INVESTMENT POLICY STATEMENT

(The policy is reviewed and approved by the Board on April 29 ,2024)

Version Number	Date of approval by Investment Committee	Date of approval by Board	Revised policy effective date
2022/1	20th June 2022	20th June 2022	20th June 2022
2022/2	14th October 2022	14th October 2022	14th October 2022
2023/1	25th January 2023	25th January 2023	25th January 2023
2023/2	25th April 2023	25th April 2023	25th April 2023
2023/3	25th July 2023	25th July 2023	25th July 2023
2023/4	26th Oct 2023	26th Oct 2023	26th Oct 2023
2024/1	25th January 2024	25th January 2024	25th January 2024
2024/2	29th April 2024	29th April 2024	29th April 2024

Contents

1. Purpose of the Policy

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

The aim of the document is to –

1. Define the investment objectives and processes across the funds in each of the schemes
2. Set investment limits and prudential norms such that the portfolios are managed within acceptable levels of risk and meet all the regulatory compliance parameters.

2. Scope and Coverage

The Investment Policy for the Company outlines the process and the principles for the management of all the invested assets under different fund categories. Invested assets are all the investments made in market instruments using the Subscribers funds under various schemes and Shareholder Fund.

The Policy is applicable to all operations of the investment function including, but not limited to, the following:

- Prudential norms, Income recognition, Asset classification and Provisioning
- Sector limits as stipulated in the Investment guidelines
- Sponsor and Non-Sponsor Group limits as stipulated in the Investment guidelines
- Stop Loss Limits
- Broker limit
- Investment audits
- Valuation of assets
- Management of investment risks, Liquidity and Asset/liability management
- Performance and risk reporting

Funds shall be invested in accordance with the Policy and subject to the Directives issued by:

1. Pension Fund Regulatory and Development Authority Act, 2013
2. PFRDA through:
    a. Investment Regulations and amendments thereto;
    b. Circulars issued by PFRDA;
3. Investment Committee and Board of Max Life Pension Fund Management Ltd through
    a. Investment Policy Statement (being internal guidelines);
    b. Circular resolutions;
    c. Standard Operating Procedures.

The Company will maintain separate schemes, each investing in different asset class

1. Equity Scheme (Asset class E)
2. Government Securities Scheme (Asset class G)
3. Corporate bond Scheme (Asset class C)
4. Alternative Assets Scheme (Asset class A)
5. Tax saver scheme-II

Each of the above schemes will have separate funds for Tier I and Tier II categories, except for Asset Class A which is offered to Tier I subscribers only. All references, henceforth, to each of the schemes will apply uniformly to Tier I and Tier II categories independently (unless specified otherwise), except for Asset Class A which has no Tier II offering.

All employees of the investment function shall adhere at all times to the principles and guidelines laid out in the Policy.

3. Ownership and Governance

3.1 Board and Investment Committee

The Board of Directors of the Company shall constitute an Investment Committee to oversee the investments of the Company. The Investment Committee (IC) in turn is consistent with the PFRDA guidelines. The committee shall consist of a minimum of two independent directors, the Chief Executive Officer (CEO), Chief Risk Officer (CRO) and the Chief Investment Officer (CIO). The committee shall meet every calendar quarter for the review, implementation of Investment Policy and other activities related to Investment function.

Investment policy review and reporting process:

Any change in the Policy needs to be approved by the Board on the recommendation of the Investment Committee and the Board shall review the Policy at least on a half-yearly basis or as required by regulation and to be sent to NPS trust within the stipulated time as required by the regulator from time to time.

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

Functions of Investment Committee:

- To draw up the Investment Policy and present the same to the Board of Directors for approval. Investment Committee is responsible to oversee the implementation of the Policy through the CIO and to ensure adherence to the guidelines at all times.
- To ensure that the Investment Policy is compliant with exposure limits, & other investment restrictions laid down by PFRDA
- To ensure adequate return on subscribers & shareholders' funds consistent with the protection, safety and liquidity of such funds
- To ensure that the funds are invested in equity shares and debt instruments rated as per investment regulations laid down by PFRDA
- To review the changes if any in the engagement team & any other matter relating to investments & forward its recommendation to the Board.

3.2 Investment Organizational Structure

The investment function shall be segregated into three offices namely (a) Front, (b) Mid and Back Offices.

Front office will report to Chief Investment Officer (CIO) who will report to Chief Executive Officer (CEO). Mid and Back office are part of finance team and will report to Chief Finance Officer (CFO) who will report independently to CEO.

An organizational chart for the investment function is provided in Standard Operating Procedures.

The roles and responsibilities of each of the offices are detailed in the Standard Operating Procedures (SOP) manual.

4. Categorization of Funds

The Company will maintain the following Schemes that will be dedicated and invested in a different asset class, as per PFRDA regulations and investment guidelines. The schemes are as below:

1) Equity Scheme (Asset class E)

As per PFRDA investment guidelines the investment by an NPS participant in the asset class would be subject to a cap of 75%. This asset class will be invested in the following:

(i) Equity shares of body corporate listed either on BSE/NSE which are in top 200 stocks in terms of full market capitalization as on date of investment,

(ii) ETF's/ Index Funds which replicate the portfolio of either BSE Sensex index or NSE Nifty 50 index,

(iii) Units of mutual funds which have minimum 65% of their investment in shares of body corporate listed on BSE or NSE; and

(iv) ETFs constructed specifically for disinvestment of shareholding of the Government of India in body corporate and

2) Government Securities Scheme (Asset class G)

Investments will be made only in Government securities, Government of India – Fully serviced bonds issued under Extra Budgetary Resources after 3rd June 2020 and securities which are unconditionally guaranteed by central or state government. All investments in this asset class would be subject to restrictions outlined by PFRDA.

3) Corporate bond Scheme (Asset class C)

This asset class contains bonds issued by any entity other than the Government. This asset class will be invested in fixed deposits and credit rated debt securities. This includes rated bonds/securities of Public Financial Institutions and Public sector companies, rated municipal bodies/infrastructure bonds, rated bonds of INVITs and REITs, Rupee bonds issued by identified institutions, units of debt mutual funds and units of Debt ETFs launched by Government of India. Investments will be made in rated bonds / debentures of all companies, subject to risk limits and liquidity considerations. All investments in this asset class would be subject to restrictions outlined by PFRDA.

4) Alternative Assets Scheme (Asset class A)

This asset class will contain the following assets:

a) Alternate Investment Funds (category 1 & 2)
b) Real Estate Investment Trust (REITs)
c) Infrastructure Investment Trusts
d) Basel III Tier-1 bonds

Each of the above schemes will be part of two separate categories of funds i.e. Tier I and Tier II categories, except for Asset Class A which is offered to Tier I subscribers only. All references, henceforth, to each of the schemes will apply uniformly to Tier I and Tier II categories independently (unless specified otherwise), except for Asset Class A which shall have no Tier II category.

