Investment Policy

For Schemes “E”, “G”, “C”, “A” and NPS Lite

July 2018
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<td>Version 13 – Certain additional controls and processes for Credit risk appraisals incorporated</td>
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<tr>
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<tr>
<td>4.2 Investment restrictions</td>
<td>In case of any instruments mentioned above being rated and their rating falling below A+ investment grade, the option of exit should be exercised as soon as possible, and monthly updates shall be given to the Investment Committee and the Board</td>
</tr>
<tr>
<td>4.3 Additional Investment Guidelines</td>
<td>No investment will be made in rated securities which are below AA. In case of any instruments mentioned above, being rated AA or above, if their rating falls below AA, the option of exit should be considered and if it is not exited within 30 days, it should be raised to the Investment Committee (this may be done by email / circulation), and then exited, if advised by the Committee. Communication may also be sent to the NPS Trust informing them about whichever option is exercised. This is also reflected in Section 8 under Stop Loss Limits.</td>
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1 Structure and Overview

This policy consists of 8 main sections, including this one

- **Section 1**  Provides an overview of the policy, including guidelines on updating policies and dealing with an exception/exigency situation
- **Section 2**  Details the Investments organization structure, Investment Committee, etc including roles and responsibilities
- **Section 3**  Details various investment related policies and restrictions (both internal as well as regulatory) including policies for investments in Portfolio “E”. This section also details front and back office processes related for investment related activities.
- **Section 4**  Details various investment related policies and restrictions (both internal as well as regulatory) including policies for investments in Portfolio “C”. This section also details front and back office processes related for investment related activities.
- **Section 5**  Details various investment related policies and restrictions (both internal as well as regulatory) including policies for investments in Portfolio “G”. This section also details front and back office processes related for investment related activities.
- **Section 6**  Provides details about securities that are permissible under Portfolio “A”.
- **Section 6**  Provides the Investment Pattern for NPS Lite.
- **Section 7**  General Investment Guidelines and Scheme wise Limits
- **Section 8**  Details the Risk measures and other Management reports
- **Section 9**  Provides annexures for user reference

2.1 Overview

The purpose of this Policy is to set forth the investment objectives and parameters for the management of funds held and managed under fiduciary obligation by the Reliance Capital Pension Fund (referred to as RCPFL in this document, henceforth). This policy details:

- Investment related policies for investments in approved instruments by Pension Fund Regulatory and Development Authority (PFRDA)
2.1 Objective

The objective of this policy is to assist RCPFL in effectively supervising, monitoring and evaluating activities pertaining to investments in various asset classes for all schemes of the fund. This policy has been formally set forth to:

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding for all involved parties of the investment goals and objectives.
- Provide guidance relating to liquidity, prudential norms, exposure limits, stop loss limits in securities trading, management of all investment & market risks, management of asset liability mismatches, investment audits and investment statistics.
- Outline procedures and criteria to monitor, evaluate and compare the performance results achieved by investment managers on a regular basis, and report the performance.

2.1 Updating Policies

1. The Board of RCPFL shall review its investment policy and its implementation on a half yearly basis or at such other intervals as it may decide and make such modifications in its existing investment policy as are necessary to bring them in tune with the requirements of law and regulations – in regard to protection of subscribers’ interest and pattern of investment laid down by PFRDA.

2. Day-to-day responsibility for activities related to investments is left to the discretion of the Investment Committee and/or officials responsible for making and monitoring investments. The Investment Committee may initiate action for any changes, that it feels necessary, in the policy and place the revised policy before the Board for approval. Specific attention would required to be given to any insertions and/or deletions in the policy and same would be separately be highlighted to the Board of Directors.

3. Any new financial products introduced in the financial markets and permitted as investment products by PFRDA would also be updated in the authorized instrument section of the respective scheme after the Investment Committee has approved the instrument. Proposal to invest in such instruments may be initiated by the Fund manager.

2.1 Exceptions Management

- Any decision which might lead to the breach of this policy would have to be approved by the Investment Committee. All such exceptions would be reported and placed before the Investment Committee.
- However, investment in any new instrument/ asset class cannot be made without obtaining prior approval of the Chief Executive Officer (CEO) & also approval of Risk head of sponsor group.
2. Investments Structure

2.1 Investments Team Structure

2.2 The Investment Committee

Constitution:

The Investment Committee will review the investment process and investment guidelines to ensure that the investments decisions taken by the Pension Fund Manager are in line with the overall Investment Objectives and the guidelines issued by PFRDA, from time to time.

The Investment Committee will constitute of the following members:

1. Mr. Sundeep Sikka (Director)
2. Mr. P S Shenoy (Independent Director)
3. Mr. Gurbir Chopra (CEO)
4. Mr. Manish Shah (Fund Manager)

Other members may be invited depending on requirements.

In the event of a change in the employee(s) manning the aforesaid positions, the new employee will automatically get inducted in the constitution, as above.

Meetings:

Frequency: The Committee shall meet as and when required.

Quorum: The quorum for a Committee meeting shall be three (3) members; present either in person or by way of tele-conferencing, provided that at least one Director is present.

Invitees: The Committee may invite at such meetings, such other officers or employees of the Company or those of the Sponsor (Reliance Nippon Life Asset Management Limited), as may be deemed fit, in the best interests of the purposes hereof.

Chairman: The members present may elect one of themselves to act as the Chairman of the meeting.
Minutes: The proceedings of the meetings of the Committee will be recorded and the minutes thereof shall be tabled before the subsequent Board meeting for noting purposes.

Powers & Duties:

The Committee will function under the supervision and control of the Board of Directors of the Company.

The powers and duties of the Committee shall include:

1. Evolve & implement strategy for investments of funds
2. Ensure that Investments are made in line with the guidelines, issued by PFRDA and NPS Trust, from time to time;
3. Reviewing performance of Investments;
4. To undertake review of relevant investment related policies and procedures and recommend modifications, if any and to also approve exceptions, if any.
5. Making recommendations and taking steps for their implementation;
6. Such other powers and duties, as may be considered expedient for the purposes hereof and as may be entrusted by the Board, from time to time.

Changes/ Amendments:

Changes or amendments, if any, to the aforesaid will be affected with the approval of the Board.

2.3 Investment Objectives

Investment decisions shall be taken by the Pension Fund Manager (PF) in the best interest of subscribers with emphasis on safety, prudence, optimum return, sound commercial judgment and avoiding funds to remain idle.

Thus the objective of any investment decision would be as below:

i. Safety

The foremost objective of investment program is the safety of the principal of funds. Investment transactions shall be undertaken in a manner to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk. The Credit Risk, which is the risk of loss due to the failure of the security issuer is managed by placing restrictions on investments into the types of securities listed (defined) in this Investment Policy.

