Aditya Birla Sun Life
Pension Fund Management Ltd.

ADITYA BIRLA CAPITAL
PENSION FUND

ADITYA BIRLA SUN LIFE PENSION FUND MANAGEMENT LIMITED

Investment Policy

Version 9.0

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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
1.8	Investment Mid- Office	20/01/2020	20/01/2020	20/01/2020	- Updating of Valuation policy - Revised definition of Liquid Investment under permitted investment for schemes
1.9	Investment Mid- Office	28/04/2020	28/04/2020	28/04/2020	- - Updation of Stop Loss policy
1.10	Investment Mid-Office	21/07/2020	21/07/2020	21/07/2020	- - Updating revised money market Limits, residual maturity limits for Corporate Bonds and addition of Debt ETFs as eligible asset class for Scheme C.

2.0	Investment Mid-Office	22/10/2020	22/010/2020	22/10/2020	- - Updation of framework for Tax Saver2 scheme
2.1	Investment Mid-Office	20/07/2021	20/07/2021	20/07/2021	- Minor correction in Sector/Groups under the Validity of Credit Limits. Removed - "associates of SBI"
2.2	Investment Mid-Office	27/09/2021	28/09/2021	28/09/2021	- 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.
2.3	Investment Mid-Office	21/01/2022	21/01/2022	21/01/2022	- Updated as per Changes in Investment Guidelines – 2021 issued in the month of December
2.4	Investment Mid-Office	21/04/2022	21/04/2022	21/04/2022	- Updated change in valuation agency and PFRDA circular on segregation of Investment Deviation. - Change in Credit Policy
2.5	Investment Mid-Office	25/07/2022	25/07/2022	25/07/2022	- Rebalancing of Portfolio based on Market capitalisation - Invest in Government Securities as Lender in Triparty Repo conducted over the Triparty Repo (Dealing) System (TREPS) - Incorporated changes as advised by PFRDA vide its letter dated July 7, 2022.
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	Changes in Asset Allocation of Scheme A Tier I
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

3.1	Compliance	19/07/2024	19/07/2024	19/07/2024	Quarterly Review
3.2	Compliance	22/10/2024	22/10/2024	22/10/2024	Quarterly Review and New Name of the Company
4.0	Investment Front Office and Mid Office	23/01/2025	23/01/2025	23/01/2025	Change in Credit Policy
4.1	Investment Front Office and Mid Office	17/04/2025	17/04/2025	17/04/2025	Change made as per Master Circular issued by PFRDA on Investment Guideliness for NPS- Tier-I & Tier-II (Other than UPS/Central/State Government (default), Corporate CG, NPS Lite, APY) dated 28th March, 2025
4.2	Investment Front Office and Mid Office	18/07/2025	18/07/2025	18/07/2025	No Change
5.0	Investment Front Office and Mid Office	17/10/2025	17/10/2025	17/10/2025	Change in Credit Policy
6.0	Investment Front Office and Mid Office	16/01/2026	16/01/2026	16/01/2026	1. The Investment Policy has been aligned with updated Investment guidelines issued by PFRDA dated December 10, 2025. 2. The Investment Policy has been updated in line with introduction of Multiple Scheme Framework. 3. Aligned with Merger of Asset Class A (NPS Tier I) with Asset Classes C & E
7.0	Investment Front Office and Mid Office	17/04/2026	17/04/2026	17/04/2026	1. Language aligned with Investment Guidelines 2. New scheme addition 3. Change in Valuation agency 4. Approval Matrix in AIF
8.0	Investment Front Office and Mid Office	17/07/2026	17/07/2026	17/07/2026	1. Changes made as per Circular dated May 06, 2026 on Introduction of NPS Sanchay; investments as per NPS asset classes. 2. Changes made as per Circular dated May 13, 2026 on Inclusion of Rupee Bonds issued by New Development Bank in the eligible investment universe under NPS.
9.0	Investment Front Office	16/10/2026	16/10/2026	16/10/2026	1. Established Investment management Committee and AIF Investment Management Committee. 2. Change in Credit Approval Authority.

					3. Changes in approval matrix for Investment in Group Companies 4. Due Diligence process defined 5. Inclusion of NPS Vatsalya Benchmark 6. Inclusion of NPS Swasthya Scheme 7. Change in Review Frequency of Policy 8. Revision in Policy to improve structure, clarity, and consistency; align with prevailing regulatory requirements, investment guidelines, and new schemes; remove ambiguities and duplication; reflect current investment practices; and strengthen the governance and approval framework.

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1. Investment Policy

1.1 Introduction

Aditya Birla Sun Life Pension Fund Management Limited (Formerly known as Aditya Birla Sun Life Pension Management Limited), hereinafter called “the Company” or “the Pension Fund” is registered with the Pension Fund Regulatory and Development Authority (“PFRDA” or “the Authority”) under the applicable PFRDA regulations and is engaged in the management of pension schemes under the National Pension System (“NPS”). This Investment Policy (“the Policy”), as approved by the Board of Directors, sets out the framework for managing investments in accordance with the applicable PFRDA regulations, investment guidelines, circulars and directions issued by the Authority, as amended from time to time, in the best interests of subscribers. The guidelines, directions and notifications issued by PFRDA and NPS Trust, as amended from time to time, shall prevail over the provisions of this Investment Policy to the extent of any inconsistency.

1.2 Purpose

The Policy establishes the objectives, investment philosophy, governance architecture, quantitative limits, controls and monitoring mechanisms within which the Pension Fund shall deploy subscriber contributions. It is intended to provide a prudent and robust framework for investment decision-making, consistent with applicable regulatory requirements, prudential norms, and the long-term interests of subscribers.

- Translate regulatory investment guidelines into binding clear investment mandates, limits and controls for effective implementation and compliance;
- Ensure that the investment process is accountable, transparent and supported by appropriate independent due diligence and oversight.
- Define the roles, responsibilities and delegation of authority among the Board, Investment Committee, Risk Management Committee and the Investment Management Committee.
- Establish a framework for the identification, classification, reporting, monitoring and timely rectification of investment guideline deviations and breaches.

1.3 Scope of the Investment Policy

This Policy applies to all schemes managed by the Pension Fund under NPS Tier-I and Tier-II accounts including 4A Schemes and Schemes launched under Multiple Schemes Framework (“MSF”) in the Non-Government Sector (“NGS”), as amended from time to time. The NGS comprises all NPS sectors other than Central/State Government (Default), Corporate CG, NPS Lite, Atal Pension Yojana (APY) and Unified Pension Scheme (UPS). NPS Sanchay and NPS Swasthya shall also be governed by this Policy; however, its investment pattern shall be aligned with the applicable investment guidelines for Government Sector schemes, as amended from time to time.

1.4 Policy Review Process

The Investment Committee shall periodically review this Policy and recommend any amendments to the Board for approval. The Board shall review and approve the Investment

Policy on a half-yearly basis. The approved Investment Policy, and any subsequent revisions thereto, shall be submitted to the National Pension System Trust (NPS Trust) within 30 days of its decision thereto.