The Pension Fund Manager will also manage a composite scheme named "NPS Tier II Tax Saving Scheme (NPS-TSS)". This is a composite scheme open to Central Government NPS subscriber with the following investment limits:

- Asset Class Equity: 10%-25%
- Asset Class Debt: 0-90%
- Cash/ Money Market / Liquid MFs: 0-20%

Investment guidelines for Asset Class Equity would be as applicable to Asset Class E Tier II Scheme and that applicable to Asset Class Debt would be same as applicable to Asset Class G Tier II and Asset Class C Tier II

5. Investment Guidelines

The purpose of this section is to detail the guiding principles applicable to all assets as well as to prohibited assets and special assets.

5.1 Fixed Income Investment

Fixed Income investments are made in Government securities in Scheme G, Corporate bonds in Scheme C and Alternative Asset class in Scheme A.

The authorized investments in the Government securities scheme are:

1) Government securities
2) Other securities which are
   a. Fully and unconditionally guaranteed by Central and State Governments
   b. Government of India – Fully Service bonds which are issued by PSUs on behalf of Government of India to raise Extra Budgetary Resources after 3rd June 2020

   Provided that the portfolio invested under this sub-category of securities shall not be in excess of 10% of the total portfolio of the Scheme G
3) Units of Government Securities Mutual Funds, regulated by SEBI, provided that the portfolio invested in such mutual funds shall not be more than 5% of the total portfolio of the Debt investments in the concerned scheme at any point of time

The authorized investments in the Corporate bond scheme (Asset class C) are:

1) Debt securities, which are listed or proposed to be listed, issued by bodies corporate, including banks and public financial institutions [as defined under Section 2 of the Companies Act, 2013]. Provided that investment in debt securities with minimum residual maturity of three years or less than three years from the date of investment, shall be limited to 10% of the investments made in corporate bond scheme during the 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.

   The investment in this category should be made in instruments which are listed or proposed to be listed having a credit rating of AA or higher from at least two credit rating agency. If the securities/entities have been rated by more than two rating agencies, the lowest two of all the ratings shall be considered.

2) The following infrastructure related debt instruments:

a. Listed or proposed to be listed debt securities issued by body corporate engaged mainly in the business of development or operation and maintenance of infrastructure, or development, construction of finance of Affordable housing as defined under Government of India's harmonized master-list of infrastructure sub-sectors. This shall also include securities issued by Indian Railways or any of the body corporate in which it has majority shareholding. This 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.

   Any structural obligation undertaken or letter of comfort issued by the Central Government, Indian Railways or any Authority of the Central Government, for any security issued by a body corporate engaged in the business of infrastructure, which notwithstanding the terms in the letter of comfort or the obligation undertaken, fails to enable its inclusion as security covered under category “Other Securities” in Scheme G above, shall be treated as an eligible security under this sub-category.

b. Infrastructure & Affordable housing bonds issued by any scheduled commercial bank, which meets the conditions specified below for term deposits receipt.

c. Listed or proposed to be listed securities issued by Infrastructure Debt Funds operating as NBFCs and regulated by RBI. For such securities credit ratings shall relate to the NBFC.

d. Listed or proposed to be listed securities issued by Infrastructure Debt Funds operating as a Mutual Fund and regulated by SEBI

It is clarified that, barring exceptions mentioned above, for the purpose of this sub-category (2), a sector shall be treated as part of infrastructure as per Government of India's harmonized master-list of infrastructure sub- sectors.

Further, investment 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 SEBI. If the securities/entities have been rated by more than two rating agencies, the lowest two of all the ratings shall be considered.

3) Listed or proposed to be listed Credit Rated Municipal Bonds. Investment 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 SEBI. If the securities/entities have been rated by more than two rating agencies, the lowest two of all the ratings shall be considered.

4) Term Deposits receipts of scheduled commercial banks not less than one year duration, which meets the regulatory requirement of Net-worth and CRAR as stipulated by Reserve Bank of India and

additionally satisfy the following conditions on the basis of published annual report(s) for the most recent years, as required to have been published by them under law:

a. having declared profit in the immediately preceding three financial years;

b. Having net non-performing assets of not more than 4% of the net advances;

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

5) Units of Debt Mutual Funds as regulated by SEBI. Provided that these schemes shall exclude schemes of mutual funds having investment in short term debt securities with Macaulay Duration of less than 1 year. Provided further that the portfolio invested in such mutual funds shall not be more than 5% of the total portfolio of the Debt investments in the concerned scheme at any point of time

6) Rupee bonds issued by the International Bank for Reconstruction & Development, International Finance Corporation & Asian Development Bank. Provided that investment in Rupee bonds with minimum residual maturity of three years or less than three years from the date of investment, shall be limited to 10% of the investment in corporate bond scheme during the preceding 12 months. For this category a single rating of AA or above by a domestic or international rating agency will be acceptable.

7) Debt securities issued by Real Estate Investment Trusts regulated by the SEBI. Provided that investment shall be made only in such securities which have minimum rating of AAA or equivalent rating in the applicable rating scale of the Trust from at least two credit rating agencies registered by SEBI.

8) Debt securities issued by Infrastructure Investment Trusts regulated by the SEBI. Provided that investment shall be made only in such securities which have minimum rating of AAA or equivalent rating in the applicable rating scale of the Trust from at least two credit rating agencies registered by SEBI.

9) Units of Debt ETFs launched by Government of India specifically meant to invest in bonds issued by Government owned entities such as CPSEs, CPSUs/CPFIs and other Government organizations, etc provided that the portfolio invested in such Debt ETFs shall not be more than 5% of Asset Under Management of corporate bond Portfolio.

The following limits will be applicable to all the investments in the Asset Class C:

Credit Rating issued by at least two Rating Agency	**Exposure Limit**
AAA Rated instruments including money market instruments /cash and cash equivalents	At least 75% of AUM
AA or higher rated instruments including money market instruments/ cash and cash equivalents	100% of AUM

In case of any instruments mentioned above being rated and their rating falling below A, the option of exit would be considered and exercised, as appropriate, in a manner that is in the best interest of the subscriber.

5.2 Alternative Asset class Investment

The authorized investments in the Alternative Asset class scheme (Asset class A) are

1) Commercial mortgage-based Securities or Residential mortgage based securities
2) Asset Backed Securities regulated by the SEBI
3) Units issued by Real Estate Investment Trusts regulated by SEBI
4) Units of infrastructure Investment Trusts regulated by SEBI
5) Investments in SEBI Regulated 'Alternative Investment Fund' AIF (Category I and Category II only) as defined under the SEBI (Alternative Investment Fund) regulations 2012
6) Basel III Tier-1 bonds issued by scheduled commercial banks under RBI guidelines

As stipulated by PFRDA, the investment in this category would be made in instruments which are listed or proposed to be listed, except in case of category 1 and 2 above, having a credit rating of AA+ or higher from at least two credit rating agencies. If the securities/entities have been rated by more than two rating agencies, the lowest two of all the ratings shall be considered. For category 3 and 4 above, minimum rating of AA+ or equivalent rating in the applicable rating scale of the Trust from at least two credit rating agencies registered by SEBI shall be considered.

For category 1, 2 and 5 above rating from only one rating agency will be sufficient. In case of Government owned AIFs under Category 5, ratings would not be required.

