>

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3	Industry -limit (Based on NIC classification)			Max 15% of Total Pension Fund AUM	

\*Sponsor / Non sponsor / Single industry exposure would not be applicable to Scheme A till the scheme corpus reaches Rs 15 Cr

#Single Issuer Limits shall not be applicable till scheme AUM is less than Rs. 15crs

## 10.2 Scheme E Tier I & Scheme E Tier II

### Objective

The objective is to maximize the risk adjusted return by investing in equities.

### Strategy

Investments to be made in the following class of assets:

- A. Shares of body corporate listed on BSE or NSE, which are in top 200 stocks in terms of full market capitalization as on date of investment. (i) Top 200 stock list to be adopted as provided by NPS Trust. (ii) Subsequent to any updation in the list, Scheme portfolio would have to be rebalanced 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 Pension Fund and also to be informed to the Board of Pension Fund. This updated equity universe is valid with effect from the date the NPS Trust provide's the list of top 200 stocks till such time the NPS Trust revise's it.

Investments have been restricted to 5% of the "paid up share capital\*\*" of all the sponsor\*\* group\*\*\* companies or 5% of the Total AUM managed under Scheme E, C, G & A by the pension fund, whichever is lower, in each respective scheme and 15 % of the "paid up share capital" of all the non-sponsor group companies or 15 % of the Scheme 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,

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Associated persons, as may be stipulated by the Authority, from time to time, by issuance of guidelines under these Regulations.

- B. Units of Equity Mutual Fund (MF) regulated by SEBI, which have minimum 65% of their investment in shares of body corporate listed on BSE or NSE, provided investment in such mutual funds shall not exceed 5% of the Scheme AUM at any point in time and fresh investment in such mutual funds shall not exceed 5% of the fresh inflows invested in the year.
- C. Exchange Traded Funds (ETFs) / Index funds regulated by SEBI that replicate the portfolio of either BSE Sensex Index or NSE Nifty 50 Index.
- D. ETFs issued by SEBI regulated MF constructed specifically for the purpose of disinvestment of shareholding of Government of India in body corporate.
- E. Exchange traded derivatives regulated by SEBI having underlying of any permissible listed stock or indices, solely for the purpose of hedging, provided investments in derivatives in terms of contract value shall not be in excess of 5% of the Scheme AUM at any point of time.
- F. Investment in Initial Public Offer (IPO), Follow on Public Offer (FPO), Offer for Sale(OFS):
  - (i) Investment shall be made in Equity Shares which are proposed to be "listed" through IPO on BSE or NSE.
  - (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 Greater than the market capitalization of 200th company as per the list of Top 200 stocks provided by NPS Trust (last published).
  - (iii) The investment in Equity Shares through 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 stocks in terms of full market capitalization as per the last published universe by NPS Trust.
  - (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.
  - (v) Post investment in Equity Shares through IPO, if the equity shares do not fulfil the market capitalization condition as per (ii) post listing then such shares can be held for a maximum period of one year only.

PFRDA Guidelines / NPS Trust notifications shall supersede the Investment Policy at all points of time as amended from time to time.

**Permitted Asset Classes**

Equity Shares

Equity Mutual Funds

**Security Classification:  
INTERNAL**

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ETFs / Index Funds  
Exchange traded derivatives  
Short Term Deposit  
Investments

**Asset Allocation (To be read in conjunction with the Scheme strategy above)**

Sr. No.	Assets allocation	For E Tier I (of Scheme AUM)	For E Tier II (of Scheme AUM)
1	Equity Shares/	Max 100%	Max 100%
2	Equity Mutual Funds / ETFs / Index Funds	Max 5%	Max 5%
3	Exchange Traded Derivatives	Max 5%	Max 5%
4	Short term Investments	Max 10%	*Max 20%
	<b>Exposure Norms</b>	<b>Not Applicable until Scheme AUM reaches Rs. 5crs</b>	
1	Sponsor Group	Max 5% of Paid up capital of all group companies OR Max 5% of the AUM managed under Scheme E, C, G & A whichever is Lower.	Max 5% of Paid up capital of all group companies OR Max 5% of the AUM managed under Scheme E, C, G & A whichever is lower.
2	Non Sponsor Group	Max 15% of Paid up capital of all group companies OR Max 15% of the Scheme AUM whichever is lower	Max 15% of Paid up capital of all group companies OR Max 15% of the Scheme AUM whichever is lower
3	Industry -limit (Based on NIC classification)	Max 15% of Total Pension Fund AUM	Max 15% of Total Pension Fund AUM