However, it may be mentioned that Investment in Equity and Equity related instruments are exposed to Market risks and the safety of principal may be protected only subject to vagaries of Market.

ii. Prudence in Investment decisions

The Fund manager shall not take decisions without regard to the care, caution, good judgment, as well as wisdom in looking ahead while investing.

iii. Capital appreciation

The Pension Fund manager shall strive to achieve an optimum return based for investments made. Investments shall be made keeping the nature of requirements of each investment scheme
iv. **Maintenance of Liquidity.**

The funds shall be managed such that they are available to meet reasonably anticipated redemption requirements. However, it shall be ensured that the funds of the Pension Fund do not remain idle beyond the period as may be provided by the PFRDA/Policy.

v. **Authorized Investments**

Investments in any scheme would be only in authorized instruments as permitted by the PFRDA/Policy. Specifically, these are mentioned in section 3, 4 and 5.

2.4 **Investment Process**

This section describes the investment process.

- The Fund Manager will conduct research on new papers that he / she would like to purchase and prepare a research note explaining the pros and cons of the investment. Hence, every fresh issuer that has not been invested into earlier needs to be backed by a research note. The research note will be signed by the Head of Risk Management also.

- For G, the duration call will be explained as a remark, at the time of deal entry into the system, since there is no credit risk involved.

- Additionally, all transactions will be accompanied by a deal ticket which will provide a brief explanation for the transaction.

- Trades will be initiated by the Fund Manager, and he will enter them into the IWebz Credence System. However, the settlement on the system will be done by a separate Operations person based on third party confirmation whether from a counterparty or broker. Market settlement will be done through the Custodian.

- Risk Management will be responsible for tracking investment limits.

3. **Policy for Portfolio “E”**

The ‘E’ portfolio shall invest in Equity and Equity related instruments. The segregation into the various schemes (E, C, G or A) would have already happened before the funds come to RCPFL for investment.

3.1 **Selected Benchmark Index for Shares**

Nifty 100 TRI – calculated and distributed by India Index Services & Products Limited (IISL), a subsidiary of the National Stock Exchange, India, shall be the benchmark for investments in the “E” Portfolio.

3.2 **Authorized Instruments**

As per the new investment guidelines issued in May 2017, the following are allowed:

A) Shares of body corporate listed on Bombay Stock Exchange (BSE) or National Stock Exchange which have
   (i) Market capitalization of not less than Rs.5000 crores as on the date of investment and
   (ii) Derivatives with the shares as underlying traded in either of the two stock exchanges - except in case of IPO but the same should be available in the F&O segment in either of two exchanges within one year to remain invested in that stock.
(B) Units of mutual funds regulated by the Securities and Exchange of India, which have minimum 65% of their investment in shares of body corporates listed on BSE and NSE.

(C) Exchange Traded Funds (ETF)/Index Funds regulated by Securities and Exchange Board of India that replicate the portfolio of either BSE Sensex or NSE Nifty 50 Index.

(D) ETF’s issued by SEBI regulated Mutual Funds constructed specifically for disinvestment of shareholding of the Government of India in body corporates.

(E) Exchange traded derivatives regulated by Securities and Exchange Board of India having the underlying of any permissible listed stock or any of the permissible indices, with the sole purpose of hedging.

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

Within this broad universe, we propose the following restrictions:

<table>
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<tr>
<th>Permissible Investment Avenues</th>
<th>Exposure</th>
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<tr>
<td>NIFTY50 Index stocks &amp; Exchange Traded Funds</td>
<td>70% - 100%</td>
</tr>
<tr>
<td>*Listed shares of body Corporates on which derivatives are available on either BSE or NSE &amp; having market capitalization of not less than Rs 10,000 crores</td>
<td>0% - 30%</td>
</tr>
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</table>

Any deviation in the above asset allocation pattern would get rebalanced within a period of 30 days.

Note: Considering pension fund as long term in nature and to safeguard the subscriber’s interest, we propose to invest in quality stocks other than Nifty Index stocks having Rs. 10000 crores market capitalization (at the time of investment) instead of Rs. 5000 crores permitted in the new Investment guidelines.

3.3 Investment Restrictions and Exposure Limits

Pending Deployment

- Please refer to section 3.6 for restrictions relating to temporary parking of funds pending deployment.

Restrictions pertaining to Equity Portfolio

While investments are allowed to be made in any of the equity instruments within the authorised universe, the list of equity stocks eligible for investment will be decided based on criteria laid down by the Investment Committee. Thereafter, within these parameters, the Fund Manager will be able to take individual stock purchase / sale decisions. Accordingly, it is being proposed that we will invest into listed shares of body Corporates on which derivatives are available on either BSE or NSE, which have a market capitalization of not less than Rs 10,000 crores

Whenever single stocks are purchased other than nifty index stocks, a note should be prepared to justify the purchase. This should contain the following analytical details:

- A brief write-up on the company and its future prospects
- Last 3 years profit record
• Price-Earnings (P/E) comparison with similar stocks and industry average
• Debt-Equity ratio and interest coverage ratio
• Broker reports / recommendations to support the buy, if available
• Liquidity in terms of daily average volumes over the last 3 months.

• Securities will be bought and sold only on the basis of deliveries and RCPFL shall in all cases of purchases, take delivery of securities and in all cases of sale, deliver the securities, and shall in no case put itself in a position whereby it has to make short sale or carry forward transaction or engage in badla finance (except as permitted under the extant regulations, from time to time).

• NPS Investments have been restricted to 5% of the paid up equity capital of all the sponsor group companies or 5% of total AUM under equity exposure whichever is lower, in each of the respective schemes and 15% in the paid up equity capital of all the non sponsor group companies or 15% of the total AUM under Equity exposure whichever is lower, in each respective scheme.
• * Paid up share capital: Paid up share capital means market value of paid up and subscribed equity capital.

• As per the Investment Management Agreement (IMA) dated 30th March 2015, investment exposure to a single industry sector (as per Level 5 of the NIC classification), shall be restricted to 15% of all NPS Schemes portfolio (E, C, G, and A (Tier I + Tier II) taken together and including NPS Lite, as and when applicable).

• This is being implemented in the following manner –

• NIC groups the activities providing more emphasis on ‘relevance’. Hence the following principle is followed for grouping –

47. All the activities are grouped into several “activity groups” or “tabulation categories” in a hierarchical manner. Activities are first grouped into ‘section’ alphabetically coded from A through U, every section is divided into ‘division’ with 2-digit numeric code, every division into ‘group’ with 3-digit numeric code, every group into ‘class’ with 4-digit numeric code and every 4-digit class into 5-digit ‘sub-class’. The structure is illustrated below.

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
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<tbody>
<tr>
<td>Section C</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Division 13</td>
<td>Manufacture of textiles</td>
</tr>
<tr>
<td>Group 131</td>
<td>Spinning, weaving and finishing of textiles</td>
</tr>
<tr>
<td>Class 1311</td>
<td>Preparation and spinning of textile fibres</td>
</tr>
<tr>
<td>Sub-Class 13111</td>
<td>Preparation and spinning of cotton fibre including blended cotton</td>
</tr>
</tbody>
</table>
This means 5 Digit Sub Class classification as per the NIC Classification List shown above (Sub Class 13111) and this will be classified based on the principal line of business which contributes to profits (e.g. ITC will fall under 5 Digit Sub Class - 12003: Manufacture of cigarettes, cigarette tobacco. Classification will be done internally, and the Risk Management department of the Sponsor, which supports RCPFL, will vet this. It is also clarified here that this is being interpreted to mean exposure to an issuer across the all the different portfolios (E, C, G, A, and NPS Lite), and not just the E portfolio. Hence, when doing this computation, we will be taking the total corpus across E, C, G, and A (Tier-I & II together) portfolios in the denominator. Investment in fixed deposits of scheduled commercial banks would be exempted from exposure to the Banking sector.