The investment in AIF – category I and category II is allowed subject to satisfaction of the following conditions:

1) The permitted funds under category I are Start-up Funds, infrastructure funds, SME funds, venture capital funds and social venture capital funds as detailed in Alternative Investment Funds Regulations, 2012 by SEBI
2) For category II AIF as per Alternative Investment Funds Regulation 2012 by SEBI, at least 51% of the funds of such AIF shall be invested in either of the Start- up entities, infrastructure entities or SMEs or venture capital or social welfare entities
3) Investment will be made only in those AIFs whose corpus is equal to more than Rs100 crores
4) Exposure to single AIF shall not exceed 10% of the AIF size
5) Funds shall 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
6) Sponsors of the Alternative Investment funds would not be the promoter in Pension fund or the promoter group of the pension fund;
7) AIFs shall not be managed by investment manager, who is directly or indirectly controlled or managed by Pension fund or the promoter of the pension fund.

The investment in Basel-III Tier-1 bonds of Scheme A is allowed provided that:

1) Investment shall be made in such bonds of a scheduled commercial bank from the secondary market only if such Tier-1 bonds are listed
2) In case of Initial offering of the bonds, investment shall be made only in such Tier-1 bonds which are proposed to be listed.
3) Total portfolio invested in this sub-category, at any time, can be upto a maximum of 5% of the total portfolio i.e. Scheme G+C+E+A for both Tier I and Tier II.
4) No investment in this sub-category in initial offering shall exceed 20% of the initial offering (including green shoe option). Further, at any point of time, the aggregate value of Tier-1 bonds of any particular bank held by fund shall not exceed 20% of such bonds issued by that bank.
5) The Investment in a single issuer shall not exceed 10% of the AUM of scheme A Tier I

5.3 Listed Equity Investment:

Equity investments, in Scheme E, as stipulated by PFRDA shall be made in

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

2) Exchange Traded Funds (ETF's)/ Index Funds, regulated by SEBI, which replicate the portfolio of either BSE Sensex index or NSE Nifty 50 index.
3) Units of equity schemes of mutual funds, regulated by SEBI, which have minimum 65% of their investment in shares of body corporate listed on BSE or NSE, provided that the aggregate portfolio invested in such mutual funds shall not be in excess of 5% of the AUM under Scheme/Asset Class E at any point of time and the fresh investment in such mutual funds shall not be in excess of 5% of the fresh accretions invested in the year.
4) ETFs constructed specifically for disinvestment of shareholding of the Government of India in body corporate
5) Exchange Traded Derivatives regulated by SEBI having the underlying of any permissible stock (list of top 200 stocks prepared by NPS Trust) or any of the permissible indices (BSE Sensex Index or NSE Nifty 50 Index), with sole purpose of hedging. Provided that the portfolio invested in derivatives in terms of contract value shall not exceed 5% of the AUM under Scheme/Asset Class E at any point of time.
6) Initial Public Offering (IPO), Follow on Public Offer (FPO) and Offer for Sale (OFS) of companies, approved by SEBI. IPOs with market capitalization, at the lower end of the IPO band higher than market cap of 200th stock, are eligible for participation.

Investments in the shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks, would be done basis the list of such stocks prepared by NPS Trust. The list of stocks would be circulated by NPS.

While investing in MFs, ETFs and Index funds, the underlying scrips of these MFs, ETFs or index funds should also comply with the stipulations for investments in Equity directly as mentioned in Point 1) above. However, this shall not be applicable for ETFs/Index Funds involving disinvestment of shareholding of the Government of India in body corporates.

5.4 Other Investments

5.4.1 Short term investments

Pending deployment as per investment objective, the moneys under the respective Schemes may be invested in:

- Short-term deposits upto 1 year of Scheduled Commercial Banks satisfying all the conditions as prescribed in Scheme C
- Short-term money market instruments like Treasury bills, Commercial Papers & Certificate of Deposits with minimum rating of A1+ by at least two credit rating agencies
- Liquid schemes or overnight schemes or all such short duration funds of mutual funds as may be permitted by SEBI from time to time for investment of surplus funds for short term investment with the

average total assets under management for most recent six months period of at least Rs. 5,000 crs subject to a maximum of 10% of the scheme corpus in Scheme E/C/G/A-I & 20% of the scheme corpus in Schemes E/C/G-II, on temporary basis only.

- Investments in Government securities as Lender in Triparty Repo conducted over the Triparty Repo (Dealing) system (TREPS) provided by RBI through Clearing Corporation of India Limited (CCIL).

This exposure norm shall not be applicable till the scheme corpus is below Rs. 5 crores.

5.4.2 Mutual Funds

Investments may be made in units of a Debt scheme of a Mutual Fund as regulated by SEBI where investment is in short term securities with Macaulay duration of less than 1 year viz. Overnight fund, Liquid Fund, Ultra Short Duration Fund and Low duration fund with the condition that the average total asset under management of AMC for the most recent six-month period should be at least Rs. 5,000/- crores.

Investments are made with a very short-term objective of cash management in the funds from which such investments are made.

Investments shall be made in the Liquid Funds, Overnight Funds and all such short duration funds of approved AMCs. The total AUM of the Liquid Fund, total AUM of all debt schemes managed by the Mutual Fund house, parentage, past performance etc are some of the key parameters for proposing investment in the AMC Funds.

The list of approved AMCs is provided in Standard Operating Process document.

5.4.3 Deposits

Pending deployment as per investment objective, the moneys under the respective Schemes may be invested in Term Deposit Receipts for more than one year maturity issued by such scheduled commercial banks which meets the regulatory requirement of Net-worth and CRAR as stipulated by Reserve Bank of India and additionally satisfy the following conditions on the basis of published annual report(s) for the most recent years, as required to have been published by them under law

i. Having declared profit in immediately preceding three financial years
ii. Having net NPA’s of not more than 4% of net advances

Deposits of more than 1 year, satisfying the above criteria will be eligible only for scheme ‘C’. Term deposits of not more than 1 year maturity satisfying the above criteria will be eligible for ‘Short-term investments category’

The funds placed in bank deposits shall not be counted towards calculating the exposure to the banking sector. However, investments in deposits of a bank falling under the promoter group of the sponsor, shall continue to be subjected to the promoter group exposure norms, as specified in the section on ‘Exposure Limits’. The investment restrictions for bank deposits as stipulated by PFRDA would apply to all investments made in them.

5.4.4 Commercial Paper and Certificates of Deposits

Pending deployment as per investment objective, the moneys under the respective Schemes may be invested in short-term money market instruments like Commercial Papers and Certificate of Deposit. The investments in these instruments should meet a minimum credit rating criteria of A1+ for short-term rating by atleast two rating agencies registered with SEBI. In addition to the rating, investment should meet other criteria defined by PFRDA such as Networth, CRAR and NPAs etc.

Investment can be made in Certificates of Deposit of up to one year duration issued by scheduled commercial banks which meets the regulatory requirement of Net-worth and CRAR as stipulated by Reserve Bank of India and additionally satisfy the following conditions on the basis of published annual report(s) for the most recent years, as required to have been published by them under law

1) Having declared profit in immediately preceding three financial years

2) Having net NPA's of not more than 4% of net advances

5.4.5 Application in IPO/ FPO/ OFS

Investments in an Initial Public Offering (IPOs) including Anchor investment / Follow On Public Offer (FPO's) and Offer For Sale (OFS) are allowed in the respective asset classes. IPOs with market capitalization, at the lower end of the IPO band higher than market cap of 200th stock, are eligible for participation.