\*Limits under Short Term Investments under Scheme E (Tier II) shall not be applicable if scheme corpus is below Rs. 5 Crore.

**Benchmark**

The benchmark for the fund is S&P BSE 200 TRI or as notified by NPS Trust/PFRDA from time to time.

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**10.3 Scheme C Tier I & Scheme C Tier II**

**Objective**

The objective is to maximize the risk adjusted return by investing in credit risk bearing Fixed Income instruments.

**Strategy**

To actively manage the fund by building a portfolio of credit risk bearing fixed income instruments. The quality & duration of the assets purchased would aim to optimize the credit risk & liquidity risk of the portfolio. Fund will maintain reasonable level of liquidity. The fund shall make investment within the following framework as updated by PFRDA from time to time.

- A) Investment in listed or proposed to be listed Credit Risk bearing Fixed Income Instruments issued by bodies corporate, including banks and public financial institutions, provided investment in debt securities with minimum residual maturity of three or less than three years from the date of investment subject to maximum 10% of the investments made in preceding 12 months. 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) Investments in rupee bonds issued by institutions of International Bank for Reconstruction and Development, International Finance Corporation and Asian Development Bank, provided investment in debt securities with minimum residual maturity of three or less than three years from the date of investment subject to maximum 10% of the investments made in preceding 12 months
- C) Term Deposits of more than one year duration issued by Scheduled Commercial Banks which meet the regulatory requirement of Net Worth and CRAR as stipulated by RBI subject to the satisfaction of following criteria:
  - a. Having declared profit in the immediately preceding three financial years;
  - b. Having net NPAs 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 Scheme AUM.
- D) Units of debt mutual funds which are regulated by SEBI with macaulay duration of more than 1 year. The maximum investment is restricted to 5% of the scheme AUM.

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- E) Debt securities issued by Real Estate Investment Trusts (REITs) regulated by SEBI.
- F) Debt securities issued by Infrastructure Investment Trusts (InvITs) regulated by SEBI
- G) Infrastructure related debt instruments: Listed or proposed to be listed (in case of fresh issue) debt securities a) Issued by body corporate engaged mainly in the business of development or operation and maintenance of infrastructure (including construction or finance of affordable housing), b) securities issued by Indian Railways or any of the body corporate in which it has majority shareholding, c) securities issued by any Authority of the Government which is not a body corporate and has been formed mainly for the purpose of promoting development of infrastructure. d) 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 body corporate engaged in the business of infrastructure e) Infrastructure and affordable housing bonds issued by Scheduled Commercial Banks(subject to criteria applicable to investment in Term deposits of scheduled commercial banks), f) securities issued by Infrastructure Debt Funds operating as NBFC(regulated by RBI), g) units issued by Infrastructure Debt Funds operating as a Mutual fund(regulated by SEBI)
- H) Investment in units of Debt ETFs issued by Government of India specifically meant to invest in bond issued by Government owned entities such as CPSEs, CPSUs/CPFIs and other government organizations, etc provided that the portfolio invested in such Debt ETF's shall not be more than 5% of Scheme AUM.
- I) Listed or proposed to be listed (in case of fresh issues) Credit rated municipal bonds
- J) Govt. of India Fully serviced bonds issued by public sector units under Extra Budgetary Resources prior to 3<sup>rd</sup> June, 2020