2 GOVERNANCE FRAMEWORK

2.1 Investment Committee

The Board of Directors shall constitute an Investment Committee ("IC") to oversee the investment activities of the Pension Fund.

The composition of the Investment Committee shall be in accordance with the applicable PFRDA Regulations, guidelines and directions, as amended from time to time, and shall include, at a minimum:

(i) Two Independent Directors

(ii) Two Non-Executive Directors

(iii) Chief Executive Officer

(iv) Chief Risk Officer

(v) Chief Investment Officer / Fund Manager in case the CEO and CIO are the same official.

2.1.1 Investment Management Committee

The IC shall further delegate investment authority to the Investment Management Committee ("IMC"), comprising the Chief Executive Officer ("CEO"), Chief Investment Officer ("CIO"), and Fund Managers ("FM") in accordance with the Investment Policy.

2.2 Function of Investment Committee

In formulating the Policy, due consideration is given to liquidity, prudential norms, exposure limits, stop-loss limits, management of investment and market risks, investment audit, investment reporting and applicable PFRDA guidelines and directions.

The **IMC** shall report to the Investment Committee on a quarterly basis, covering investment performance, portfolio exposures, investment strategy, risk management, compliance and other material matters relating to the investment activities of the Pension Fund.

The Investment Committee shall, inter alia:

- Oversee implementation of the Board-approved Investment Policy across all schemes managed by the Pension Fund.
- Review investment transactions to ensure compliance with the Investment Policy, applicable regulatory requirements and approved investment limits.
- Review the investment strategy, asset allocation and portfolio positioning of the respective schemes, in line with their objectives and applicable regulatory requirements.

- Review investment performance of the schemes against the respective benchmarks and evaluate the key drivers of performance.
- Review portfolio exposures, concentration levels, liquidity and other material investment risks in coordination with the Risk Management function.
- Monitor compliance with applicable investment guidelines, exposure and prudential limits, as amended from time to time.
- Review material investment guideline deviations/breaches, including their impact, corrective actions and status of regularisation.
- Review the adequacy of the investment process, dealing framework, research and due diligence and internal control processes.
- Review material matters arising from investment audits and ensure appropriate corrective actions are undertaken.
- Review and approve Standard Operating Procedures ("SOPs") governing investment activities to ensure alignment with applicable regulatory requirements and the Investment Policy, with such SOPs reviewed annually.
- Review and approve changes in the Investment Team and other material matters relating to the investment function, within the delegated authority.

3. SCHEMES MANAGED AND PERMISSIBLE INVESTMENT UNIVERSE

The Pension Fund shall manage NPS Tier-I and Tier-II schemes in accordance with the applicable PFRDA Regulations, investment guidelines, circulars and directions, as amended from time to time. The investment framework applicable to each scheme shall be based on its respective category and shall include the prescribed investment pattern, asset allocation, investment universe, exposure norms and prudential limits notified by PFRDA from time to time.

3.1 Scheme / Asset Class G — Government Securities

3.1.1 Exposure Limit

Sub-cat.	Permissible instrument	For Scheme G – Tier I	For Scheme G – Tier II
(a)	Government Securities	Max 100%	Max 100%
(b)	Government guaranteed/fully serviced securities	Max 10%	Max 10%
(c)	Mutual funds dedicated to investing in government securities	Max 5%	Max 5%
(d)	Short-term debt instruments and related investments	Max 10%	Max 20%

3.1.2 Benchmark

The benchmark for the Fund shall be the applicable **"NPS Government Securities Index**" or such other benchmark as may be prescribed or notified by the NPS Trust/PFRDA from time to time.

3.1.3 Permissible instruments

Sub-cat.	Permissible instrument	Sub-limit
(a)	Government Securities	No sub-limit
(b)	Other 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, including "Govt. of India — Fully Serviced Bonds" issued by Public Sector Undertakings under Extra Budgetary Resources after 3rd June 2020	Max 10% of AUM
(c)	Units of Mutual Funds set up as dedicated funds for investment in Government securities and regulated by SEBI	Max 5% of AUM
(d)	Short-term Debt Instruments and Related Investments	**As per section 3.4**

3.2 Scheme / Asset Class C – Corporate Debt

3.2.1 Exposure Limit

Sub-cat.	Permissible instrument	For Scheme C – Tier I	For Scheme C – Tier II
(a)	Non-Convertible Debentures / Bonds / Rupee bonds / Term deposits / Infrastructure related debt instruments / Affordable Housing bonds / Municipal bonds	Max 100%	Max 100%
(b)	Debt ETF	Max 5%	Max 5%
(c)	Debt Mutual Funds of more than one year Macaulay duration	Max 5%	Max 5%
(d)	Debt securities of REITs and InvITs	Max 15% of outstanding debt issued by a Single REIT/InvIT.	Max 15% of outstanding debt issued by a Single REIT/InvIT.
(e)	Cumulative investment in: **(i)** Units of InvITs, **(ii)** Debt oriented AIFs, and Basel III Tier I Bonds	Max 5%	Max 5%
(f)	Short-term debt instruments and related investments	Max 10%	Max 20%

3.2.2 Benchmark

The benchmark for the Fund shall be the applicable **"NPS Corporate Bond Index**" or such other benchmark as may be prescribed or notified by the NPS Trust/PFRDA from time to time.

3.2.3 Permissible instruments

Sub-cat.	Permissible instrument	Sub-limit
(a)	Debt securities issued by body corporates, including banks and public financial institutions as defined under Section 2 of the Companies Act, 2013	**Rating conditions per Section 3.2.7**
(b)	Rupee Bonds issued by International Bank for Reconstruction and Development, International Finance Corporation and Asian Development Bank and New Development Bank	Single rating of AA or above by a domestic or international agency acceptable
(c)	Term Deposit receipts of more than one year duration issued by scheduled commercial banks meeting the eligibility conditions in **Section 3.2.4**	Max 10% of AUM under Scheme/Asset Class C with any one bank including its subsidiaries
(d)	Units of Debt Schemes of Mutual Funds regulated by SEBI, excluding schemes investing in short-term debt securities with Macaulay Duration of more than one year	Max 5% of AUM under Scheme/Asset Class C
(e)	Debt securities issued by REITs regulated by SEBI	Trust rated AA or equivalent by at least two SEBI-registered CRAs
(f)	Debt securities issued by InvITs regulated by SEBI	Trust rated AA or equivalent by at least two SEBI-registered CRAs
(g)	Infrastructure-related debt instruments — **see Section 3.2.5**	**Rating conditions per Section 3.2.7**
(h)	Municipal Bonds	**Rating conditions per Section 3.2.7**
(i)	Units of Debt ETFs issued by the Government of India specifically meant to invest in bonds issued by Government-owned entities such as CPSEs, CPSUs/CPFIs and other Government organisations	Max 5% of AUM under Scheme/Asset Class C
(j)	Commercial Mortgage-Based Securities or Residential Mortgage-Based Securities	Min AA rating; one CRA sufficient. Listing not required
(k)	Asset Backed Securities regulated by SEBI	Min AA rating; one CRA sufficient. Listing not required
(l)	Units of InvITs regulated by SEBI	Aggregate (l)+(m)+(n) max 5% of AUM of Scheme/Asset Class C
(m)	SEBI-regulated debt-oriented Alternative Investment Funds (Category I and Category II only)	Aggregate (l)+(m)+(n) max 5% of AUM of Scheme/Asset Class C. Listing not required. Conditions in **Section 5**