5.4.6 Leverage in the schemes

No leverage, in any manner, is allowed in any of the schemes. The PFM shall be deemed to have leveraged the portfolio if it:

i. 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;

ii. Undertakes any transaction the result of which would overdraw the account maintained by the custodian on behalf of the PFM for the purpose of settling transactions;

iii. Commits the Trustee to supplement the assets of the portfolio or the account maintained by the Custodian on behalf of the PFM 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 PFM or the Trustee or by committing the PFM or the Trustee to a contract which may require the Trustee to supplement those assets;

iv. or allows market movement to result in a leveraged position.

Management shall adhere to all limits as set out in the policy at all times. However, in case of any exposure beyond the policy limits but within regulatory limits, the Chief Investment Officer shall put up a recommendation to the Investment Committee and seek specific approval.

6. PORTFOLIO POLICIES AT SCHEME LEVEL

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

6.1 Scheme A Tier I (A-I)

Objective

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

Strategy

Investments to be made in the following class of assets:

A) Commercial mortgage based Securities or Residential mortgage based securities

B) Asset Backed Securities regulated by SEBI

C) Listed or proposed to be listed Units issued by Real Estate Investments Trusts regulated by SEBI

D) Listed or proposed to be listed Units of Infrastructure Investments Trusts regulated by SEBI

E) SEBI regulated "Alternative Investment Funds" AIF (Category I and Category II) as defined under SEBI (Alternative Investment Fund) Regulations, 2012.

F) Listed or proposed to be listed Basel III Tier I bonds issued by scheduled commercial banks under RBI guidelines.

As stipulated by PFRDA, the investment in this category would be made in instruments that are listed or proposed to be listed, except in case of category (A) and (B) above

Investment under this category {from (A) to (D) and (F)} shall be made only in securities having a credit rating of AA+ or higher from at least two credit rating agencies. If the securities/entities have been rated by more than two rating agencies, the lowest two of all the ratings shall be considered.

For category (C) and (D) above, minimum rating of AA+ or equivalent rating in the applicable rating scale of the Trust from at least two credit rating agencies registered by SEBI shall be considered.

Provided further that in case of sub categories (A) and (B), rating from only one rating agency will be sufficient.

The investment in AIF – category I and category II is allowed subject to satisfaction of the following conditions:

1) The permitted funds under category I are Start-up Funds, infrastructure funds, SME funds, venture capital funds and social venture capital funds as detailed in Alternative Investment Funds Regulations, 2012 by SEBI
2) For category II AIF as per Alternative Investment Funds Regulation 2012 by SEBI, at least 51% of the funds of such AIF shall be invested in either of the start-up entities, infrastructure entities or SMEs or venture capital or social welfare entities
3) Investment will be made only in those AIFs whose corpus is equal to more than Rs100 crores
4) Exposure to single AIF shall not exceed 10% of the AIF size
5) Funds shall 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
6) Sponsors of the Alternative Investment funds would not be the promoter in Pension fund or the promoter group of the pension fund
7) AIFs shall not be managed by investment manager, who is directly or indirectly controlled or managed by Pension fund or the promoter of the pension fund.

The investment in Basel-III Tier-1 bonds of Scheme A is allowed provided that:

1) Investment shall be made in such bonds of a scheduled commercial bank from the secondary market only if such Tier-1 bonds are listed
2) In case of Initial offering of the bonds, investment shall be made only in such Tier-1 bonds which are proposed to be listed.
3) Total portfolio invested in this sub-category, at any time, can be upto a maximum of 5% of the total portfolio i.e. Scheme G+C+E+A for both Tier I and Tier II.
4) No investment in this sub-category in initial offering shall exceed 20% of the initial offering. Further, at any point of time, the aggregate value of Tier-1 bonds of any particular bank held by fund shall not exceed 20% of such bonds issued by that bank.
5) The investment by Pension Fund in a single issuer shall not exceed 10% of the AUM of the scheme

Permitted Asset Classes

- Real Estate Investments Trusts
- Asset Backed Securities
- Infrastructure Investments Trusts
- Alternative Investment Funds (Category I and Category II)
- Basel III Tier I bonds
- Short term Investments

Exposure norms for investment in REITs/INVITs:

1. The cumulative Investments in Units (Scheme A) and Debt Instruments of lnvlTs and REITs shall not exceed 3% of total AUM of the Pension Fund at any point of time.
2. The Pension Fund shall not invest more than 15% of the Outstanding Debt instruments issued by single lnvlT/REIT issue.
3. The Pension Fund shall not invest more than 5% of the Units issued by a single lnvlT/REIT issue.

Asset Allocation

1	Real Estate Investments Trusts / Asset Backed Securities / Infrastructure Investments Trusts / Alternative Investment Funds	Max 100%
2	Basel III Tier I bonds	Max 5% of E, C ,G & A
3	Short term Investments	Max 10%

Note: Sponsor / Non sponsor / Single industry exposure/ would not be applicable to Scheme A till the scheme corpus reaches Rs 15 Cr. Short term investment limit is not applicable till the corpus reaches Rs. 5 Cr.

6.2 Scheme E Tier I & Scheme E Tier II (E-I & E-II)

Objective

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

Strategy

Investments to be made in the following class of assets:

A) Shares of body corporate listed on BSE or NSE, which are in top 200 stocks in terms of full market capitalization as on date of investment.

   (i) Top 200 stock list to be adopted as provided by NPS Trust;

(ii) Subsequent to any updation in the list, Scheme portfolio would have to be rebalanced within a period of six month. This updated equity- universe is valid with effect from the date the NPS Trust provide the list of top 200 stocks till such time the NPS Trust revise it again.

B) Equity Investments have been restricted to 5% of the “paid up share capital”* of all the sponsor group** group*** companies or 5% of the total AUM managed by the pension fund, whichever is lower, in each respective scheme and 15 % of the “paid up share capital” of all the non-sponsor group companies or 15 % of the total AUM under equity exposure whichever is lower, in each respective scheme.

**Paid up share capital': Paid up share capital means market value of paid up and subscribed equity capital.*

***`Sponsor shall mean an entity described as "Sponsor" under Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015 and subsequent amendments thereto.*

****Group' means two or more individuals, association of individuals, firms, trusts, trustees or bodies corporate, or any combination thereof, which exercises, or is established to be in a position to exercise, significant influence and / or control, directly or indirectly, over any associate as defined in Accounting Standard (AS), body corporate, firm or trust, or use of common brand names, Associated persons, as may be stipulated by the Authority, from time to time, by issuance of guidelines under these Regulations.*

C) Units of Mutual Fund (MF) regulated by SEBI, which have minimum 65% of their investment in shares of body corporate listed on BSE or NSE, provided that the aggregate portfolio invested in such mutual funds shall not be in excess of 5% of the AUM under Scheme/Asset Class E at any point of time and fresh investment in such mutual funds shall not be in excess of 5% of the fresh accretions invested in the year.

D) Exchange Traded Funds (ETFs) / Index funds regulated by SEBI that replicate the portfolio of either BSE Sensex Index or NSE Nifty 50 Index.