**Credit Rating Criteria for above Categories:**

1. Investments under category (A), (G) – a to f, (I) & (J) shall be only made in such securities which have minimum AA rating or equivalent in the applicable rating scale from at least two rating agencies registered with SEBI.
2. If the securities/entities have been rated by more than two rating agencies, the lowest two of all the ratings shall be considered.
3. Investment can be made in Infrastructure companies rated not less than 'A' along with an Expected Loss rating of 'EL1'
4. Investments are permissible in securities having Investment grade rating below 'AA' provided the risk of default for such securities is fully covered with Credit Default Swaps(CDSs) issued under Guidelines of RBI and purchased along with the underlying securities. Purchase amount



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of such Swaps shall be considered to be investment made under the category requiring minimum 'AA' rating.

5. Under category (B) a single rating of 'AA' or above by a domestic or international rating agency will be acceptable.
6. Investments under category (E) & (F) should have minimum rating of 'AA' of the Trust from at least Two credit rating agencies regulated by SEBI.
7. Investments are allowed in Corporate Bonds/securities rated minimum 'A' subject to the condition that the investment between 'A' and 'AA'-rated bonds is made to the extent of 10% of the Scheme AUM at any point of time.

PFRDA Guidelines / NPS Trust notifications shall supersede the Investment Policy at all points of time as amended from time to time.

**Permitted Asset Classes**

Credit Risk bearing Fixed Income Instruments  
 Term deposits of scheduled commercial banks  
 Debt Mutual Funds  
 Debt securities of REIT's & InvIT's  
 Overnight/Liquid Investments

**Asset Allocation (To be read in conjunction with the Scheme strategy above)**

<b>Sr. No.</b>	<b>Assets allocation</b>	<b>For C Tier I (of Scheme AUM)</b>	<b>For C Tier II (of Scheme AUM)</b>
1	Non Convertible Debentures / Bonds / Rupee bonds / Term deposits / Infrastructure related debt instruments / Affordable Housing bonds / Municipal bonds	Max 100%	Max 100%
2	Debt ETFs	Max 5%	Max 5%
3	Debt Mutual Funds of more than one year Macaulay duration	Max 5%	Max 5%
3	Short Term Investments	Max 10%	*Max 20%

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4.	Debt securities of REITs and InvITs(Cumulative Investments in Units and Debt securities of REITs & InvITs shall not exceed 3% of the Total AUM at any point of time)	Max 15% of the outstanding Debt instruments issued by a Single REIT/InvIT issuer.	Max 15% of the outstanding Debt instruments issued by a Single REIT/InvIT issuer.
	<b>Exposure Norms</b>	<b>Not Applicable until Scheme AUM reaches 5 crs</b>	
1	Sponsor Group	Max 5% of network of all group companies OR Max 5% of the Scheme AUM whichever is lower	Max 5% of network of all group companies OR Max 5% of the Scheme AUM whichever is lower
2	Non Sponsor Group	Max 10% of network of all group companies OR Max 10% of the Scheme AUM whichever is lower	Max 10% of network of all group companies OR Max 10% of the Scheme AUM whichever is lower
3	Industry -limit (Based on NIC classification)	Max 15% of Total Pension Fund AUM	Max 15% of Total Pension Fund AUM

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\*Limits under Short Term Investments under Scheme C (Tier II) shall not be applicable if scheme corpus is below Rs. 5 Crore.

### **Benchmark**

The benchmark for the fund is NPS -Corporate Bond Index or as notified by NPS Trust/PFRDA from time to time.

### **10.4 Scheme G Tier I & Scheme G Tier II**

### **Objective**

The objective is to maximize the risk adjusted return by investing in Government Securities.

### **Strategy**

- A) To invest in Government Securities (Includes all Central Govt securities and State Development Loans), maintaining a medium to long term duration of the portfolio to achieve capital conservation.
- B) Investments can be made in securities where principal and interest is fully and unconditionally guaranteed by the Central Government or any state government subject to regulatory restrictions.
- C) Investments can also be made in Govt of India fully serviced Bonds issued by PSUs under Extra Budgetary Resources (EBR) after 3<sup>rd</sup> June, 2020.
- D) Investments in units of mutual funds set up as dedicated funds for investments in Government Securities and regulated by SEBI can be made for not more than 5% of the Scheme AUM at any point of time.