Sub-cat.	Permissible instrument	Sub-limit
(n)	Basel III Tier-I bonds issued by scheduled commercial banks, AIFIs and Government-owned NBFCs under RBI guidelines	Aggregate (l)+(m)+(n) max 5% of AUM of Scheme/Asset Class C; plus the conditions in **Section 3.2.6**

- For sub-categories (a) and (b), 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.
- Notwithstanding the minimum AA rating requirement specified above, the Pension Fund may invest in investment-grade securities rated from AA- to A, provided such investments do not exceed 10% of the Scheme/Asset Class C AUM at the time of investment.
- Investments in securities rated below AA that exceed this 10% threshold shall be permitted only if the risk of default is fully covered by Credit Default Swaps (CDSs) issued in accordance with RBI guidelines and purchased alongside the underlying securities. The amount invested in such CDSs shall be included in the investment exposure under this category.
- Investment shall only be made in listed instruments or in fresh issues that are proposed to be listed in the case of sub-categories (a), (g), (h) and (n) except in case of sub-category (j) (k) and (m) (i.e., CMBS/RMBS, ABS and debt-oriented AIFs) above.
- Investment in sub-category (m) — debt-oriented AIFs — is subject to the conditions set out in **Section 5.**
- It is clarified that debt securities covered under 'Other Securities of Scheme/Asset Class G' are excluded from Scheme/Asset Class C. However, "Govt. of India - Fully Serviced Bonds" issued by Public Sector Undertakings under Extra Budgetary Resources prior to 3rd Jun 2020 may be retained under this category.

3.2.4 Bank eligibility conditions for Term Deposits and Certificates of Deposit

A scheduled commercial bank shall be eligible only where it meets the regulatory requirements of Net-worth and Capital to Risk Weighted Asset Ratio stipulated by the RBI and, on the basis of its published annual reports for the most recent years as required to have been published under law, additionally satisfies both of the following:

(i) it has declared profit in each of the immediately preceding three financial years; and
(ii) it has net non-performing assets of not more than 4% of net advances.

The same eligibility test shall apply to Certificates of Deposit - **3.4.1 (a)** of up to one year duration and to Term Deposit Receipts **3.4.1 (b)** of up to one year duration accepted under the Short-term debt instruments and related investments, and to infrastructure and affordable housing bonds issued by scheduled commercial banks under **Section 3.2.5 (ii)**

3.2.5 Sub-category (g) — Infrastructure-related debt instruments

(i) Listed (or proposed to be listed) 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. This category also includes debt securities issued by infrastructure entities and backed by a structural obligation or Letter of Comfort from the Central Government; Indian Railways or any Authority of the Central Government shall be eligible under this sub-category.
Debt securities issued by body corporates engaged in infrastructure shall be eligible under this sub-category where they are supported by a structural obligation or a Letter of Comfort issued by the Central Government, Indian Railways or any Authority of the Central Government, notwithstanding that such support does not qualify the securities for inclusion under **Section 3.1.3 (b)**

(ii) Infrastructure and affordable housing bonds issued by any scheduled commercial bank meeting the conditions in **Section 3.2.4**

(iii) Listed (or proposed to be listed) securities issued by Infrastructure Debt Funds operating as a Non-Banking Financial Company and regulated by RBI. Ratings for this sub-category shall relate to the NBFC.

(iv) Listed (or proposed to be listed) units issued by Infrastructure Debt Funds operating as a Mutual Fund and regulated by SEBI.

Barring exceptions mentioned above, for the purpose of this sub-category, a sector shall be treated as part of infrastructure as per Government of India's harmonized master-list of infrastructure sub-sectors.

3.2.6 Sub-category (n) - Basel III Tier-I bonds

In addition to the aggregate 5% cap under **Section 3.2.3**, investments in Basel III Tier I bonds shall comply with the applicable limits, with the more conservative limit prevailing.

(i) At any point of time, the total portfolio invested in this sub-category shall not exceed 5% of the total AUM managed by the Pension Fund under Scheme/Asset Class G, C and E for both Tier-I and Tier-II taken together.

(ii) No investment in this sub-category in an initial offering 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 across all schemes managed by the Pension Fund shall not exceed 20% of such Tier-I bonds issued by that bank, AIFI or Government-owned NBFC.

(iii) Investment in a single issuer shall not exceed 10% of the AUM under Scheme/Asset Class C.

Minimum rating of AA or equivalent from at least two SEBI-registered CRA applies, per **Section 3.2.7**.

3.2.7 Rating Matrix

Credit ratings assigned by recognised SEBI registered external Credit Rating Agencies ("CRAs") shall be considered for assessing credit quality and applicable investment limits, in line with the Investment Policy and regulatory requirements. Where a security has been rated by more than two CRAs, the two lowest ratings shall be considered for this purpose.

Sub-category	Minimum rating	Number of CRAs
(a), (g)(i)–(iii) in **Section 3.2.5**, (h)	AA or equivalent	At least two SEBI-registered CRAs. Single CRA permitted up to 10% of the total debt instruments portfolio
(b) — Rupee bonds of IBRD / IFC / ADB / NDB	AA or above	Single rating by a domestic or international rating agency acceptable
(e), (f), (l) — REIT / InvIT debt and InvIT units	Trust rated AA or equivalent	At least two SEBI-registered CRAs
(j), (k) — CMBS/RMBS, ABS	AA or equivalent	One CRA sufficient
(n) — Basel III Tier-I bonds	AA or equivalent	At least two SEBI-registered CRAs
(g) infrastructure exception	Not less than A, together with an Expected Loss Rating of EL1	As applicable

3.3 Scheme /Asset Class E - Equity

3.3.1 Exposure Limit

Sub-cat.	Permissible instrument	For Scheme E – Tier I	For Scheme E – Tier II
(a)	Equity Shares	Max 100%	Max 100%
(b)	Equity Mutual Funds / ETFs / Index Funds	Max 5%	Max 5%
(c)	Exchange Traded Derivatives	Max 5%	Max 5%
(d)	Cumulative investment in: **(i)** Units of REITs, **(ii)** Equity oriented AIFs, **(iii)** Gold & Silver ETF	Max 5%	Max 5%
(f)	Short-term debt instruments and related investments	Max 10%	Max 20%

3.3.2 Benchmark

The benchmark for the fund **is "NPS Equity Index"** or as notified by NPS Trust/PFRDA from time to time.