E) ETFs issued by SEBI regulated MF constructed specifically for the purpose of disinvestment of shareholding of Government of India in body corporate.

F) Investment in Initial Public Offer(IPO), Follow on Public Offer (FPO), Offer for Sale(OFS)

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

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

(iii) The investment in Equity Shares through Follow on Public Offer (FPO)/Offer for Sale (OFS) shall be made in the shares of body corporates listed on BSE or NSE, which are in top 200 stocks in terms of full market capitalization as per the last published universe by NPS Trust.

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

(v) Post investment in Equity Shares through IPO, if the equity shares do not fulfil the market capitalization condition as per (ii) post listing then such shares can be held for a maximum period of one year only.

Permitted Asset Classes

- Equity Shares
- Equity Mutual Funds
- ETFs / Index Funds
- Short Term Investments

Asset Allocation

1	Equity Shares	Max 100%
2	Equity Mutual Funds / ETFs / Index Funds	Max 5%
3	Short term Investments	Max 10% in case of Tier I Max 20% in case of Tier II

Benchmark

The benchmark for the fund is S&P BSE 200 TRI.

Note: Sponsor / Non sponsor / Single industry exposure would not be applicable to Scheme E (Tier I and II) till the scheme corpus reaches Rs 5 Cr. Short term investment limit (for Scheme Tier II) is not applicable till the corpus reaches Rs. 5 Cr.

6.3 Scheme C Tier I & Scheme C Tier II (C-I & C-II)

Objective

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

Strategy

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

A) Investment in listed or proposed to be listed Credit Risk bearing Fixed Income Instruments issued by bodies corporate, including banks and public financial institutions, provided investment in debt securities with minimum residual maturity of three or less than three years from the date of investment, shall be limited to 10% of the investments made in corporate bond scheme during preceding 12 months. In case of securities where the principal is to be repaid in a single payout the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of security.

B) Investments in rupee bonds issued by institutions of International Bank for Reconstruction and Development, International Finance Corporation and Asian Development Bank, provided investment in debt securities with minimum residual maturity of three or less than three years from the date of investment, shall be limited to 10% of the investments made in corporate bond scheme during the preceding 12 months.

C) Term Deposits of not less than one year duration issued by Scheduled Commercial Banks which meet the regulatory requirement of Net Worth and CRAR as stipulated by RBI subject to the satisfaction of following criteria:

Having declared profit in the immediately preceding three financial

years;

ii. Having net NPAs of not more than 4% of the net advances;

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

D) Units of debt mutual funds which are regulated by SEBI with macaulay duration of more than 1 year. Provided further that the portfolio invested in such mutual funds shall not be more than 5% of the total portfolio of the Debt investments in the concerned scheme of the Pension Funds at any point of time.

E) Debt securities issued by Real Estate Investment Trusts (REITs) regulated by SEBI.

F) Debt securities issued by Infrastructure Investment Trusts (InvITs) regulated by SEBI

G) Infrastructure related debt instruments: Listed or proposed to be listed (in case of fresh issue) debt securities a) Issued by body corporate engaged mainly in the business of development or operation and maintenance of infrastructure (including construction or finance of low cost housing), b) securities issued by Indian Railways or any of the body corporate in which it has majority shareholding, c) securities issued by any Authority of the Government which is not a body corporate and has been formed mainly for the purpose of promoting development of infrastructure. d) any structural obligation undertaken or letter of comfort issued by the Central Government, Indian Railways or any Authority of the Central Government for any security issued by body corporate engaged in the business of infrastructure e) Infrastructure and affordable housing bonds issued by Scheduled Commercial Banks(subject to criteria applicable to investment in Term deposits of scheduled commercial banks), f) securities / units issued by Infrastructure Debt Funds operating as NBFC or a Mutual Fund

H) Investment in units of Debt ETFs issued by Government of India specifically meant to invest in bond issued by Government owned entities such as CPSEs, CPSUs/CPFIs and other government organizations, etc provided that the portfolio invested in such Debt ETF's shall not be more than 5% of Asset under management of Corporate Bond Portfolio of the respective schemes

I) Listed or proposed to be listed Credit rated municipal bonds

Credit Rating Criteria for above Categories:

1. Investments under category (A), (G) & (I) shall be only made in such securities which have minimum AA rating or equivalent in the applicable rating scale from at least two rating agencies registered with SEBI.

2. If the securities/entities have been rated by more than two rating agencies, the lowest two of all the ratings shall be considered.

3. Investments are permissible in securities having Investment grade rating below 'AA' provided the risk of default for such securities is fully covered with Credit Default Swaps (CDSs) issued under Guidelines of RBI and purchased along with the underlying securities. Purchase amount of such Swaps shall be considered to be investment made under the category requiring minimum 'AA' rating.
4. Under category (B) a single rating of 'AA' or above by a domestic or international rating agency will be acceptable.
5. Investments under category (E) & (F) should have minimum rating of 'AA' of the Trust from at least Two credit rating agencies regulated by SEBI.

Permitted Asset Classes

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

Asset Allocation

1	Non-Convertible Debentures / Bonds / Rupee bonds / Term deposits/ Infrastructure related debt instruments / Affordable Housing bonds / Municipal bonds	Max 100%
2	Debt Mutual Funds / Debt ETFs	Max 5%
3	Short Term Investments	Max 10% in case of Tier I Max 20% in case of Tier II

Benchmark

The benchmark for the fund is NPS -Corporate Bond Index.

Note: Sponsor / Non sponsor / Single industry exposure would not be applicable to Scheme C (Tier I and II) till the scheme corpus reaches Rs 5 Cr. Short term investment limit (for Scheme Tier II) is not applicable till the corpus reaches Rs. 5 Cr.

6.4 Scheme G Tier I & Scheme G Tier II (G-I & G-II)

Objective

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

Strategy

To invest in Government Securities (Includes all Central Govt securities and State Development Loans), maintaining a medium to long term duration of the portfolio to achieve capital conservation. Investments can be made in securities where principal and interest is fully and unconditionally guaranteed by the Central Government or any state government subject to regulatory restrictions. Investments can also be made in Govt. of India fully serviced Bonds issued by PSUs under Extra Budgetary Resources (EBR) after 3rd June 2020. Also, investments in units of mutual funds set up as dedicated funds for investments in Government Securities and regulated by SEBI can be made for not more than 5% of the Government Securities scheme and fresh investment shall not exceed 5% of the fresh accretions in the year.

Permitted Asset Classes

- Government Securities
- Securities guaranteed by Central or State Government
- Mutual Funds dedicated for Government Securities
- Liquid Investment/ Short Term Investments

Asset Allocation

1	Government Securities	Max 100%
2	Government guaranteed/fully serviced securities	Max 10%
3	Dedicated mutual funds investing in Government Securities	Max 5%
4	Short Term Investments	Max 10% in case of Tier I Max 20% in case of Tier II

Benchmark

The benchmark for the fund is NPS –Government Securities Index.

Note: Sponsor / Non sponsor / Single industry exposure would not be applicable to Scheme G (Tier I and II) till the scheme corpus reaches Rs 5 Cr. Short term investment limit (for Scheme Tier II) is not applicable till the corpus reaches Rs. 5 Cr.