Investments under B & C above should not cumulatively exceed 10% of the Scheme AUM at any point of time.

Scheme is allowed to place Security & Cash Margin as per CCIL requirements.

PFRDA Guidelines / NPS Trust notifications shall supersede the Investment Policy at all points of time as amended from time to time.

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**Permitted Asset Classes**

Government Securities

Securities guaranteed by Central or State Government

Mutual Funds dedicated for Government Securities

Liquid Investment/Short Term Investments

**Asset Allocation (To be read in conjunction with the Scheme strategy above)**

<b>Sr. No.</b>	<b>Assets allocation</b>	<b>For G Tier I (of Scheme AUM)</b>	<b>For G Tier II (of Scheme AUM)</b>
1	Government Securities	Max 100%	Max 100%
2	Government guaranteed/fully serviced securities	Max 10%	Max 10%
3	Dedicated mutual funds investing in Government Securities	Max 5%	Max 5%
4	Short Term Investments	Max 10%	*Max 20%

\* Limits under money market instruments under Scheme G (Tier II) shall not be applicable if scheme corpus is below Rs. 5 Crore.

**Benchmark**

The benchmark for the fund is NPS –Government Securities Index or as notified by NPS Trust/PFRDA from time to time

**10.5 Scheme Tax Saver2****Objective**

The objective is to maximize the risk adjusted return by investing in equities and fixed Income instruments.

**Strategy****Equity Strategy**

Equity strategy shall be as applicable for Scheme E Tier II mentioned herein above in point number 10.2

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### Corporate Debt Strategy

To actively manage the fund by building a portfolio of credit risk bearing fixed income instruments. The quality & duration of the assets purchased would aim to optimize the credit risk & liquidity risk of the portfolio. Fund will maintain reasonable level of liquidity.

Corporate Debt strategy shall be as applicable for Scheme C Tier II mentioned herein above in point number 10.3.

### Government Debt Strategy

Government Debt strategy shall be as applicable for Scheme G Tier II mentioned hereinabove in point number 10.4

### Permitted Asset Classes

Equity Shares  
 Equity / Debt / Gilt Mutual Funds  
 ETFs / Index Funds Exchange traded derivatives  
 Credit Risk bearing Fixed Income Instruments  
 Government Securities  
 Securities guaranteed by Central or State Government  
 Short Term Investments

### Asset Allocation

	Category	Main	Sub (% of main)
1	<b>EQUITY</b>	10%- 25%	
	Equity Shares		Max 100%
	Equity Mutual Funds / ETFs / Index Funds		Max 5%
	Exchange Traded Derivatives		Max 5%
2	<b>CORPORATE DEBT</b>	Max 90%	
	Credit Risk bearing Fixed Income Instruments		Max 100%
	Debt ETFs		Max 5%
3	<b>GOVERNMENT DEBT</b>	Max 90%	
	Government Securities		Max 100%
	Government guaranteed securities		Max 10%

			Security Classification: <b>INTERNAL</b>	
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	Dedicated mutual funds investing in Govt. Securities			Max 5%
4	Short Term Investments		Max 20%	

\* The above exposure norms for Short Term Investment will not be applicable till the scheme corpus is below Rs 5 Crores.

### **Benchmark**

The benchmark for the fund is NPS –Tax Saver Index or as notified by NPS Trust/PFRDA from time to time.