3.3.3 Permissible instruments

Sub-cat.	Permissible instrument	Sub-limit / condition
(a)	Stocks that are constituents of the NIFTY LargeMidcap 250 Index. In addition, constituent stocks of the BSE LargeMidcap 250 Index, as available on the date of publication of the NIFTY LargeMidcap 250 Index, that are not constituents of the NIFTY LargeMidcap 250 Index shall also be eligible for investment.	At least **90% of the Equity Portfolio AUM** shall be invested in the top 200 stocks by full market capitalisation as of the date of publication of the NIFTY LargeMidcap 250 Index, along with stocks forming part of the BSE LargeMidcap 250 Index having full market capitalisation above that of the 200th company in the NIFTY LargeMidcap 250 Index. **Up to 10%** of the Equity Portfolio AUM may be invested in the remaining eligible stocks.
(b)	Units of equity schemes of mutual funds regulated by SEBI having a minimum of 65% of their investment in shares of body corporates listed on BSE or NSE	Max 5% of AUM under Scheme/Asset Class E at any point in time; fresh investment in such mutual funds shall not exceed 5% of the fresh inflows invested in the year
(c)	ETFs / Index Funds regulated by SEBI that replicate the portfolio of either the BSE Sensex Index or the NSE Nifty 50 Index	No separate sub-limit
(d)	ETFs regulated by SEBI constructed specifically for disinvestment of shareholding of the Government of India in body corporates	No separate sub-limit
(e)	Exchange Traded Derivatives regulated by SEBI having as underlying any permissible listed stock or any permissible index (BSE Sensex or NSE Nifty 50), with the sole purpose of hedging	Contract value of the derivatives portfolio shall not exceed 5% of the AUM under Scheme/Asset Class E at any point of time
(f)	IPO, FPO and OFS of companies approved by SEBI	Conditions in **Section 3.3.4**
(g)	Units issued by REITs regulated by SEBI	Aggregate (g)+(h)+(i) max 5% of AUM of Scheme/Asset Class E
(h)	SEBI-regulated equity-oriented Alternative Investment Funds (Category I and Category II only)	Aggregate (g)+(h)+(i) max 5% of AUM of Scheme/Asset Class E. Listing not required. Conditions in **Section 5**
(i)	Units issued by Gold and Silver ETFs regulated by SEBI	Aggregate (g)+(h)+(i) max 5% of AUM of Scheme/Asset Class E

- Investment shall only be in listed instruments or fresh issues proposed to be listed, except sub-category (h) — equity-oriented AIFs.
- For sub-category (g) — units of REITs — the Trust shall have a minimum rating of AA or equivalent from at least two SEBI-registered CRAs. Where rated by more than two agencies, the two lowest ratings shall be considered.
- Investment in sub-category (h) — equity-oriented AIFs — is subject to the conditions set out in **Section 5.**
- Derivatives are permitted for the sole purpose of hedging. Speculative, directional, yield-enhancement or leverage positions are prohibited. Every derivative position shall be linked at inception to an identified underlying exposure, and hedge effectiveness shall be documented and reviewed monthly by the Risk Management function.
- Subsequent to any change in the NIFTY LargeMidcap 250 Index, the portfolio shall be rebalanced to align with revised eligible stocks universe within a period of **six months.**
- A period of **six months** from publication of the revised index list shall be allowed to comply with the prescribed 90:10 allocation requirement.

3.3.4 Investment in IPO, FPO and OFS

Investment under sub-category (f) is permitted subject to fulfilment of each of the following conditions:

(i) Equity offerings through an IPO shall be eligible for investment only if the securities are proposed to be listed on the BSE or NSE, and the full market capitalisation calculated at the lower end of the IPO price band is equal to or greater than the full market capitalisation of the 250th company in the NIFTY LargeMidcap 250 Index, as of the index publication date.

(ii) Investment in IPOs may be considered for the 90% allocation requirement based on the full market capitalisation calculated at the lower end of the IPO price band. An IPO shall qualify for inclusion within the 90% allocation where such market capitalisation places the company within the top 200 companies of the NIFTY LargeMidcap 250 Index.

(iii) Shares offered through an FPO or OFS shall be eligible for investment only if they are listed on the BSE or NSE and are constituents of the NIFTY LargeMidcap 250 Index or the BSE LargeMidcap 250 Index.

(iv) Detailed guidelines and procedure for investments in IPO is detailed in **Section 3.3.5.** Investments in equity shares through IPO/FPO or OFS shall be **reported to the NPS Trust within 30 days** from the date of investment.

(v) Where the Pension Fund has invested through an IPO and the stock fails to be in the latest published list of either the Nifty LargeMidcap 250 Index or the BSE LargeMidcap 250 Index, a maximum period of **one year from the date of listing** shall be available to the Pension Fund to decide on exiting such shares.

(vi) The Pension Fund may invest in IPO shares through the secondary market, subject to the eligibility conditions (i) and (ii) specified above. If a stock ceases to be a constituent

of the NIFTY LargeMidcap 250 Index or the BSE LargeMidcap 250 Index in a subsequent index review, the investment may be **rebalanced within six months** from the date of publication of the relevant index list.

3.3.5 Framework for Investment in Initial Public Offerings (IPOs)

Stage	Requirement
Eligibility Criteria	IPO investments shall be made only in companies eligible under the prevailing PFRDA Investment Guidelines and the approved investment universe. The issuer should have sound corporate governance practices, a sustainable business model, and the investment should be consistent with the scheme's investment objective and risk profile.
Investment Philosophy	Investments in IPOs shall be undertaken with a long-term investment horizon based on fundamental research and valuation. Participation shall not be driven by short-term listing gains or market sentiment.
Due Diligence Framework	All IPO investment proposals shall undergo the due diligence framework prescribed under **Section 4 – Due Diligence and investment process** of this Investment Policy.
Approval	IPO investments shall be approved in accordance with the delegation of authority to the IMC as approved by the Board.

3.4 Short-term debt instruments and related investments

In addition to the permissible instruments for each Scheme/Asset Class, the Pension Fund may temporarily park inflows and funds in the short-term instruments listed below, subject to the following limits:

Applicability	Limit
NPS Tier-I	10% of AUM for each Scheme/Asset Class
NPS Tier-II	20% of AUM for each Scheme/Asset Class
Threshold	The above limits shall not be applicable until the AUM of the respective Scheme/Asset Class reaches **Rs. 5 crore**

3.4.1 Permissible instruments

Ref.	Permissible short-term instrument	Condition
(a)	Money market instruments comprising Treasury Bills, Commercial Paper and Certificates of Deposit	Commercial Paper issued by body corporates shall have a minimum rating of A1+ from at least two SEBI-registered CRAs; where rated by more than two agencies, the two lowest ratings shall be considered. Certificates of Deposit of up to one year duration issued by scheduled commercial banks require the bank to satisfy all conditions in **Section 3.2.4**.