In case of investments in Equity/Debt instruments, in addition to the investments in Index Funds/ETF/Debt MF, the exposure limits under such Index Funds/ETF/Debt Funds should be considered for compliance of the prescribed the Industry Concentration, Sponsor/ Non Sponsor group norms. (for example, if on account of investment in Index Funds/ETFs/Debt MFs, if any of concentration limits are being breached than further investment should not be made in the relative Industry/Company.)

Investment in IPOs/FPOs/OFS is are allowed

3.4 Tracking of Investment Restrictions and Exposure Limits

While investment restrictions and exposure limits will be monitored independently by the Risk Management team of the Sponsor (RNLAM), it is equally the responsibility of the Fund Manager to make sure that he is aware of the investment restrictions and head room available, if any.

3.5 Restrictions pertaining to Derivatives

RCPFL may enter into derivatives transactions, if it is in the interest of the subscribers, only in a recognized stock exchange for the purpose of hedging and portfolio balancing, in accordance with the guidelines issued by PFRDA/RBI.

Exchange traded derivatives regulated by the Securities and Exchange Board of India having the underlying of any permissible listed stock or any of the permissible indices, with the sole purpose of hedging. Provided that the portfolio invested in derivatives in terms of contract value shall not be in excess of 5% of total portfolio invested in sub categories 3.2 a to 3.2 d above.

Derivatives positions shall be backed by cash or stock as the case may be. i.e. all current or potential long positions (long futures, call options) shall be backed by cash and cash equivalents at the time of exposure and all current or potential short positions (short futures, put options) will be fully backed by stock (stocks portfolio for index derivatives). Definition of the word "Cash" shall include cash, deposits with scheduled commercial banks, short term money market instruments and Liquid Schemes of AMCs (regulated by SEBI). Hence, no leverage can be created in the fund using derivatives and the fund cannot write any options.

3.6 Restrictions pertaining to Pending Deployment

Money Market Instruments (not exceeding a limit of 5% of the scheme corpus on temporary basis only)

Provided investment in commercial paper issued by Body corporate shall be made only in such instruments which have minimum rating of A1+ by atleast two credit rating agencies registered with Securities and Exchange Board of India.
Provided further if commercial paper has been rated by more than two rating agencies, the two lowest ratings shall be considered.

Provided further that investments in this sub category in certificates of deposit of up to one year duration issued by scheduled commercial banks will require the bank to satisfy all conditions mentioned as mentioned in Section 4.1 (c).

(b) Units of Liquid Mutual Funds regulated by Securities and Exchange Board of India with the condition that the average total assets under management of AMC for the most recent six months period of at least Rs. 5000 crores.

Term deposit receipts of up to one year duration issued by such scheduled commercial banks which satisfy all conditions mentioned in Section 4.1(c).

Provided further that limit with respect to investment in Money market instruments under Scheme C - II and G – II shall be 10% the scheme corpus. Further, this exposure norm shall not be applicable for to PFs with corpus below 5 crores under the said scheme.

3.7 General Guidelines for “E” portfolio

- The portfolio may be rebalanced within a month of any stock going out of the F&O list. No rebalancing will be triggered if the market capitalization of a stock falls below Rs. 10,000 Crores, though the fund manager may take a decision to sell any stock based on merits or booking profit at any given time and replace it with other permissible stocks. Please See section 8 for Stop Loss limits.

The fund manager may also replace other stocks in the portfolio on his own, as long as purchased scrips match regulatory and internal requirements, overall portfolio quality as per our internal benchmark of at least 70% in NIFTY stocks is maintained and realized losses on sale do not cross 1% of portfolio value. Loss of more than 1% will require Investment Committee approval.

4 Policy for Portfolio “C”

4.1 Authorised Instruments

(a) Listed (or proposed to be listed in case of fresh issue) debt securities issued by body corporate, including banks and Public Financial Institutions (PFIs as defined under Section 2 of the Companies Act 2013), which have a minimum residual maturity period of three years from the date of investment.

(b) Rupee Bonds which have an outstanding maturity of at least 3 years issued by institutions of the International Bank for Reconstruction and Development, International Finance Corporation or Asian Development Bank.

(c) Term deposit receipts of not less than one year duration issued by scheduled commercial banks, which satisfy the following conditions on the basis of published annual report(s) for the most recent years, as required to have been published by them under law,

(i) Have declared profit in the immediately preceding three financial years.
(ii) Maintaining a minimum Capital to Risk Weighted Assets of 9%, or mandated by prevailing RBI norms, whichever is higher;
(iii) Having net non performing assets of not more than 4% of the net advances.
(iv) Having a minimum net worth of not less than Rs. 200 crores.

(d) Units of Debt Mutual Funds as regulated by Securities and Exchange Board of India.
(e) The following infrastructure related debt instruments:

(i) Listed (or proposed to be listed in case of fresh issue) debt securities issued by body corporate engaged mainly in the business of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing. Further, this category shall also include securities issued by Indian Railways or any of the body corporate in which it has majority shareholding. This category shall also include securities issued by any Authority of the Government which is not a body corporate and has been formed mainly with the purpose of promoting development of infrastructure. It is further clarified that any structural obligation undertaken or letter of comfort issued by Central Government, Indian Railways or any authority of the Central Government, for any security issued by a body corporate engaged in the business of infrastructure, which notwithstanding the terms in the letter of comfort or the obligation undertaken, fails to enable its inclusion as security covered under category (b) above, shall be treated as an eligible security under this sub-category.

(ii) Infrastructure and affordable housing Bonds issued by any scheduled commercial bank, which meets the conditions in (d) above.

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

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

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

(f) Listed and proposed to be listed Credit Rated Municipal Bonds

Provided the investment under categories (a), (e), (i) to (iii) and (f) of this category -C shall be made only in such securities which have minimum AA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with Securities and Exchange Board of India (Credit Rating Agency) Regulation, 1999. Provided further that in case of the sub category (e) (iii) the ratings shall be related to the Non Banking Financial Company.

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

Provided Further that investments under this category requiring a Minimum AA rating, as specified above, shall be permissible in securities have investment grade rating below AA in case the risk of default for such securities is fully secured by Credit Default Swaps (CDSs) issued under Guidelines of the Reserve Bank of India and purchased along with the underlying securities. Purchase amount of such swaps shall be considered to be investment made under this category.

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

It is clarified that debt securities covered under Scheme Asset Class G category (i) (b) (Securities other than Government securities (Securities defined in Section 2(h) of the Securities Contracts Regulations Act 1956) the principal whereon is fully and unconditionally guaranteed by Central Government or any State Government) are excluded from this category.

Temporary Investments

Pending deployment, investments are allowed as provided in section 3.6 of this Policy.
4.2 Investment Restrictions - Scheme C

Apart from the ratings by agencies, the PFRDA Investment Guidelines expect RCPFL to undertake our own due diligence for assessment of risks associated with the securities before investments.