### **10.6 Short Term Investments (Scheme E, C, G, A and Tax Saver2)**

Permitted Investments under Short Term Investments category subject to maximum 10% of the scheme AUM for Tier I & 20% of the Scheme AUM for Tier II unless mentioned otherwise is as follows:

- A) Investment in Treasury Bills
- B) Investment in Commercial Paper issued by body corporate with a minimum rating of A1+ by at least two rating agencies registered with SEBI (lowest of all rating shall be considered).
- C) Investment in Certificates of Deposits and Term Deposits issued by Scheduled Commercial Banks which meet the regulatory requirement of Net Worth and CRAR as stipulated by RBI and have maximum duration of 1 year and satisfy all the below mentioned conditions:
  - a. Having declared profit in the immediately preceding three financial years;
  - b. Having net NPAs of not more than 4% of the net advances;  
Provided that Term Deposits with any one scheduled commercial bank including its subsidiaries should not be more than 10% of the portfolio of the scheme
- D) Investments in units of Debt scheme of a MF regulated by SEBI, which have Macaulay duration of less than 1 year. Namely Overnight Fund, Liquid Fund, Ultra Short Duration Fund and Low Duration Fund. Such investment should only be made in an MF scheme of an AMC which has minimum average total Assets Under management during the most recent six month period of Rs. 5,000 crores.
- E) Investment 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 the settlement guarantor. The fulfilment of margin requirement, etc. for TREPS shall be on similar lines -as applicable for settlement of GSec outright trades currently managed by the Pension Funds.

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### **10.7 Active and Passive deviation/breaches**

Exception in terms of breaches in various limits as prescribed under Investment Guidelines to the Permitted Investments made under various schemes should be segregated into Active breaches and Passive breaches as per the circular issued by the Regulator in this regard from time to time and such breaches, if any, will be reported to NPS Trust on the periodic basis.

The Active breach should be regularized immediately within three business days from the date of active breach happened. The Passive breach should also be regularized on priority.

## **ANNEXURE – CREDIT POLICY**

### **COMPOSITION OF CREDIT INVESTMENT SUB COMMITTEE FOR CREDIT APPROVALS**

The Investment Committee (IC- ABSLPML) delegates the powers related to approval of credit limits, credit policy changes and credit exceptions to the following Credit Investment Sub-Committee. For the purpose of approval, the consent of any 2 out of 3 members is essential with CEO - ABSLI (Director and Member of Investment Committee of ABSLPML) approval being mandatory wherever applicable.

Chief Executive Officer - ABSLI (Director and Member of Investment Committee of ABSLPML)
Chief Executive Officer - ABSLPML
Chief Investment Officer - ABSLPML

### **ROLES & RESPONSIBILITIES OF SUPPORT FUNCTIONS**

The following needs to be taken care of by Mid Office / Operations Team

- Managing all disbursements related to an investment.
- Managing various MIS for all Fixed Income deals at Company level.
- MIS for credit approval/investment may be discussed along Aditya Birla Capital Limited risk team
- Monitoring security creation (collateral security) and ensuring that the same is in line with sanctioned terms and conditions, wherever applicable.
- Co-ordination for valuation of collateral security (wherever applicable), monitoring the value from time to time, reporting of margin shortfalls and making margin calls, wherever required.
- Ensuring that all sanction terms and conditions are complied with, before disbursement of funds and ensuring such compliance (including any covenants stipulated) during the life of the investment.
- Reading and vetting various documents like Information Memorandum, Term Sheets, Offer Document, Guarantee Letter, Rating letter, Trust Deed, Underlying loan agreement, Deed of assignment of receivables, Legal agreement with Trustees and all agreements related to transaction.

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- For structured transactions, ensuring that the “conditions precedent” and operational terms and conditions are all met before disbursement of funds.
- Ensuring that Legal documentation is completed with various stake holders (Trustee, Investee company, Third Party security provider, Guarantor etc), prior to disbursement of funds.
- Establishing various limits in system based on approval from sanctioning authority, active Limit management, including flagging Put and expiry dates etc.
- Ensuring that all Compliance requirements are satisfactorily met.
- At the time of investment, if only a “conditional” rating letter is held, it must be ensured that the final rating letter is obtained within the stipulated timeframe.
- Engaging with the Debenture Trustee on regular frequency for meeting the information conditions and operational compliances as per the DTD or any other investment document. To flag off any non-compliances and escalate non-receipt of information sought as per the terms of the Investment documents.