6.5 Scheme Tax Saver2

Objective

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

i. Equity Strategy

Investments to be made in the following class of assets:

A) Shares of body corporate listed on BSE or NSE, which are in top 200 stocks in terms of full market capitalization as on date of investment. (i)Top 200 stock list to be adopted as provided by NPS Trust based on the data as on end of June and December each year. (ii) Subsequent to any updation in the list, Scheme portfolio would have to be rebalanced within a period of One month.

B) Units of Mutual Fund (MF) regulated by SEBI, which have minimum 65% of their investment in shares of body corporate listed on BSE or NSE, provided that the aggregate portfolio invested in such mutual funds shall not be in excess of 5% of the total portfolio of the fund at any point in time and fresh investment in such mutual funds shall not be in excess of 5% of the fresh accretions invested in the year. Further the underlying script of these MFs, ETFs or Index Funds should also comply with the above stipulations for investments in Equity directly.

C) Exchange Traded Funds (ETFs) / Index funds regulated by SEBI that replicate the portfolio of either BSE Sensex Index or NSE Nifty 50 Index.

D) ETFs issued by SEBI regulated MF constructed specifically for the purpose of disinvestment of shareholding of Government of India in body corporate.

ii. **Corporate Debt Strategy**

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

As per PFRDA regulations, investments in the following class of Credit risk bearing fixed income instruments having a minimum credit rating of AA / A1+ from at least two rating agencies can be made. In case the securities/entities have been rated by more than two rating agencies, the lowest two of all the ratings shall be considered:

A. Investment in listed or proposed to be listed Credit Risk bearing Fixed Income Instruments issued by bodies corporate, including banks and public financial institutions, provided investment in debt securities with minimum residual maturity of three or less than three years from the date of investment, shall be limited to 10% of the investments made in corporate bond scheme during the preceding 12 months and should be in securities with AAA or equivalent rating from at least two credit rating agency only.

B. Investments in rupee bonds issued by institutions of International Bank for Reconstruction and Development, International Finance Corporation and Asian Development Bank, provided investment in debt securities with minimum residual maturity of three or less than three years from the date of investment, shall be limited to 10% of the investments made in corporate bond scheme during the preceding 12 months and should be in securities with AAA or equivalent rating from at least two credit rating agency only.

C. Term Deposits of not less than one year duration issued by Scheduled Commercial Banks subject to the following regulatory credit criteria:

   i. Having declared profit in the immediately preceding three financial years;

   ii. Maintaining a minimum Capital to Risk Weighted Assets Ratio of 9%, or mandated by prevailing RBI norms, whichever is higher;

   iii. Having net NPAs of not more than 4% of the net advances;

   iv. Having a minimum net worth of not less than Rs200crs

D. Units of debt mutual funds which are regulated by SEBI.

E. Infrastructure related debt instruments: Listed or proposed to be listed (in case of fresh issue) debt securities a) Issued by body corporate engaged mainly in the business of development or operation and maintenance of infrastructure (including construction or finance of low cost housing), b) securities issued by Indian Railways or any of the body corporate in which it has majority shareholding, c) securities issued by any Authority of the Government formed for the purpose of promoting development of infrastructure. d) any structural obligation undertaken or letter of comfort issued by the Central Government, Indian Railways or any Authority of the Central Government for any security issued by body corporate engaged in the business of infrastructure

e) Infrastructure and affordable housing bonds issued by Scheduled Commercial Banks, f) securities / units issued by Infrastructure Debt Funds and g) credit rated municipal bonds.

F. Investment in units of Debt ETFs issued by Government of India specifically meant to invest in bond issued by Government owned entities such as CPSEs, CPSUs/CPFIs and other government organizations, etc.

iii. **Government Debt Strategy**

To invest in Government Securities, maintaining a medium to long term duration of the portfolio to achieve capital conservation. Investments can be made in securities where principal and interest is fully and unconditionally guaranteed by the Central Government or any state government subject to regulatory restrictions. Also, investments in units of mutual funds set up as dedicated funds for investments in Government Securities and regulated by SEBI can be made for not more than 5% of the Government Securities and fresh investment shall not exceed 5% of the fresh accretions in the year.

Permitted Asset Classes in scheme

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

Asset Allocation

	Category	**Main**	**Sub (% of main)**
1	**EQUITY**	Max 25 %	
	Equity Shares		Max 100%
	Equity Mutual Funds / ETFs / Index Funds		Max 5%
2	**CORPORATE DEBT**	Max 90%	
	Credit Risk bearing Fixed Income Instruments		Max 100%
	Debt ETFs		Max 5%
3	**GOVERNMENT DEBT**	Max 90%	

	Government Securities		Max 100%
	Government guaranteed securities		Max 10%
	Dedicated mutual funds investing in Govt. Securities		Max 5%
4	Short Term Investments*	Max 20%	

* The above exposure norm shall not be applicable till the time scheme corpus is below Rs. 5 crore.

6.6 Short Term Investments (Scheme E, C, G, A)

Permitted Investments under Short Term Investments category subject to maximum 10% / 20% of the scheme corpus unless mentioned otherwise is as follows:

A) Investment in Commercial Paper issued by body corporate with a minimum rating of A1+ by at least two rating agencies registered with SEBI (lowest of all rating shall be considered).

B) Investment in Treasury bills, Certificates of Deposits and Term Deposits issued by Scheduled Commercial Banks which meet the regulatory requirement of Net Worth and CRAR as stipulated by RBI and have maximum duration of 1 year and satisfy all the below mentioned conditions:

i. Having declared profit in the immediately preceding three financial years;
ii. Having net NPAs of not more than 4% of the net advances;

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

C) Investments in units of Debt scheme of a MF regulated by SEBI, which have macaulay duration of less than 1 year. Namely Overnight Fund, Liquid Fund, Ultra Short Duration Fund and Low Duration Fund. Such investment should only be made in an MF scheme of an AMC which has minimum average total Assets Under management during the most recent six month period of Rs. 5,000 crores.

D) Investments in Government securities as Lender in Triparty Repo conducted over the Triparty Repo (Dealing) system (TREPS) provided by RBI through Clearing Corporation of India Limited (CCIL).

PRUDENTIAL EXPOSURE LIMITS

Exposure limits

The PFRDA stipulated exposure norms for single company, group and industry sector are as follows. However, the following would not be applicable to Asset Class A (Scheme A) till the scheme corpus reaches Rs.15 cr. and Tier II Schemes till the scheme corpus reaches Rs.5 crore in each scheme.