- Restrictions pertaining to Debt Securities
  - No investment in any unlisted security of an associate or group company is allowed.
  - RCPFL shall enter into transactions relating to Securities only in dematerialized form.
  - In case of any instruments mentioned above being rated and their rating falling below A investment grade, the option of exit should be exercised as soon as possible, and monthly updates shall be given to the Investment Committee and the Board.

- Sector-wise Limit
  - The 15% Industry Sector-wise exposure given in section 3.3 is equally applicable to the C portfolio also. The same principles enunciated in Section 3.3 will be applied for this computation. Fixed Deposits with Scheduled Commercial Banks would be exempted from exposure to banking sector.

- Issuer wise-limits
  - The investment exposure in debt securities of a sponsor group shall be restricted to 5% of the net worth of all the sponsor group companies or 5% of the AUM of the concerned NPS scheme (invested in Debt securities) (Tier-I & Tier-II separately), whichever is lower. The investment exposure in debt securities of an investee company of sponsor group shall be restricted to 5% of the net-worth of the concerned investee company of sponsor group or 5% of the AUM of debt securities (excluding Government Securities) of the concerned NPS scheme (Tier-I & Tier-II separately), whichever is lower.
  - The investment in debt securities of a non-sponsor group shall be restricted to 10% of the net worth of all companies of a non-sponsor group or 10% of the AUM of the concerned NPS scheme (Tier-I & Tier-II separately), whichever is lower. The investment in debt securities of an investee company of a non-sponsor group shall be restricted to 10% of the net worth of the concerned investee company of a non-sponsor group or 10% of the AUM of debt securities (excluding Government Securities) of the concerned NPS scheme (Tier-I & Tier-II separately), whichever is lower.
  - Net worth would comprise of Paid-up capital plus Free Reserves including Share Premium but excluding Revaluation Reserves, plus Investment Fluctuation Reserve and credit balance in Profit & Loss account, less debit balance in Profit and Loss account, Accumulated Losses and Intangible Assets.

- In case of investments in Equity/Debt instruments, in addition to the investments in Index Funds/ETF/Debt MF, the exposure limits under such Index Funds/ETF/Debt Funds should be considered for compliance of the prescribed Industry Concentration, Sponsor/Non Sponsor group norms. (for example, if on account of investment in Index Funds/ETFs/Debt MFs, if any of concentration limits are being breached than further investment should not be made in the relative Industry/Company.)
4.3 Additional Investment Guidelines
Guideline pertaining to Debt Securities

- Investment Restrictions based on Credit Ratings
  - Investments in ‘AAA’ or equivalent – Minimum of 70% of Scheme ‘C’ Corpus, excluding temporary parking of funds pending deployment.
  - Investments in Below ‘AAA’ to ‘AA’ – Maximum of 30% of Scheme ‘C’ Corpus, excluding temporary parking of funds pending deployment.
  - Investments in Below ‘AA’ to ‘A’ – Maximum of 10% of Scheme ‘C’ Corpus, excluding temporary parking of funds pending deployment.
  - Interest earned on bonds of a particular credit rating and not received should also be considered as part of that rating class, since it is included in the total corpus (denominator). E.g., interest accrued / earned on AAA bonds but not received should be included in AAA bonds.
  - If portfolio re-balancing is required, this will be done within one month.

However, for Private Issuers rated below AAA any two of the following three parameters needs to be met (it is clarified that these guidelines are internal to RCPFL):

1. Positive Net Profits in at least three out of the last five years
2. Net worth higher than Rs.500 cr.as per latest audited financials.
3. Gearing - For Manufacturing/ Services companies consolidated net debt to networth of less than 2 times. For Banks/ Financial services no breach of regulatory capital adequacy requirement in last 3 years.

There will not be any additional parameter for Issues which have sovereign guarantee from the Central Government.

However, if the Issuer belongs to a large reputed group and a significant part of credit comfort is derived from its strong parentage then the above additional parameters may be waived. The investment decision in this case, shall be taken by the Fund Manager with pre approval of Investment Committee.

It is clarified here that Bank FDs of greater than 365 days, which are part of the ‘C’ investment portfolio, will be included in the respective category as per the most conservative credit rating accorded to the bank.

- Temporary parking of funds pending deployment will be guided by Section 3.6.
- No investment will be made in rated securities which are below A. In case of any instruments mentioned above, being rated A or above, if their rating falls below A, the option of exit should be considered and if it is not exited within 30 days, it should be raised to the Investment Committee (this may be done by email / circulation), and then exited, if advised by the Committee. Communication may also be sent to the NPS Trust informing them about whichever option is exercised. This is also reflected in Section 8 under Stop Loss Limits.
- Credit default swaps can only be bought on securities which are held in the C portfolio. RCPFL can never insure others (go short) on a CDS.
- In case of multiple ratings for the same security, the publicly available two most conservative ratings shall be considered for all restrictions.
5 Policy for Portfolio “G”

5.1 Authorised Securities

(b) Other Securities (Securities defined in Section 2(h) of the Securities Contracts Regulations Act 1956) the principal whereon is fully and unconditionally guaranteed by Central Government or any State Government.
(c) Units of Mutual Fund set up as dedicated funds for investment in Govt. Securities and regulated by Securities and Exchange Board of India.

Provided that the portfolio invested in such mutual funds shall not be more than 5% of the G Sec portfolio in the concerned NPS Scheme of the pension fund at any point of time and fresh investment made in them shall not exceed 5% of the fresh accretions in the year.

Temporary parking of funds pending deployment will be guided by Section 3.6.

6 Policy for Portfolio “A”

6.1 Authorised Securities

(a) Commercial mortgage based Securities or Residential mortgage based securities.
(b) Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India.
(c) Asset Backed Securities regulated by Securities and Exchange Board of India.
(d) Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India.
(e) Alternative Investment funds (AIF Category I & II) registered with SEBI.
(f) Basel III Tier I bonds issued by scheduled Commercial Banks under RBI Guidelines:

Provided that in case of initial offering of the bonds the investment shall be made only in Tier I bonds which are proposed to be listed.

Provided further that investment shall be made in such bonds of a scheduled commercial bank from the secondary market only if such Tier I Bonds are listed.

Total portfolio invested in this sub category, at any time, shall not be more than 2% of the all Schemes AUM.

Investment in initial offerings shall not exceed 20% of the total 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.

Provided that investment under this category shall only be in listed instruments or fresh issues that are proposed to be listed except in case of category (a) and (b) above.

Provided further that investment under this category (from (a) to (f) above) shall be made only in such securities which have minimum AA or equivalent rating in the applicable rating scale from at least two rating agencies registered with Securities and Exchange Board of India (Credit Rating Agency) Regulation, 1999. Provided further that if the securities/entities have been rated by more than two rating agencies, the two lowest of the ratings shall be considered.