Ref.	Permissible short-term instrument	Condition
(b)	Term Deposit Receipts of up to one year duration issued by scheduled commercial banks	Bank must satisfy all conditions in **Section 3.2.4**
(c)	Units of a debt scheme of a mutual fund regulated by SEBI	Having investment in short-term securities with Macaulay duration of less than one year, viz. Overnight Fund, Liquid Fund, Ultra Short Duration Fund and Low Duration Fund The average total AUM of the AMC for the most recent six-month period shall be at least Rs. 5,000 crore
(d)	Investments in Government Securities as Lender in Triparty Repo conducted over the Triparty Repo (Dealing) System (TREPS) provided by RBI through the Clearing Corporation of India Limited (CCIL)	As per RBI/CCIL operating framework

3.4.2 Margin with CCIL

The Pension Fund is permitted to keep securities as margin with the CCIL for margin requirements in respect of investment in Government securities and TREPS. Securities so pledged shall be flagged in the holdings register as encumbered and excluded from the computation of freely available liquidity.

3.5 Scheme NPS Tier II Tax Saver

3.5.1 Exposure Limit

Sub-cat.	Permissible instrument	Limit
(a)	Equity (as per Asset Class E of NPS Tier-II)	10-25%
(b)	Debt (as per Asset Class C & G of NPS Tier-II)	Up to 90%
(c)	Short-term debt instruments and related investments	Up to 20%

3.5.2 Benchmark

The benchmark for the Fund shall be the applicable **"NPS –Tax Saver Index**" or such other benchmark as may be prescribed or notified by the NPS Trust/PFRDA from time to time.

3.5.3 Permissible instruments

Investments may be made in the instruments permitted under the respective asset classes, as specified in **Sections 3.3** (Asset Class E), **3.2** (Asset Class C), and **3.1** (Asset Class G) of this Policy. Investments in short-term debt instruments shall be governed by the provisions applicable as set out in **Section 3.4.**

All applicable investment limits, exposure limits, issuer limits, instrument-specific sub-limits, and other conditions prescribed under the respective asset classes shall apply. The prescribed exposure norms shall become effective only when the corpus of the respective scheme reaches ₹5 crore. Thereafter, all investments shall be made in compliance with the applicable exposure norms and limits.

3.6 Schemes launched under Multiple Schemes Framework (MSF)

The Exposure Limit for each scheme launched under the Multiple Schemes Framework shall be strictly adhered to as specified in the respective Scheme Filing Documents, as approved by the IC. All investments shall comply with applicable limits, conditions, and prudential norms as specified in **Sections 3.3** (Asset Class E), **3.2** (Asset Class C), and **3.1** (Asset Class G) of this Policy. Any deviation arising on account of market movements or other permissible factors shall be monitored on a continuous basis and regularised within the timelines stipulated under the applicable regulatory framework.

3.7 NPS Vatsalya

NPS Vatsalya scheme launched under regulation 4A, is a contributory pension scheme for Indian citizens below eighteen years of age, opened and operated by a guardian. It is classified as a Specific Purpose Scheme and is governed by the applicable guidelines and regulations issued by the Authority from time to time.

3.7.1 Exposure Limit

Sub-cat.	Permissible instrument	Limit
(a)	Equity (as per Asset Class E of NPS Tier-I)	65-100%
(b)	Debt (as per Asset Class C & G of NPS Tier-I)	Up to 90%
(c)	Short-term debt instruments and related investments	Up to 10%

The above exposure norms shall not apply until the corpus of the respective scheme reaches ₹5 crore. Thereafter, all investments shall be subject to the applicable exposure norms.

3.7.2 Benchmark

The benchmark for the Fund shall be the applicable benchmark approved by the NPS Trust or such other benchmark as may be prescribed or notified by the NPS Trust/PFRDA from time to time.

Index Constituents	Investment Category	Existing Weights
NPS – Government Securities Index	**Govt. Securities, SDLs**	**15%**
NPS – Corporate Bond Index	**Corporate Bonds**	**20%**
NPS Equity Index	**Equities**	**65%**
CRISIL Overnight Index	**Short term investments**	**2%**

3.7.3 Permissible instruments

Investments may be made in the instruments permitted under the respective asset classes, as specified in **Sections 3.3** (Asset Class E), **3.2** (Asset Class C), and **3.1** (Asset Class G) of this Policy. Investments in short-term debt instruments shall be governed by the provisions applicable as set out in **Section 3.4.**

All applicable investment limits, exposure limits, issuer limits, instrument-specific sub-limits, and other conditions prescribed under the respective asset classes shall apply. The prescribed exposure norms shall become effective only when the corpus of the respective scheme reaches ₹5 crore. Thereafter, all investments shall be made in compliance with the applicable exposure norms and limits.

3.8 NPS Sanchay

The scheme shall be managed in accordance with its approved investment objective and asset allocation; however, the investment pattern and applicable investment limits shall be aligned with the investment framework prescribed for Government Sector schemes, as amended from time to time.

3.8.1 Exposure Limit

Sub-cat.	Permissible instrument	Limit
(a)	Government Securities (as per Asset Class G of NPS Tier-I)	Up to 65%
(b)	Debt (as per Asset Class C of NPS Tier-I)	Up to 45%
(c)	Equities (as per Asset Class E of NPS Tier-I)	Up to 25%
(d)	Short-term debt instruments and related investments	Up to 10%

3.8.2 Benchmark

The benchmark for the Fund shall be the applicable benchmark as outlined below, or such other benchmark as may be prescribed or notified by the NPS Trust/PFRDA from time to time.

Index Constituents	Investment Category	Existing Weights
NPS – Government Securities Index	**Govt. Securities, SDLs**	**52%**
NPS – Corporate Bond Index	**Corporate Bonds**	**23%**
NPS Equity Index	**Equities**	**23%**
CRISIL Overnight Index	**Short term investments**	**2%**

3.8.3 Permissible instruments

Investments may be made in the instruments permitted under the respective asset classes, as specified in **Sections 3.3** (Asset Class E), **3.2** (Asset Class C), and **3.1** (Asset Class G) of this Policy. Investments in short-term debt instruments shall be governed by the provisions applicable as set out in **Section 3.4.**

All applicable investment limits, exposure limits, issuer limits, instrument-specific sub-limits, and other conditions prescribed under the respective asset classes shall apply. The prescribed exposure norms shall become effective only when the corpus of the respective scheme reaches ₹5 crore. Thereafter, all investments shall be made in compliance with the applicable exposure norms and limits.

3.9 NPS Swasthya

NPS Swasthya scheme launched under regulation 4A, shall be managed in accordance with its approved investment objective and asset allocation; however, the investment pattern and applicable investment limits shall be aligned with the investment framework prescribed for Government Sector schemes, as amended from time to time.

3.9.1 Exposure Limit

Sub-cat.	Permissible instrument	Limit
(a)	Government Securities (as per Asset Class G of NPS Tier-I)	Up to 65%
(b)	Debt (as per Asset Class C of NPS Tier-I)	Up to 45%
(c)	Equities (as per Asset Class E of NPS Tier-I)	Up to 25%
(d)	Short-term debt instruments and related investments	Up to 10%

3.9.2 Benchmark

The benchmark for the Fund shall be the applicable benchmark as outlined below, or such other benchmark as may be prescribed or notified by the NPS Trust/PFRDA from time to time.