#### **CREDIT APPROVAL AUTHORIZATION MATRIX – Tier 1**

**Tier 1 includes all Public Sector Undertakings (PSUs) / Public Sector Banks (PSBs) /Public Financials Institutions (PFIs) / All companies / Issuers which are construed as part of Tata & HDFC Group**

<b>Tier</b>	<b>Qualifying Norms</b>	<b>Applicable Sectors Category / Groups</b>
Tier 1	GOI shareholding in the company must be minimum 51% (Norm 1)	<ul style="list-style-type: none"> <li>• Development Financial Institutions</li> <li>• Non-Banking Finance Companies Nationalized Banks, <i>(including SBI &amp; its Associates)</i></li> </ul>
	Company is 51% owned by another Company which meets Norm 1	<ul style="list-style-type: none"> <li>• Manufacturing Companies <i>(Includes Companies in Services Sector and Infrastructure Companies)</i> ·</li> <li>• Housing Finance Companies</li> </ul>
	GOI having significant management control*	<ul style="list-style-type: none"> <li>• All companies / issuers construed as Tata Group &amp; HDFC Group</li> </ul>

\* Significant Management Control is the right to appoint majority of the directors, or to control the management or policy decisions.



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The below authorization matrix is applicable to companies which qualify atleast One Norm in above table

			Credit authorization	
Tier 1	Sector/Category	Type of Limit	Minimum/Floor Rating / Approving Authority	Maximum Amount Cap per Company in Rs. Crore
	<b>All Sector / Categories Mentioned above including all</b>	<b>Short Term / Long term / Max Limit</b>	For CIO - A1+ / AA & above	Upto 50% of TNW or Rs. 35 crs whichever is lower
	<b>companies construed as Tata &amp; HDFC Group Companies</b>		For CEO - A1+ / A & above	Upto 75% of TNW or Rs. 50 crs whichever is lower

**Note:**

- Investment Limits in above category will be lower of Limit as per above criteria and Regulatory Limits (Issuer/Group Limits) as applicable from time to time.
- Group Risk Tiering will be done by Credit Investment Sub-Committee on case to case basis as recommended by the CCRO Risk team at ABCL.
- TNW = Tangible Network = Equity Share Capital + Reserves & Surplus (excluding revaluation reserves) – Goodwill. TNW must be the latest available audited number. No incremental exposures to PCA banks and negative network enterprises (PSU or non PSU) without Credit Investment Sub-Committee.
- Short term rating of A1+ will be only applicable for Money Market Instruments(less than 12 months)

**(All Sectors & Categories)**

Tier of Group	Type of Limit	Minimum/Floor Rating / Approving Authority	Max amount cap per Company (in Rs. Crs)	Fund level Limit
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<b>Tier 2</b>	Maximum Limit / Long term Limit	For CIO - A1+ / AA & above	25	10%
		For CEO - A1+ / A+ & above	40	10%
<b>Tier 3</b>	Maximum Limit / Long term Limit	For CEO - A1+ / AA- & above	17.50	7%
<b>Tier 4</b>	Maximum Limit / Long term Limit	For CEO - A1+ / AA	10	4%

**Credit Investment Sub-Committee to approve all exposure to Issuers in Tier 5 Group and Issuers with credit rating below the rating mentioned above for Tier 2, 3 & 4.**

Investment Limits in above categories will be lower of Limit as per above criteria and Regulatory Limits (Issuer/Group Limits) as applicable from time to time.