Type of Asset Class	Limit for the entire 'Group' of the investee company			Limit for Industry Sector to which the investee company belongs	Issuer Limit
		Sponsor Group	**Non-Sponsor Group**		
Asset Class E		5% of Equity Paid up capital of all sponsor group companies or 5% of Total AUM managed by the pension fund, whichever is lower	15% of Equity Paid up capital of all non-sponsor group companies or 15% of Total AUM under equity exposure, whichever is lower	Investment by the Pension Fund Manager in any industrial sector shall not exceed 15% of its total investment exposure across various schemes as per Level 5 of NIC classification.	
Asset Class C	.	5% of the net-worth of all sponsor group companies or 5% of the Scheme AUM, whichever is lower	10% of the net-worth of all non-sponsor group companies or 10% of the Scheme AUM, whichever is lower	Investment by the Pension Fund Manager in any industrial sector shall not exceed 15% of its total investment exposure across various schemes as per Level 5 of NIC classification.	
Asset Class G	*Atleast 90% investments in Central ,State*	Other securities which are – i) fully & unconditionally guaranteed by			Not Applicable

	Government & other Govt. Guaranteed securities.	central or state government ii) Government of India – Fully Service bonds which are issued by PSUs on behalf of Government of India to raise Extra Budgetary Resources after 3rd June 2020 - limited to maximum 10% of AUM of Scheme			
Asset Class A	*Total portfolio invested in Basel III Tier-1 bonds, at any time, can be upto a maximum of 5% of the total portfolio i.e. Scheme G+C+E+A for both Tier I and Tier II.*				The investment by Pension Fund in a single issuer shall not exceed 10% of the AUM of the scheme

If the investments are made in Equity/Debt instruments, in addition to the investments in Index funds/ETF/Debt MF, the exposure limits under such Index funds/ETF/Debt MF shall not be considered for compliance of the prescribed Industry Concentration, Sponsor/ Non Sponsor group norms.

Exposure norms for investment in REITs/INVITs:

1. The cumulative Investments in Units and Debt Instruments of lnvlTs and REITs shall not exceed 3% of total AUM of the Pension Fund at any point of time.
2. The Pension Fund shall not invest more than 15% of the Outstanding Debt instruments issued by single lnvlT/REIT issue.

3. The Pension Fund shall not invest more than 5% of the Units issued by a single InvIT/REIT issue.

6.7 Exposure limits for Shareholders Funds

The Exposure limits for the shareholders' funds are as follows:

Sl. No.	Asset Type	Description	Exposure Limit
1.	Government Securities	G-Sec, SDLs, Government of India (GOI) guaranteed and GOI Serviced Bonds	Up to 100%
2.	Corporate Bonds/Debentures	(AA+ & above rated)	Up to 100%
3.	Cash & Cash Equivalents including Bank Fixed Deposits	Liquid Funds, Overnight Funds and Fixed Deposits	Up to 100%

6.8 Broker Empanelment Policy

Introduction

To execute the investment ideas, we need services of brokers (in both equity and fixed income segment) for their expertise in research, dealing, execution etc.

All secondary market trading should be channelled through multiple brokers empanelled by the company, to reduce the concentration risk of placing trades through a few brokers. A separate set of brokers are identified and empanelled for equities and debt market.

Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015 stipulate that *"The pension fund shall not purchase or sell securities through any broker which is average of 5 per cent or more of the aggregate purchases and sale of securities under all schemes made by the pension fund unless the pension fund has recorded in writing the justification for exceeding the limit of 5 per cent and reports of all such investments are sent to the Authority the National Pension System Trust on a quarterly basis"*

The regulation further states that *"The Pension Fund shall not utilize the services of the sponsor or any of its associate, employees or their relatives for the purpose of any securities transaction".*

Empanelment Process:

Brokers to be empanelled with Max Life Pension Fund, shall be proposed by Investment Front Office team.

The broker will be empanelled based on following criteria as prescribed by PFRDA:

i. To have a valid Securities Exchange Board of India (SEBI) registration certificate for the last three (3) years.
ii. Be a member of both the National Stock Exchange and Bombay Stock Exchange for the last three (3) years.
iii. Be a body corporate with at least five years in existence.
iv. To have a minimum Net worth of Rs 5 crores.
v. To have a minimum Turnover of Rs 1,000 crores during the last financial year.
vi. Empaneled with at least five (5) institutions comprising of Banks/Foreign Institutional Investor / Mutual Funds as brokers.
vii. SEBI or any other Regulator has not initiated any action against the organisation in the past (suspend, fined, debarred, expelled) and no criminal litigation or money laundering case is pending against any of the directors' of the organization.
viii. Possess strong research capabilities and good market reputation.

Documentation: Following documents may be required for the empanelment process:

i. Confirmation of criteria for empanelment by broker
ii. Client Broker Agreement* duly stamped & signed in the prescribed format whenever required
iii. SEBI registration Certificate of NSE/BSE
iv. Membership Certificate of NSE/BSE
v. Incorporation Details
vi. Latest Net Worth Certificate
vii. List of empaneled clients
viii. Any other information relevant for empanelment

(Agreements for Debt brokers may not be applicable)*

The investment back office function (finance function) to run the broker empanelment process and shall verify the documents to check that all requirements are in order.

Approval:

The proposal for empanelment has to be sent to the Investment Committee for approval. After the Investment Committee approves the empanelment, the broker will be added to the list of empanelled brokers and the dealers may transact deals through the broker. The Company's fixed income trades may be executed through a broker on an exchange or directly with counter-party.

The list of empanelled brokers is forming part of SOP.

All business will be transacted through empanelled brokers only.

Review:

The broker empanelment policy along with list of empanelled brokers shall be reviewed annually.

6.9 Proxy Voting Policy

MLPFM shall follow the Voting Policy guidelines released in circular no. PFRDA/2017/17/PF/1 dated 20.04.2017 issued by the PFRDA. (Annexure)

7. PART D: Risk Management and Operational Guidelines

Standard Operating Procedures

The Standard Operating Procedures (SOP) manual gives details of various activities, roles and responsibilities of the three divisions of the investment function. The Standard Operating Procedures and any changes thereto are approved by the Investment Committee.

7.1 Risk identification and measurement

The broad risks in the investment portfolios can be classified under –

1. Liquidity Risk
2. Interest rate risk
3. Re-investment risk
4. Credit Risk
5. Asset Liability Mismatch Risk
6. Market Risk

These risks are the active risks that are to be managed through Investment management.

1. Liquidity Risk

Market liquidity risks arise due to the inability to buy or sell the required quantum of securities at the market prices without any impact on the market price of the securities whereas funding liquidity Risk is inability to meet short term obligations.

1.1. Fixed Income securities:

Liquidity risks are high in the fixed income market. A large portion of the traded volumes in the market can be attributed to a few ‘on-the-run’ benchmark securities. The rest of the securities are largely ‘illiquid’. Hence, liquidity risks are inherent in all fixed income portfolios.

Liquidity management in the fixed income portfolios depend on the fund objectives: Fixed income funds have a more active duration management and hence have higher level of portfolio turnover. Though there are no limits prescribed, the fixed income investments in these funds should endeavor to allocate a high proportion of the investments to ‘liquid’ on-the-run benchmark securities among Central Government & State Government securities. Investment in Corporate bonds should aim to invest a higher proportion in ‘liquid’ on-the-run bonds issued by highly rated companies in benchmark sizes and benchmark maturities.

1.2. Equity securities:

A large proportion of the equity cash market volumes are accounted for by the large cap index stocks. Liquidity in these large cap index stocks is very good with a good depth in the market to absorb large volumes. However, the market depth in most mid cap and small cap stocks is low and trading volumes are also low.