Further, in case of sub category (a), (b), and (e) rating from only one rating agency will be sufficient. However, in case Govt. owned AIFs under sub category (e), ratings would not be required.
The investments in category (e) (i.e. AIF: Cat I and Cat. II is allowed subject to satisfaction of the following conditions:

(i) The permitted funds under category I are infrastructure Funds, SME funds, Venture Capital Funds and social venture capital Funds as detailed in Alternative Investment Funds Regulations, 2012 by SEBI

(ii) For Category II- AIF as per the Alternative Investment Funds Regulations, 2012 by SEBI, at least 51% of the funds of such AIF shall be invested in either of the infrastructure entities or SMEs or venture capital or social welfare entities.

(iii) Pension Fund shall invest only in those AIFs whose corpus is equal to or more than Rs. 100 crores.

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

(v) Pension funds to ensure that funds should not be invested in securities of the companies or Funds incorporated and operated outside India in violation of section 25 of the PFRDA Act 2013.

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

(vii) The AIFs shall not be managed by investment manager, who is directly or indirectly controlled or managed by Pension fund or the Promoter group of the Pension Fund.

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

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

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

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

(iv) No investment in this sub-category in initial offerings shall exceed 20% of the initial offerings. Further, at any point of time, the aggregate value of Tier I bonds of any particular bank held by the fund shall not exceed 20% of such bonds issued by that bank.

Pension Funds are required to ensure due diligence in the best interest of subscribers before investing in Asset Class/Scheme A. Pension Funds are advised to consider all the risks such as liquidity risk, integrity risk, operational risk, and control issues and conflict of interest while making a decision to invest in Asset Class/ Scheme A and these are to be documented while making such decisions.

Asset Class A shall not be available to NPS subscribers under Tier II account.
Exposure limit, Scheme wise limit and Sector limit would not be applicable to Asset Class A/Scheme A till the corpus reaches Rs. 1 Crores.

Temporary Investments

Pending deployment, investments are allowed as provided in section 3.6 of this Policy.

7 Investment Pattern for NPS Lite

The Investment Pattern provided by PFRDA shall be adhered as required. In adhering the Investment Pattern, if required, necessary clarifications shall be obtained from the PFRDA authorities and clarifications/approvals obtained from the Investment Committee.

The Investment Pattern is reproduced below, as given in the Investment Guidelines issued by PFRDA on 03-June-2015. This is provided only for information, should NPS Lite be thrown open to private players in the future.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Category</th>
<th>Investment Guidelines</th>
</tr>
</thead>
</table>
| (i)   | Government Securities (upto 50%) | (a) Government securities.  
(b) Other securities (‘Securities’ as defined in section 2(h) of the Securities Contracts(Regulations) Act 1956) the principal whereof and interest whereon is fully and unconditionally guaranteed by the Central Government or any State Government. The portfolio invested under this sub category of securities shall not be in excess of 10% of the total portfolio of the G Sec in the concerned NPS Scheme of the pension fund at any point of time.  
(c) units of mutual funds set up as dedicated funds for investment in Government securities and regulated by the Securities & Exchange Board of India. Provided that the portfolio invested in such mutual funds shall not be more than 5% of the G Secs in the concerned NPS Scheme at any point of time and fresh investments made in them shall not exceed 5% of the fresh accretions in the year. |
| (ii)  | Debt securities (upto 45%) | (a) Listed (or proposed to be listed in case of fresh issue) debt securities issued by body corporates, including banks and Public Financial Institutions (PFIs as defined under Section 2 of the Companies Act 2013), which have a minimum residual maturity period of three years from the date of investment.  
(b) Basel III Tier I bonds issued by scheduled Commercial Banks under RBI Guidelines:  
Provided that in case of initial offering of the bonds the investment shall be made only in Tier I bonds which are proposed to be listed.  
Provided further that investment shall be made in such bonds of a scheduled commercial bank from the secondary market only if such Tier I Bonds are listed.  
Total portfolio invested in this sub category, at any time, shall not be more than 2% of the Scheme AUM.  
No Investment in this sub category in initial offerings shall not exceed 20% of the total initial offering. Further, at any point of time, the
aggregate value of Tier I bonds of any particular bank held by the fund shall not exceed 20% of such bonds issued by that Bank.

(c) Rupee Bonds which have an outstanding maturity of at least 3 years issued by institutions of the International Bank for Reconstruction and Development, International Finance Corporation or Asian Development Bank.

(d) Term deposit receipts of not less than one year duration issued by scheduled commercial banks, which satisfy the following conditions on the basis of published annual report(s) for the most recent years, as required to have been published by them under law,

(i) Have declared profit in the immediately preceding three financial years.
(ii) maintaining a minimum Capital to Risk Weighted Assets of 9% or mandated by prevailing RBI norms, whichever is higher;
(iii) having net non performing assets of not more than 4% of the net advances.
(iv) having a minimum net worth of not less than Rs. 200 crores.

(e) Units of Debt Mutual Funds as regulated by Securities and Exchange Board of India.

(f) The following infrastructure related debt instruments:

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

Further, this category shall also include securities issued by Indian Railways or any of the body corporates in which it has majority shareholding,

This category shall also include securities issued by any Authority of the Government which is not a body corporate and has been formed mainly with the purpose of promoting development of infrastructure.

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

(ii) Infrastructure and affordable housing Bonds issued by any scheduled commercial bank, which meets the conditions in (d) above.

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

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

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

Provided the investment under categories (a),(b),(f),(i) to (iv) and (g) of this category no.(ii) shall be made only in such securities which have minimum AA rating or equivalent in the applicable rating scale from at least two credit rating agencies. Provided further that in case of the sub category (f) (iii) the ratings shall be related to the Non Banking Financial Company and for the subcategory (f)(iv) the ratings shall relate to the investment in eligible securities rated above investment grade of the scheme of the fund.

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

Provided Further that investments under this category requiring a Minimum AA rating, as specified above, shall be permissible in securities have investment grade rating below AA in case the risk of default for such securities is fully secured by Credit Default Swaps (CDSs) issued under Guidelines of the Reserve Bank of India and purchased along with the underlying securities. Purchase amount of such swaps shall be considered to be investment made under this category.

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

It is clarified that debt securities covered under Scheme Asset Class G category (i) (b) are excluded from this category.

<table>
<thead>
<tr>
<th>iii)</th>
<th>Short term Debt Instruments and Related Investments (upto5%)</th>
<th>Money Market Instruments</th>
</tr>
</thead>
</table>

Provided investment in commercial paper issued by Body corporate shall be made only in such instruments which have minimum rating of A1+ by at least two credit rating agencies registered with Securities and Exchange Board of India.

Provided further if commercial paper has been rated by more than two rating agencies, the two lowest ratings shall be considered.

Provided further that investments in this sub category in certificates of deposit of up to one year duration issued by scheduled commercial banks will require the bank to satisfy all conditions mentioned as mentioned in section (ii) (c) above.

(b) Units of Liquid Mutual Funds regulated by Securities and Exchange Board of India with the condition that the average total assets under management of AMC for the most recent six months period of at least Rs. 5000 crores.