Index Constituents	Investment Category	Existing Weights
NPS – Government Securities Index	**Govt. Securities, SDLs**	**52%**
NPS – Corporate Bond Index	**Corporate Bonds**	**23%**
NPS Equity Index	**Equities**	**23%**
CRISIL Overnight Index	**Short term investments**	**2%**

3.9.3 Permissible instruments

Investments may be made in the instruments permitted under the respective asset classes, as specified in **Sections 3.3** (Asset Class E), **3.2** (Asset Class C), and **3.1** (Asset Class G) of this Policy. Investments in short-term debt instruments shall be governed by the provisions applicable as set out in **Section 3.4.**

All applicable investment limits, exposure limits, issuer limits, instrument-specific sub-limits, and other conditions prescribed under the respective asset classes shall apply. The prescribed exposure norms shall become effective only when the corpus of the respective scheme reaches ₹5 crore. Thereafter, all investments shall be made in compliance with the applicable exposure norms and limits.

4. DUE DILIGENCE AND INVESTMENT PROCESS

The evaluation process shall typically assess the investment across three key parameters:

(i) **Business Fundamentals:** Assessment of the company's competitive position, growth strategy, key capabilities, operational efficiency, business model, productivity and future expansion plans.

(ii) **Financial Analysis:** Assessment of the company's financial statements, cash flows and key financial ratios, including historical and available quarterly or half-yearly results, with relevant metrics based on the nature of the business.

(iii) **Management and Governance:** Assessment of management quality, promoter background and track record, corporate governance, internal controls, succession planning, group structure and track record of meeting financial obligations, as applicable.

A Detailed analysis is carried out to understand the business model of the investee company and its financial position before deciding to invest.

Step	Stage	Description	Responsibility
1.	Investment Opportunity Identification	Identify investment opportunities consistent with the investment objective, asset allocation strategy, regulatory investment universe, and investment guidelines.	IMC
2.	Due Diligence	Conduct comprehensive due diligence, including interaction with the investee company's management, covering its business model, industry outlook, financial performance, management quality, corporate governance, valuation, creditworthiness, key risks and growth prospects, as applicable, before recommending an investment.	Research Analyst / IMC
3.	Investment Appraisal	An Investment Note shall document the investment rationale, valuation, risk assessment, portfolio fit, applicable credit limits and compliance with investment guidelines.	IMC
4.	Investment Approval	Review and approve the investment proposal in accordance with the Board-approved delegation of authority and internal approval framework.	IMC
5.	Trade Execution	Execute transactions through approved market intermediaries following best execution principles and internal dealing procedures.	Dealing Team
6.	Compliance Verification	Verify compliance with applicable regulations, investment guidelines, exposure limits, and internal risk parameters before and after trade execution.	Compliance / Risk Management / Operations

Step	Stage	Description	Responsibility
7.	Portfolio Monitoring	Continuously monitor investments for performance, credit quality, corporate actions, market developments, liquidity, and compliance with investment objectives and risk limits.	Fund Manager / Risk Management
8.	Reporting & Review	Periodically report portfolio performance, investment decisions, risk metrics, and regulatory compliance to the Investment Committee and the Board. Investments shall be reviewed quarterly to determine whether they continue to meet the investment objectives.	IMC / Investment Committee

5. ALTERNATIVE INVESTMENT FUNDS (AIFS)

This Investment Policy Statement sets out the policy, principles, limits and internal controls governing the Pension Fund's commitments to and investments in AIFs through the NPS Bharat Fund of Funds framework administered by NPS Trust through its AIF Cell, in accordance with the guidelines and regulatory requirements notified by NPS Trust and PFRDA from time to time.

5.1 Eligible Investment Universe

The Pension Fund may commit only to AIFs that have been shortlisted and onboarded through the FoF framework and that satisfy each of the following:

(i) Permitted Category I AIFs shall include Venture Capital Funds, SME Funds, Social Venture Capital Funds, Infrastructure Funds and Start-up Funds, as specified under the applicable SEBI regulations.

(ii) For Category II AIFs, at least 51% of the investible funds of the AIF shall be invested in Start-up entities, Infrastructure entities, SMEs, Venture Capital or Social Welfare entities, as applicable under the prevailing regulatory framework. AIFs shall have a corpus equal to or more than Rs.100 crore.
Eligibility of Category I and Category II AIFs shall be determined in accordance with the **applicable SEBI regulations**, as amended from time to time.

(iii) The exposure to single AIF shall not exceed 10% of the AIF size.

(iv) 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.

(v) No AIF investment shall be made in sponsor or sponsor group promoted AIF as per PFRDA regulations.

(vi) 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.

5.2 Selection Process

All proposed investments in Alternative Investment Funds (AIFs) shall be reviewed by the **AIF Investment Management Committee ("AIMC")**, comprising

a) Non-Executive Director (Member of Investment Committee),
b) CEO - ABSLPFML,
c) CIO and
d) Chief Risk Officer ("CRO").

The IMC shall evaluate proposed investments in accordance with the Investment Policy, applicable regulatory requirements, risk parameters and due diligence framework, and recommend them for approval by the AIMC prior to submission of an Expression of Interest.

An Expression of Interest shall be submitted within the window prescribed by the AIF Cell following shortlisting (currently 15 working days) and shall be for not less than the prescribed minimum of ₹1 crore.

All approved investment shall be reported to the Investment Committee in the subsequent Investment Committee meeting.

6. CREDIT POLICY

6.1 Credit Evaluation

For credit evaluation, each company shall be internally appraised in accordance with the due diligence process prescribed under Section 4.0 of this Investment Policy.

6.2 Credit Approvals

The IC shall further delegate authority for credit approvals and credit limits to the Investment Management Committee (IMC), including the CRO. Approvals shall require the consent of at least two of the three members listed below, with the approval of the CEO being mandatory wherever applicable, within the approved framework.

CREDIT APPLROVAL AUTORITY
Chief Executive Officer
Chief Investment Officer
Chief Risk Officer

Prior consent of the Sun Life representative shall be obtained for the establishment or enhancement of credit limits for investments in Aditya Birla Group companies. All such investments shall remain subject to the exposure limits, prudential norms, and other regulatory requirements prescribed by PFRDA from time to time and shall be reported to the Investment Committee at its subsequent meeting.