**Notes:**

- Minimum Rating criteria to be used both at the time of sanction of credit limit as well as on the date of actual investment. Short term rating of A1+ will be only applicable for Money Market Instruments (less than 12 months)
- Wherever the "AND" notation is used, BOTH the rating conditions should be met.
- IC to approve the following cases:
  - Newly incorporated company: Defined as that which fulfills any or both the following criteria: Incorporated less than 36 months from date of sanction and vintage of operations less than 24 months from date of sanction
  - All investments in Commercial Mortgage Based Securities or Residential Mortgage Based Securities, Real Estate Investments Trusts, Asset Based Securities, Infrastructure Investments Trusts and Alternative Investment Funds or any other form of structured transactions etc.
- Investments in Government Securities/T-Bills/CBLO/Repo transactions, State Development Loans (SDLs) are excluded from the scope of this Authorization matrix.
- Long Term Limit is always a sub-limit of Maximum Limit. Maximum Limit can have multiple sublimits, all aggregating to the Maximum Limit.
- Entire Maximum Limit can be used for Short term investments, unless fungibility is specifically restricted. But, if no Long Term Limit has been approved, no Long Term investments can be done.
- Investments upto 12 months is considered Short term and >12 months is long term.

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8. Fungibility of Limits may be specifically restricted in the Approval note – same needs to be captured in system.
9. While approving a limit, the sanctioning authority can stipulate restrictions on the usage of the approval – say tenure restrictions, restrictions on the validity of the approval, or stipulate monitorable covenants, or other restrictions – like say long term investments cannot exceed 18 months etc. – such restrictions or stipulations will be case specific and will be monitored by Investment / Operations.
10. For this credit policy, ratings as given by any accredited domestic credit rating agency would be considered. In case there are multiple/dual credit ratings for the same company, the lowest among the same will be used for determining the correct Authorization.
11. In many places in the authorization matrix, it is stipulated that both short-term and long term rating conditions must be met for cases within CIO/CEO's power. In case, long term rating is not available, for approving short-term limits (Maximum limits), the Bank Loan ratings issued by the credit rating agency can be used in lieu of long term credit rating of the company. But for any long term investment, the specific instrument must be rated (*company must have a long term rating*). Bank loan ratings cannot be used as a proxy for long term rating for long term investments in a company, which has no long term external rating.
12. CIO-ABSLPML can approve deletion/removal, temporary suspension, blocking of Buy trades or reduction in any Credit Limit in system by putting an internal memo to Investment / Operations.
13. Approval to be sought from Investment Committee and Sun Life representative for Credit limits in Aditya Birla Group companies. All investments in Aditya Birla Group Companies will be subject to the PFRDA-specified exposure and prudential limits.
14. CIO – ABSLPML can extend all limits upto 1 month. CEO ABSLPML can further extend all limits upto 2 months. Any extension by more than 3 months but upto another 3 months would require CCRO approval; any extension by more than 6 months would require IC-Subcommittee approval. Any extension of credit limits not falling under the authorization matrix of CIO-CEO can be approved by IC Committee.
15. CIO and CEO approval for limit extension will be subject to:
  - No adverse change in credit rating
  - No change on amount and tenor of the limit
  - No substantial dilution of promoter's stake in the company (more than 10% since previous sanction / revalidation)

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## **TIME VALIDITY OF CREDIT LIMITS & INTERNAL REVIEW FREQUENCY**

Tier 1 companies rated AAA to have limit validity for 18 months. All credit limits for Tier 2, 3, 4 and 5 companies will be valid for 12 months and will be subject to detailed due diligence in case limits are proposed to continue.

For revalidation of cases, credit authorization matrix depending on their respective tiers to be followed.

However, all existing limits falling under Credit Investment Sub Committee authorization can be revalidated for one year and subsequent thereof by CIO & CEO jointly subject to the following:

- No credit rating deterioration
- Tenor and credit limit amount for revalidation will remain the same or reduction in amount or tenor as per original approval.
- There is no material deterioration in the Group tiering to which the Issuer belongs to.

Internal review frequency shall be concurrent with the validity of credit limits except in case of any events which can have a material impact on the company

- Detailed management interaction mandatory before any new investment / revalidation.
- Credit Limits, duly approved, will be set in system and each of such limit will have an expiry date.
- Fresh Buy trades in system will not be possible once the Limits expire. Depending on the requirement, Investment Team to propose for Limit revalidation on expiry. The process for credit limit revalidation will be the same as that for any new credit limit approval.
- Mid-office / Operation team will be generating the Limit expiry report on 1st week of every month covering all credit limits and their corresponding expiry dates. Investment Team to act on this report and to initiate limit validation/renewal exercise in cases where they want the Limits to continue.
- Anything mentioned in this policy document shall be subject to PFRDA regulations and investments norms.