Term deposit receipts of up to one year duration issued by such scheduled commercial banks which satisfy all conditions mentioned in Section (ii)(c) above.
<table>
<thead>
<tr>
<th>(iv)</th>
<th>Equity (upto 15%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A) Shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange which have (i) Market capitalization of not less than Rs.5000 crores as on the date of investment and (ii) Derivatives with the shares as underlying traded in either of the two stock exchanges.</td>
</tr>
<tr>
<td></td>
<td>(B) Units of mutual funds regulated by the Securities and Exchange of India, which have minimum 65% of their investment in shares of body corporates listed on BSE and NSE.</td>
</tr>
<tr>
<td></td>
<td>(C) Exchange Traded Funds (ETF)/Index Funds regulated by Securities and Exchange Board of India that replicate the portfolio of either BSE Sensex or NSE Nifty 50 Index.</td>
</tr>
<tr>
<td></td>
<td>(D) ETF’s issued by SEBI regulated Mutual Funds constructed specifically for disinvestment of shareholding of the Government of India in body corporates.</td>
</tr>
<tr>
<td></td>
<td>(E) Exchange traded derivatives regulated by Securities and Exchange Board of India having the underlying of any permissible listed stock or any of the permissible indices, with the sole purpose of hedging. Provided that portfolio investment in derivatives in terms of contract value shall not be in excess of 5% of the total portfolio invested in sub-categories (a) to (d) above.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(v)</th>
<th>Asset Backed, Trust Structured and Miscellaneous Investments (Upto 5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a) Commercial mortgage based Securities or Residential mortgage based securities.</td>
</tr>
<tr>
<td></td>
<td>(b) Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India.</td>
</tr>
<tr>
<td></td>
<td>(c) Asset Backed Securities regulated by Securities and Exchange Board of India</td>
</tr>
<tr>
<td></td>
<td>(d) Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India.</td>
</tr>
<tr>
<td></td>
<td>Provided that investment under this category (v) shall only be in listed instruments or fresh issues that are proposed to be listed.</td>
</tr>
<tr>
<td></td>
<td>Provided further that investment under this category (v) shall be made only in such securities which have minimum AA or equivalent rating in the applicable rating scale from at least two rating agencies registered by the Securities and Exchange Board of India. Provided further that in case of the sub categories (b) and (d) the ratings shall relate to the rating of the sponsor entity floating the trust.</td>
</tr>
<tr>
<td></td>
<td>Provided further that if the securities/entities have been rated by more than two rating agencies, the two lowest of the ratings shall be considered.</td>
</tr>
</tbody>
</table>

The following restrictions/filters for NPS Lite Scheme have been imposed to reduce concentration risks in the NPS Investment of the subscribers.

- NPS Investments have been restricted to 5% of the paid up equity capital of all the sponsor group companies or 5% of total AUM under equity exposure whichever is lower, in each of the respective schemes and 10% in the paid up equity capital of all the non sponsor group companies or 10% of the total AUM under Equity exposure whichever is lower, in each respective scheme.
- * Paid up share capital: Paid up share capital means market value of paid up and subscribed equity capital.
• The investment exposure in debt securities of a sponsor group shall be restricted to 5% of the net
worth of all the sponsor group companies or 5% of the AUM of the concerned NPS scheme
(invested in Debt securities) (NPS Lite separately), whichever is lower. The investment exposure
in debt securities of an investee company of sponsor group shall be restricted to 5% of the net-
worth of the concerned investee company of sponsor group or 5% of the AUM of debt securities
(excluding Government Securities) of the concerned NPS scheme (i.e.NPS Lite separately),
whichever is lower.

• The investment in debt securities of a non-sponsor group shall be restricted to 10% of the net
worth of all companies of a non-sponsor group or 10% of the AUM of the concerned NPS
scheme (NPS Lite), whichever is lower. The investment in debt securities of an investee company
of a non-sponsor group shall be restricted to 10% of the net worth of the concerned investee
company of a non-sponsor group or 10% of the AUM of the debt securities (excluding
Government Securities) of the concerned NPS scheme (i.e.NPS Lite separately), whichever is
lower.

• Net worth would comprise of Paid-up capital plus Free Reserves including Share Premium but
excluding Revaluation Reserves, plus Investment Fluctuation Reserve and credit balance in Profit &
Loss account, less debit balance in Profit and Loss account, Accumulated Losses and Intangible
Assets.

• Investment exposure to a single industry sector (as per Level 5 of the NIC classification), shall be
restricted to 15% of all NPS Schemes portfolio (E, C, G, and A (Tier I + Tier II) taken together
and including NPS Lite, as and when applicable).

• This is being implemented in the following manner –

47. All the activities are grouped into several “activity groups” or “tabulation categories” in a
hierarchical manner. Activities are first grouped into ‘section’ alphabetically coded from A through U,
every section is divided into ‘division’ with 2-digit numeric code, every division into ‘group’ with 3-digit
numeric code, every group into ‘class’ with 4-digit numeric code and every 4-digit class into 5-digit
‘sub-class’. The structure is illustrated below.

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section C</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Division 13</td>
<td>Manufacture of textiles</td>
</tr>
<tr>
<td>Group 131</td>
<td>Spinning, weaving and finishing of textiles</td>
</tr>
<tr>
<td>Class 1311</td>
<td>Preparation and spinning of textile fibres</td>
</tr>
<tr>
<td>Sub-Class 13111</td>
<td>Preparation and spinning of cotton fibre including blended cotton</td>
</tr>
</tbody>
</table>

Source – National Industrial Classification [All Economic Activities] 2008 published by Central
Statistical Organisation Ministry of Statistics and Programme Implementation Government of India
New Delhi India
• This means 5 Digit Sub Class classification as per the NIC Classification List shown above (Sub Class 13111) and this will be classified based on the principal line of business which contributes to profits (e.g. ITC will fall under 5 Digit Sub Class - 12003: Manufacture of cigarettes, cigarette tobacco). Classification will be done internally, and the Risk Management Department of the Sponsor, which supports RCPFL, will vet this. It is also clarified here that this is being interpreted to mean exposure to a issuer across all the different portfolios (E, C, G, A and NPS Lite), and not just the E portfolio. Hence, when doing this computation, we will be taking the total corpus across E, C, G and A (Tier-I & II together) portfolios in the denominator. Investment in fixed deposits of scheduled commercial banks would be exempted from exposure to the Banking sector.

• In case of investments in Equity/Debt instruments, in addition to the investments in Index Funds/ETF/Debt MF, the exposure limits under such Index Funds/ETF/Debt Funds should be considered for compliance of the prescribed the Industry Concentration, Sponsor/Non-Sponsor group norms. (for example, if on account of investment in Index Funds/ETFs/Debt MFs, if any of concentration limits are being breached than further investment should not be made in the relative Industry/Company.)

8 General Investment Guidelines

8.1 General Investment Guidelines

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

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

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

• If any of the investments mentioned above the rating falls below the minimum permissible investment grade prescribed for investment in that instrument when it was purchased, as confirmed by one credit rating agency, the option of exit shall be considered and exercised, as appropriate, in a manner which is in the best interest of the subscribers—please refer to Section 4.3 for the exact procedures.

• The above prescribed investment pattern shall be achieved separately for each successive financial year through timely and appropriate planning.