6.3 Credit Approval Authorization Matrix

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

TIER	QUALIFYING NORMS	Applicable Sectors Category / Groups
Tier 1	GOI shareholding in the company must be minimum 51% (Norm 1) Company is 100% owned by another Company which meets Norm 1 & rated AA & above GOI having significant management control*	• Development Financial Institutions • Non-Banking Finance Companies Nationalized Banks, (including SBI & its Associates) • Manufacturing Companies (Includes Companies in Services Sector and Infrastructure Companies). • Housing Finance Companies • All companies / issuers construed as Tata Group & HDFC Group

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

The below **authorization matrix** is applicable to companies which qualify at least One Norm in above table

CATEGORY			CREDIT AUTHORISATION	
	SECTOR / CATEGORY	TYPE OF LIMIT	Minimum Floor Rating / Approving Authority	Maximum Amount Cap per Company in Rs. Crore
TIER 1	All Sector / Categories Mentioned above including all companies construed as Tata & HDFC Group Companies	**Short Term / Long term / Max Limit**	For CIO - A1+ / AA & above	Upto 50% of TNW or Rs. 200 crs whichever is lower.
			For CEO - A1+ / A & above	Upto 75% of TNW or Rs. 300 crs whichever is lower.

TIER of GROUP	TYPE OF LIMIT	Minimum Floor Rating / Approving Authority	Maximum Amount Cap per Company in Rs. Crore	Fund level Limit
TIER 2	Maximum Limit / Long term Limit	For CIO - A1+ / AA & above	150	10%
		For CEO - A1+ / A+ & above	300	10%
TIER 3	Maximum Limit / Long term Limit	For CEO - A1+ / AA- & above	150	7%
TIER 4	Maximum Limit / Long term Limit	For CEO - A1+ / AA	105	4%

Notes:

- 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 Chief Risk Officer – ABSLPFML on case-to-case basis.
- TNW = Tangible Networth = 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 Networth enterprises (PSU or non-PSU) without Credit approval authority.
- Short term rating of A1+ will be only applicable for Money Market Instruments (less than 12 months)

- Investments with a maturity of up to 12 months shall be classified as Short-Term, while investments with a maturity exceeding 12 months shall be classified as Long-Term.

6.4 Credit Review and Revalidation

- Credit limits for **Tier 1** companies rated AAA shall be valid for **18 months**, while limits **for Tier 2, 3, 4 and 5** companies shall be valid for **12 months**, subject to detailed due diligence for continuation.
- Revalidation shall follow the applicable credit authorisation matrix. Limits may be revalidated for one year and thereafter jointly by the CIO and CEO, subject to no rating downgrade, increase in limit or tenor, or material deterioration in group tiering.
- Internal reviews shall be conducted upon credit limit expiry or earlier, if warranted by material developments.
- All credit limits and investments shall comply with applicable PFRDA regulations and investment guidelines.

6.5 Credit Filters

Filters for Banks

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

Filters for Financial Institutions/DFI

Criteria	Filters
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)

Criteria	Filters
Total Income	Minimum Rs.300 cr
Tangible Networth (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)

Criteria	Filters
Total Income	Minimum Rs.500 cr
Tangible Networth (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

Criteria	Filters
Total Operating Income (Net Sales)	Minimum Rs.750 cr
Tangible Networth (TNW)	Minimum Rs.250 cr
Total Debt*/Tangible Networth (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)

Filters for REITS and Invits

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

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 o bjective of the scheme to which such transfer has been made. Such transfers may be allowed in following scenarios:

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

8. INVESTMENT RISK MANAGEMENT

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

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

a) **Equity and other asset value risks:** Equity investments are subject to market volatility and price fluctuations arising from macroeconomic, political, regulatory and company-specific factors. These may affect the Scheme's NAV and result in capital losses. Liquidity, trading volumes, settlement procedures and market conditions may also affect the timely execution of trades. Investment decisions may not always be profitable, and actual returns may differ from expectations.
b) **Interest rate risk:** Interest rate risk arises from fluctuations in interest rates due to factors such as government borrowing, inflation and economic conditions. Bond values generally rise when interest rates fall and decline when rates rise.
c) **Credit Risk:** Credit risk is the risk of an issuer or counterparty failing to meet its contractual obligations to repay principal and interest. Government Securities carry sovereign credit risk, while other debt instruments are subject to the issuer's creditworthiness and ability to meet its obligations.

d) **Reinvestment Risk:** Reinvestment risk arises from uncertainty over the rate at which coupon payments and other cash flows can be reinvested, depending on prevailing market interest rates.

Asset Liability Mismatch Risk: Asset Liability Mismatch Risk: This is the risk of loss when the maturity, cash flows or liquidity of a scheme's assets do not match its obligations, such as subscriber withdrawals, exits, switches and investment commitments.

Liquidity Risk: Liquidity risk is the risk of loss if 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.

8.1 Risk Factors Associated with Investments in REITs and InvITs:

- **Distribution Risk:** Distributions may be lower or fluctuate due to changes in asset cash flows, tenant/off-taker performance, economic conditions, debt obligations, capital expenditure, regulatory changes, taxation, insurance coverage and force majeure events.
- **Price Risk:** Unit prices may fluctuate due to changes in economic and market conditions, underlying asset valuations, regulatory changes and other factors.
- **Subordination Risk:** In the event of insolvency or liquidation of underlying assets, unit holders' rights may be subordinate to those of creditors and other stakeholders.
- **Interest Rate Risk:** Rising interest rates may adversely affect the value of REIT/InvIT units, while declining rates may have the opposite effect.
- **Liquidity Risk:** REIT/InvIT units may experience limited trading liquidity, and an active secondary market may not always be available, potentially resulting in difficulty in selling units or price discounts.

8.2 Risk Factors Associated with Investments in Gold & Silver ETF:

Gold and Silver ETFs invest in the respective underlying precious metals. Their NAV may fluctuate with changes in the prices of gold and silver, which may be affected by demand and supply, global and domestic economic and political conditions, inflation, interest rates, currency movements, government policies and other market factors.

8.3 Risk Factors Associated with Investments in AIFs:

Investments in Category I and II AIFs, including through the NPS Bharat Fund of Funds framework, carry the following principal risks:

- **Illiquidity**: AIF units are close ended with no redemption before fund maturity; secondary sales are limited and usually at a discount.
- **Drawdown**: Commitments are called at the manager's discretion; failure to meet a call attracts default penalties under the Contribution Agreement.
- **Valuation**: Underlying assets are unlisted and valued on judgement, and AIF NAVs are reported periodically with a lag against daily scheme NAVs.

- **J-curve and fees**: Fees on committed capital and back-ended realisations depress early returns and can erode net returns.
- **Manager and key person:** Outcomes depend on the Investment Manager's team, judgement and management of conflicts, with limited investor control.
- **Concentration:** Exposure may be concentrated by manager, vintage, sector or portfolio company.
- **Exit**: Realisations depend on market conditions and may be delayed.
- **Limit breach:** Changes in scheme AUM or drawdowns on prior commitments may breach limits that cannot be corrected by sale.