## **CREDIT FILTERS FOR DIFFERENT SECTORS/CATEGORY**

### **Filters for Banks**

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<b>Criteria</b>	<b>Filters</b>
Networth (Capital plus Reserves & Surplus)	Minimum Rs.1000 cr
Total Income (Interest income plus other income)	Minimum Rs.1000 cr ( <i>Rs.800 cr for Foreign Banks in India</i> )
CRAR % (Capital to Risk-weighted Assets Ratio) ( <i>Tier 1+Tier2</i> )	Minimum 10%
Gross NPAs	Maximum 5%
Profit after Tax	Positive

<b>Criteria</b>	<b>Filters</b>
Networth (Capital plus Reserves & Surplus)	Minimum Rs.1000 cr
Total Income (Interest income plus other income)	Minimum Rs.1000 cr ( <i>Rs.800 cr for Foreign Banks in India</i> )
CRAR % (Capital to Risk-weighted Assets Ratio) ( <i>Tier 1+Tier2</i> )	Minimum 10%
Gross NPAs	Maximum 5%
Profit after Tax	Positive

**Filters for Financial Institutions/DFI**

<b>Criteria</b>	<b>Filters</b>
Total Operating Income	Minimum Rs.1000 cr
Tangible Networth	Minimum Rs.250 cr
Gross NPAs	Maximum 5%
Capital Adequacy	Minimum 9%
Profit after tax	Positive

**Filters for Housing Finance Companies (HFC)**

<b>Criteria</b>	<b>Filters</b>
Total Income	Minimum Rs.300 cr

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Tangible Network (TNW)	Minimum Rs. 300 cr
Capital Adequacy Ratio (CAR% = Tier 1+Tier2)	Minimum 12%
Gross NPA% (GNPA)	Maximum 5%
Profit after Tax (PAT)	Positive

**Filters for Non-Banking Finance Companies (NBFC)** (and other Finance companies including Primary Dealers, Broking companies etc. but excluding Financial Institutions and Developmental Financial Institutions, Housing Finance Companies)

<b>Criteria</b>	<b>Filters</b>
Total Income	Minimum Rs.500 cr
Tangible Network (TNW)	Minimum Rs.500 cr
Capital Adequacy Ratio (CAR% = Tier 1+Tier2)	Minimum 15%
Gross NPA % (GNPA)	Maximum 5%
Profit after Tax (PAT)	Positive

**Filters for Manufacturing, service and trading companies**

<b>Criteria</b>	<b>Filters</b>
Total Operating Income (Net Sales)	Minimum Rs.750 cr
Tangible Network (TNW)	Minimum Rs.250 cr
Total Debt*/Tangible Network (TD/TNW)	Maximum 1.5 times
PAT%	Minimum 4% (Not applicable for PSU Oil companies)
Total Debt* / EBIDTA	Maximum 4
Profit after Tax (PAT)	Positive for both Standalone and Consolidated entity (if applicable)

Filters (applicable for all categories mentioned above) to be applicable either on Standalone or Consolidated financials (based on the analyst judgment).

\*Total Debt = L.T and S.T Borrowing (Secured +Unsecured)

Security Classification:

**INTERNAL**

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**Filters for REITS and Invits**

<b>Criteria</b>	<b>Filters</b>
Net Sales	Minimum Rs.750 cr
Tangible Network (TNW)	Minimum Rs.250 cr
EBDITA %	Minimum 50%
TD / EV %	Maximum 49%

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### Filters for Insurance Companies

<b>Criteria</b>	<b>Filters</b>
Net Premium Earned	Minimum Rs.750 cr
Tangible Networth (TNW)	Minimum Rs.250 cr
Solvency Ratio (times)	Minimum 1.5x
PAT	Positive

Note: Application of Credit filters are more from the perspective of monitoring post credit approval.