• The prudent investment of the funds within the prescribed pattern is the fiduciary responsibility of the Pension Fund and needs to be exercised with appropriate due diligence. The Pension Fund would accordingly be responsible for investment decisions taken to invest the funds.

• The Pension fund will take suitable steps to control and optimize the cost of management of the Fund.

• The Pension fund shall ensure that the process of investment is accountable and transparent.

• It will be ensured that due diligence is carried out to assess risks associated with any particular asset before investment is made by the fund in that particular asset and also during the period over which it is held by the fund. The requirement of ratings as mandated by regulations merely indicates to limit the risk associated with investments at a broad and general level. Accordingly it should not be construed in any manner as an endorsement for investment in any asset satisfying the minimum prescribed rating or as a substitute for the due diligence prescribed for being carried out by the fund.
Due care will be exercised to ensure that the same investments are not churned with a view to enhancing fees payable. In this regard, commissions for investments in Category III (Scheme E –Equity and Equity related) instruments will be carefully charged, in particular.

All fresh investments will need to comply with the new Investment Guidelines. So no further investments can be made in groups / companies that breach the restrictions. Passive / existing breaches till 10th September 2015 due to the implementation of the new policy will remain in the portfolio, unless instructions are received to divest from the Investment Committee.

The assets are not to be encumbered
No loans for any purpose can be advanced by RCPFL.
Investment decisions should be taken in the best interest of subscribers with emphasis on safety, prudence, optimum return, sound commercial judgment and avoiding funds to remain idle.

Any moneys received on the maturity of earlier investments reduced by obligatory outgoings shall be invested in the respective scheme, abiding by the investment restrictions specified in the Investment Guidelines.

Debt investments should be under continuous monitoring and be reviewed from time to time to detect any signal of impairment /downgrade in rating of the security and immediate steps are to be taken to ensure that the interests of the subscribers are protected.

Investments should be made through a Stock Exchange, or directly with other counterparties in respect of Government Securities and other debt instruments at the best possible rate available at the time of making transactions.

No securities should be purchased or sold through any broker (other than an associate broker) which is an average of 5% or more of the aggregate purchases and sale of securities under all schemes, unless a justification has been recorded in writing for exceeding the limit of 5% and reports of all such investments are sent to the Trustees on a quarterly basis. Provided that the aforesaid limit of 5% shall apply for a block of twelve (12) months. We cannot utilise the services of the sponsor (RNLAM) or any of its associates, employees or their relatives, for the purpose of any securities transaction. A PF may utilise such services only after obtaining prior permission of the Trustees.

NPS Funds shall not be used to buy securities/bonds held in its own investment portfolio or any other portfolio held by it or in its subsidiary or in its Sponsor.

Purchase and sale of securities shall be made on the basis of deliveries only and RCPFL shall in no case put itself in a position whereby it has to make short sales or carry forward transactions or engage in badla finance (carry forward), other than transactions in derivatives, as permitted by the Investment Guidelines.

Transfer of investments from one Scheme to another Scheme of RCPFL, shall be allowed only if:-

- such transfers are made at the prevailing market price for quoted Securities on spot basis (Explanation : spot basis shall have the same meaning as specified by Stock Exchange for spot transactions)
- the Securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made.

There must not be any leverage in the portfolio. For the purpose of this Schedule, a PF shall be deemed to have leveraged the portfolio if it:
o Enters into borrowings or other financial arrangements or creates or purports or attempts to create any security, charge, mortgage, pledge, lien or encumbrance of any kind whatsoever on the assets of the portfolio or any part thereof;

o Undertakes any transaction the result of which would overdraw the account maintained by the Custodian on behalf of the PF for the purpose of settling transactions;

o Commits the Trustee to supplement the assets of the portfolio or the account maintained by the Custodian on behalf of the PF for the purpose of settling transactions without the prior written consent of the Trustee by a Proper Instruction, either by borrowing in the name of the PF or the Trustee or by committing the PF or the Trustee to a contract which may require the Trustee to supplement those assets; or

o Allows market movement to result in a leveraged position.

9 Risk Measures and Other Investment related requirements

Management of Assets Liability Mismatch
Applicable for Portfolio C and G: The Fund Manager would ensure management of asset liability mismatch.

Investment audits and Investment statistics
The internal auditors would perform the audit of Investment function covering all aspects of the Investments at least on a half-yearly basis.

Market Risks of the Portfolio
The following would be discussed with the Fund managers and updated to the Committee.

Portfolio - E
- Performance Attribution
- Risk Adjusted Returns ratios (Alpha, Sharpe Ratio)

Portfolio C
Duration of the Portfolio:
Yield of the Portfolio:
Exposure – Issuer
Exposure – Ratings
Exposure – Maturity
Exposure – Asset Class
Exposure – Sector
Profitability Reports

Stop Loss Limits
Stop loss limit PFRDA is being defined for Scheme C (both Tier I & Tier II) as a downgrade below AA credit rating. Given the generally long term nature of investments, temporary market movements (in yield) should not trigger a sell-off. So if any security falls below AA credit rating, the Fund Manager will either sell the securities within 30 days or inform the RCPFL Investment Committee and NPS Trust and take the appropriate course of action advised by the RCPFL Investment Committee.
Stop loss limits are not being defined for government securities since the change in value of these securities is expected to be temporary (determined by short term movements in market yields only) and not because of credit issues. Ultimately, if held to maturity, they will return full principal + coupon.

For the E portfolio, stop loss limits are being set at 50% adverse price movement from weighted average price acquisition. Here also, either the fund manager will exit the stock in 30 days, or inform the RCPFL Investment Committee and NPS Trust and take the appropriate course of action advised by the RCPFL Investment Committee.

### 9.1 Other Risk Measures

<table>
<thead>
<tr>
<th>Risk Measure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta</td>
<td>It measures the volatility of the security or portfolio in comparison to the market as a whole.</td>
</tr>
<tr>
<td>Concentration</td>
<td>Weightages of each issue in the total portfolio</td>
</tr>
<tr>
<td>Tracking Error / Active Risk</td>
<td>Tracking error is the standard deviation of the difference of returns between portfolio and benchmark positions over a specified holding period. Tracking error is also referred as Active risk for the passively managed portfolios.</td>
</tr>
<tr>
<td>% contribution to active Risk/Tracking error</td>
<td>The percent of active total risk that an individual asset or risk source contributes</td>
</tr>
<tr>
<td>Performance Attribution</td>
<td>Detailed analysis to show the contributing factors for the return v/s benchmark.</td>
</tr>
<tr>
<td>Risk Adjusted Return</td>
<td>The annualized excess return divided by the annualized standard deviation of that excess return. It thus measures the return earned per unit of risk taken</td>
</tr>
<tr>
<td>Sharpe Ratio</td>
<td></td>
</tr>
</tbody>
</table>
10 Annexures

10.1 Investment Objectives

The investment objectives for the three asset classes are outlined below:

Asset class E

Benchmark – the performance of the scheme will be measured by reference to the total performance (dividends reinvested) of NSE Nifty 50 Index.

Performance objective – the investment objective is to track the performance of the chosen index.

Asset class G

Performance objective – the investment objective is to optimize returns.