8.4 Risk Mitigation Strategies

The Company shall mitigate the investment risks set out above through the following measures:

- **Regulatory and prudential limits:** All investments shall be made within the limits prescribed by PFRDA. exposure limits shall also apply by asset class, issuer, group, sector and instrument, and these shall be approved by the Investment Committee and reviewed periodically.
- **Diversification:** Portfolios shall be diversified across asset classes, issuers, sectors, maturities, managers and vintages to avoid undue concentration.
- **Due diligence and approval:** Each equity investment shall be made following appropriate evaluation of the company's financials, business prospects, management quality, corporate governance, valuation and associated risks, and shall be approved in accordance with the delegation of authority. For AIFs, this includes an independent review of the NPS Trust AIF Cell's Due Diligence Report.
- **Liquidity management:** Each scheme shall maintain adequate liquid assets to meet withdrawals, switches, drawdowns and other obligations. Asset-liability cash flows, duration and liquidity positions shall be monitored periodically to identify and manage potential mismatches, and illiquid exposures shall be appropriately sized with regards to the scheme's cash-flow profile.
- **Valuation:** Investments shall be valued in accordance with the Valuation Policy and the guidelines of PFRDA and NPS Trust.
- **Monitoring and reporting:** Exposures, limit utilisation, credit ratings, distributions, prices and other risk indicators shall be monitored regularly. Breaches shall be classified, escalated and rectified in accordance with this Policy.
- **Review:** Risk limits and mitigants shall be reviewed periodically, and also whenever there are material changes in regulation or market conditions.

8.5 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 PFRDA 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.

9. STOP LOSS POLICY

Equity Investments:

Investments under Asset Class 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.

The following stop loss triggers would be applicable:

Condition 1

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

OR

Condition 2

On rolling 3-month basis, upon decline of more than 25% of any individual security provided the stock price fall is more than 1.5 times the fall in Benchmark.

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.

10. RATING DOWNGRADES

Investment team issues a downgrade alert on confirmation by one CRA. Security is flagged in the system, marked non-eligible for fresh purchase, and moved to the watch list. The same shall be communicated to the Investment Committee in the subsequent meeting. The option of exit shall be considered and exercised, as appropriate, in a manner that is in the best interest of the subscribers.

11. PRUDENTIAL EXPOSURE LIMITS

Exposure to investments shall be subject to the applicable limits, restrictions and exposure norms prescribed under the Investment Guidelines, as amended from time to time. The exposure norms shall be monitored for concentration risk and regulatory compliance and shall only apply once the **Scheme/Asset Class AUM reaches ₹5 crore.**

Exposure type	Limit	Asset Class
Equity — sponsor group companies	Lower of 5% of the paid-up equity capital of all the sponsor group companies, or 5% of the total AUM managed by the Pension Fund under Scheme/Asset Class G, C and E for both Tier-I and Tier-II, which ever is lower	Asset Class E in respective scheme
Equity — non-sponsor group companies	Lower of 15% of the paid-up equity capital of all the non-sponsor group companies, or 15% of the Scheme AUM whichever is lower	Asset Class E in respective scheme
Debt — sponsor group companies	Lower of 5% of the net-worth of all the sponsor group companies, or 5% of the Scheme AUM whichever is lower	Asset Class C in respective scheme
Debt — non-sponsor group companies	Lower of 10% of the net-worth of all the non-sponsor group companies, or 10% of the Scheme AUM whicu ever is lower	Asset Class C in respective scheme
Single industry	**15% of AUM under all Schemes** managed by the Pension Fund, as per Level-5 of the NIC classification. Investment in scheduled commercial bank FDs is exempt from exposure to the Banking Sector.	Across all schemes managed by the Pension Fund
InvITs / REITs — cumulative	Cumulative investments in Units and Debt Instruments of InvITs and REITs shall not exceed **3% of the total AUM** of the Pension Fund at any point of time	Total AUM of the Pension Fund
InvIT/REIT — single issuer debt	Not more than 15% of the total outstanding debt instruments issued by a single InvIT/REIT issuer	Per issuer
InvIT/REIT — single issue units	Not more than 5% of the Units issued by a single InvIT/REIT issue	Per issue
Single AIF	Not more than 10% of the AIF size	Per AIF

For investments in Index Funds, ETFs and Debt Mutual Funds, the underlying exposures of such funds shall be excluded from the computation of exposure limits for the purpose of compliance with the prescribed Industry Concentration and Sponsor/Non-Sponsor Group norms.

Paid-up share capital means the market value of paid-up and subscribed equity capital.

Net Worth: comprises paid-up capital plus free reserves including share premium but excluding revaluation reserves, plus investment fluctuation reserve and credit balance in the Profit & Loss account, less debit balance in the Profit and Loss account, accumulated losses and intangible assets.

Sponsor: means an entity described as "Sponsor" under the PFRDA (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 Standards, body corporate, firm or trust, or use of common brand names, associated persons, as may be stipulated by the Authority. The 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 of inclusion as forming part of the group or otherwise.

12. INTERMEDIARIES

12.1 Broker

All transactions involving intermediaries shall be executed only through brokers duly empanelled in accordance with the Broker Empanelment Policy. Purchases and sales of securities executed through any single broker shall not exceed 5% of the aggregate purchases and sales of securities across all schemes managed by the Pension Fund. Brokerage and related charges for secondary market transactions in Equity, REITs, InvITs, Gold ETFs and Silver ETFs may be charged to the respective scheme, subject to the limits prescribed by PFRDA from time to time.

12.2 Custodian

An external custodian shall be responsible for the safe custody, maintenance and servicing of the assets of the Pension Fund, in accordance with the applicable regulatory requirements and guidelines notified by PFRDA from time to time.

12.3 Valuation Agency

Securities shall be valued using security-level prices provided by the valuation agency appointed by NPS Trust/PFRDA, in accordance with the applicable Valuation Policy and guidelines prescribed and amended by PFRDA from time to time.

13. SCOPE OF INTERNAL AUDIT

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.

14. INVESTMENT CODE OF CONDUCT

The Company's Code of Conduct shall comply with the regulations, circulars and guidelines on insider trading, self-dealing and front running, as made applicable to Pension Funds by PFRDA. The Code shall apply to directors, employees, key managerial personnel, Designated Persons and all other persons associated with NPS investment activities. Designated Persons and their Immediate Relatives shall not undertake a contra trade in any security within six months of the prior transaction. The restriction shall not apply to the following, as permitted under applicable regulations:

- exercise of stock options under ESOS;
- sale of shares acquired under ESOS, provided the Designated Person is not in possession of unpublished price sensitive information (UPSI) at the time of sale;
- buy-backs, open offers, exit offers, rights issues, follow-on public offers, bonus issues and other specified corporate actions.

Designated Persons shall make all prescribed disclosures in accordance with applicable requirements.

The Company shall maintain appropriate Chinese Walls to prevent unauthorised access to, or sharing of, UPSI and confidential investment information. The Compliance Officer shall oversee monitoring, disclosures, reporting and escalation of suspected violations through appropriate systems and controls. All persons associated with NPS investment activities shall receive adequate training on their obligations. The Code shall be approved by the Board of Directors and reviewed periodically. The detailed Code of Conduct and Employee Dealing Policy is maintained by the Compliance function, and reference shall be made to it for the specific restrictions, safeguards, approval requirements and disclosure obligations.