Liquidity in the equity portfolios is important & that is why the equity positions are mostly in the large cap names forming a part of the benchmark index. The level of liquidity risks should be assessed by the investment team to ensure that the equity portfolios do not have a high number of illiquid holdings. A liquidity report should be prepared at the end of every month to assess the liquidity position of the equity portfolio.

2. Interest Rate Risk

Interest rate risks arise in the Fixed Income portfolios from the changes in the value of securities due to changes in the interest rates.

Interest rate risk is the key risk for active management of fixed income portfolios. The level of interest rate risk is derived from the fund management team's views on interest rates and portfolio positioning.

3. Re-investment Risk

Re-investment risks arise in portfolios due to the changes in future interest rate levels such that future cash flows are invested at yields different from prevailing levels. Re- investment risks are acute when yields fall down such that the future cash flows in the form of regular subscription amounts and coupon payments are re-invested at lower yields, and reduce the total investment return from the initial estimates.

4. Credit Risk

Credit risk is an active risk that is managed by the fund management team based on market and credit views. Credit risks stem from a possible failure by an issuer of bonds to make the contracted payments in full at the specified time. Such failure results in a loss of returns and / or principal of the investment. Government securities are considered free from credit risks. All other securities have credit risks associated with the investments. All investments in instruments apart from Government securities have to be made in rated instruments only. The credit rating has to be assigned by a SEBI registered rating agency only.

The credit rating of a bond is the key indicator of the credit risk level of the bond investment. PFRDA regulations stipulate that apart from securities issued by state & central government, all the investments in Scheme C have to be rated A or above by atleast two credit rating agencies. These limits restrict the investments in lower rated instruments and mitigate the credit risk inherent in fixed income portfolios.

Front office to review performance of credit portfolio at least on annual basis

5. Asset Liability Mismatch Risk

Asset liability mismatch risk arises due to adverse liquidity and interest rate conditions on the financial statements due to unmatched asset and liability cash flows. The liability for the scheme is backed by assets held in the scheme. To ensure appropriate asset liability management, the assets of each scheme would be invested following the investment objective and liability profile.

6. Market Risk

Market risk arises from an adverse movement in the general levels of the equity or fixed income markets, possibly due to changes in the macro-economic conditions or any other factors that affect the market as a whole.

In fixed income portfolios with asset-liability matching these risks are minimal as long as the effect applies to both the assets as well as the liabilities.

Market risk is a key active risk that is managed by the funds management team in linked funds in both the Asset class E as well as Asset class G, C & A portfolios. These risks are managed based on market views and fund positioning.

7.2 Early Warning Provisions (Stop Loss):

The process of early warning indicators helps in identifying the securities with consistent underperformance or securities which may be potential case for impairment in near future.

The detailed guidance and matrix to be followed for early warning provision and its reporting is provided in Standard Operating Procedure (SOP).

7.3 Asset Liability Management

Asset Liability Management (ALM) is an integral part of PFM business. To ensure that company is in a position to honor all its commitments to all the subscribers at all times, a close monitoring of Assets and Liabilities is required and for the purpose, investment team will identify, measure, manage, report and control ALM risks company is exposed to.

Investment team will identify and investigate all ALM risks including those of potential nature and report to management.

Investment team will consider all ALM risks pertaining to liquidity, interest rates and other market risks faced company.

Tactical investment decisions or details of individual investments will be out of scope; however, if the resultant risk becomes material it should be considered and, if required, flagged by the investment team.

The key parameters that are monitored are

- Cash flow matching of liabilities and assets
- Duration gap
- Liquidity ratios
- Interest rate sensitivity

7.4 Other guidelines

a. The day to day management of the investment function shall be in accordance with the Standard Operating Procedures.
b. All transactions shall adhere to the Authority Matrix as detailed in Standard Operating Procedure.
c. All investment assets shall be held in dematerialized form. This shall not apply for Fixed Deposits, Mutual fund units and other assets which are not available in demat form
d. Equity transactions shall be facilitated through Straight Through Processing.
e. No speculative trades shall be undertaken.
f. The assets are not to be encumbered

g. No investment in any unlisted security of an associate or group company is allowed.
h. No loans for any purpose can be advanced by the PF
i. Under no circumstances, any short position shall be assumed. All trades shall be carried out on delivery basis. Delivery based transaction implies that the sale transaction will settle either in the same settlement cycle as the preceding purchase contract or in the subsequent settlement cycle so that the delivery obligation under the sale contract is assured of.
j. Broker empanelment and review shall be conducted in terms as detailed in Standard Operating Procedures.
k. The Pension Fund 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 Pension Fund (or any such limit as prescribed by PFRDA on time to time basis), unless the Pension Fund has recorded in writing the justification for exceeding the limit of 5%. The reports of all such investments should be sent to the PFRDA or the NPS Trust on a quarterly basis. Provided that the aforesaid limit of 5% shall apply annually
l. All functionaries of the investment function shall follow the company's Personal Trading Guidelines.
m. A review of the investment activities and performance measurement would be conducted on a periodic basis and report to be circulated amongst key functionaries.
n. Inter-scheme as permitted by the Authority are allowed in Schemes.
o. The Pension Fund shall not invest any part of the Pension Fund outside the territory of India either directly or indirectly
p. If services of professional fund/assets managers for management of the assets is engaged, payment to whom is being made on the basis of the value of each transaction, the value of funds invested in any mutual funds mentioned in any of the categories or ETFs or Index Funds shall be reduced before computing the payment due to them in order to avoid double incidence of costs. However, Investments made in Liquid Mutual Funds and Overnight Funds would not be excluded for payment of investment management fee (IMF). Also, Investment in ETFs/Index Funds, for the purpose of disinvestment of shareholding of the Government of India in body corporates, shall also be eligible for payment of IMF

7.5 Audits

The investment function is subject to various audits such as:

- Internal Audit
- Statutory Audit
- Regulatory inspection

The details on scope, coverage and frequency are given in the Standard Operating Procedures of the function.

7.6 Reporting

The investment function is responsible to provide various reports to different stakeholders like PFRDA, NPS Trust, Other Regulators, shareholders, auditors etc. The details on the same are provided in the Standard Operating Procedures.

All regulatory filings are to be reviewed by the Concurrent Auditor before being filed and are to be filed timely. Any delay is to be reported to the Compliance team.

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

7.7 Valuation and Accounting

As per direction received from NPS trust, Valuation of investments is carried out by valuation agency appointed by NPS trust in consultation with all pension funds for providing valuation services for the schemes under NPS. The investment methodology adopted by such agency is as per revised norms prescribed by PFRDA (Valuation Policy Guidelines 2019). Mutual fund units are valued at the latest available / previous day net asset values from AMFI website.

7.8 Employees Code of Conduct

All employees of the Company are required, to abide by the company's code of conduct, so as to ensure that there is no conflict of interest between transactions of employees and the Company and interest of the various stakeholders.

These guidelines cover transactions for purchase or sale of any securities in the primary, secondary market made in the employee's name, immediate family members either individually and / or jointly.

Employee code of conduct and personal trading guidelines are prepared and implemented by the compliance team and these documents are updated from time to time.

Annexure: PFRDA circular on Proxy Voting

https://www.pfrda.org.in/myauth/admin/showimg.cshtml?ID=1145

Proxy_voting_PFRDA.pdf