Risk – It is expected that the PF will be able to identify and justify the additional risks relative to the return, while managing the portfolio on an absolute return basis.

Asset class C

Performance objective – the investment objective is to optimize returns.

Risk – It is expected that the PF will be able to identify and justify the additional risks relative to the return, while managing the portfolio on an absolute return basis.

Asset class A

Performance objective – the investment objective is to optimize returns.

Risk – It is expected that the PF will be able to identify and justify the additional risks relative to the return, while managing the portfolio on an absolute return basis.

10.2 Obligations, Authorisations and Rights

PF Obligations

- The PF shall assume day to day investment management of the Schemes and, in that capacity, make investment decisions and manage the Scheme in accordance with this agreement, the Investment Guidelines, Scheme Objectives, the Deed of Trust and provisions of the PFRDA Act, regulations/guidelines/directions/notifications/circulars/ in force from time to time. The PF shall act as the Investment Manager of the Schemes with respect to the investment and reinvestment of the investible funds including cash, securities and other properties comprising the assets of each scheme organized under the PF with full discretionary PFRDA in accordance with the investment policies set forth in the Deed of Trust and by the PFRDA guidelines/directions from time to time. The transactions entered into by the PF shall be in accordance with the PFRDA Guidelines including the Guidelines for Registration, the Trust Deed and the Code of Ethics prescribed by the NPS Trust.

- PF shall have regard to the investment guidelines set out in Schedule II read when investing and managing funds. The PF shall offer to the subscribers multiple pension schemes that shall be notified by the PFRDA, in accordance with the PFRDA Act, 2013 and the regulations there under, from time to time, without any exceptions.

- The PF shall invest funds made available to it by the Trustee Bank within the time lines prescribed by PFRDA/NPS Trust from time to time.
The PF shall exercise all due diligence, prudence, due professional judgement, promptness and vigilance in carrying out its duties and in protecting the rights and interests of the subscribers. The PF shall avoid all nature of speculative transactions/dealing in investments. Investment decisions should be taken by the PF with emphasis on safety and optimum returns. The PF shall be responsible for the acts of omissions or commissions, if any, by its employees or the persons whose services have been procured by the PF and shall remain liable for the same at all times. PF undertakes that it will deploy well qualified professionals/officers with track record of integrity to manage the funds.

The PF shall manage the Fund schemes independently of other activities and take adequate steps to ensure that the interests of the subscribers are not being compromised in any manner. The PF shall (i) Not undertake any other business activities except serving as PF for pension schemes regulated by the PFRDAPFRDA without obtaining prior approval of the PFRDAPFRDA (ii) Not be entitled to charge any fees on investment of its own assets in its schemes.

The PF shall maintain books and records and comply with the disclosure requirements specified by PFRDA/NPS Trust from time to time and as detailed in Schedule III of the IMA. The valuation of the schemes would be done in accordance with the guidelines/directions issued by PFRDA/NPS Trust from time to time. The PF shall submit a periodical report on the functioning of the fund to the NPS Trust or at such intervals and in such manner as may be required or called for by the NPS Trust or PFRDA. PF shall also send any additional reports/information/data, without fail as may be required or called for by the NPS Trust or PFRDA from time to time. Besides the above PF shall submit to the NPS Trust, reports on quarterly basis or at such intervals in prescribed formats of its activities and the compliances with the guidelines.

The PF shall provide electronic interconnectivity to the PFRDA, NPS Trust, CRA, Custodian, Trustee Bank and other service providers as advised/prescribed by PFRDA/NPS Trust from time to time. The PF will need to be able to adapt to future changes including changes on account of technology advancements, changes in system specifications including number of subscribers, number of schemes, and services and functional obligations prescribed by the PFRDA.

The PF shall not give any undue or unfair advantage to any associates or deal with any of the associates of the Pension Fund in any manner detrimental to interest of the Subscribers. The PF shall not utilise the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction other than marketing and distribution of schemes. The PF must take prior approval of NPS Trust for any proposed transactions or engagement of a related party and must provide reasons for the proposed transactions or engagement. It shall make disclosure of such transactions undertaken to the NPS Trust in its Monthly and Quarterly Reports.

The PF shall be responsible for the acts of commissions or omissions by its employees or the persons whose services have been procured by the PF and shall be liable to compensate for such acts of commissions or omissions.

The PF shall not purchase or sell securities through any broker which is average of 5% or more of the aggregate purchases and sale of securities under all schemes made by the PF unless the PF has recorded in writing the justification for exceeding the limit of 5% and reports of all such investments are sent to the PFRDA/NPS Trust on a quarterly basis. Provided that the aforesaid limit of 5% shall apply for a block of twelve months.

PF shall enter into such agreements with the permission of PFRDA as is necessary for effective discharge of its responsibilities.
• PF shall provide information regarding performance, NAV history, Portfolio composition under its Schemes, Scheme financials etc. to subscribers on a periodic basis as prescribed by PFRDA/ from time to time including uploading of such information in electronic form on the website of the PF.

• PF shall ensure that the pension fund complies with all the provisions of the guidelines and that the investments made by the fund managers are in the interest of subscribers.

• PF shall not invest any part of the pension fund outside the territory of India either directly or indirectly.

• PF shall take steps to protect the interest of subscribers by ensuring safety of contribution of subscribers to various schemes of pension funds. PF shall also ensure that intermediation and other operational costs under the National Pension System are economical and reasonable.

• PF shall devise appropriate mechanism for redressal of grievance of subscribers as may be directed by the NPS Trust.

10.3 Investment Committee

I INVESTMENT COMMITTEE

1. PF shall constitute an Investment Committee consisting of two directors, the Chief Executive Officer and the Chief Investment Officer or Fund Manager in case CEO and CIO are the same official.

2. PF shall draw up an Investment Policy and place the same before the Board of Directors for its approval. In framing such a policy, the Board will be guided by:

   a. Issues relating to liquidity, prudential norms, exposure limits, stop loss limits in securities trading, management of all investment & market risks, management of assets liabilities mismatch, investment audits and investment statistics, etc. and the provisions of the PFRDA guidelines/directions.

   b. Ensuring an optimum return to subscribers consistent with the protection, safety and liquidity of such funds.

3. The investment policy as approved by the Board will be implemented by the investment committee, which shall keep the Board informed periodically about its activities.

4. The Board shall review its investment policy and its implementation on an half-yearly basis or at such short intervals as it may decide and make such modifications in its existing investment policy as are necessary to bring them in tune with the requirements of law and regulations – in regard to protection of subscribers’ interest and pattern of investment laid down by PFRDA.

5. The details of the Investment Policy or its review as periodically decided by the Board shall be submitted to the Trustees within 30 days of its decision thereto. The NPS Trust may call for
further information from time to time from the PF as it deems necessary and in the interest of the subscribers.

6. The Investment Committee shall also review the changes, if any, in Engagement Team and any other matter relating to investments and forward its recommendation to the Board of Directors of PF.

7. The Investment Committee may engage services of investment professionals, as may be required.

10.4 Format for disclosure of Investments Portfolio

The format for disclosure of Investment Portfolio shall be as prescribed by PFRDA/NPS trust from time to time.