

## **STEWARDSHIP POLICY**

(Based on the Common Stewardship Code of PFRDA)

### **Introduction**

LIC Pension Fund Limited (the Company) is registered with the Pension Fund Regulatory and Development Authority of India (PFRDA), the pension fund regulator. The Company is established to carry on the business of management of the pension fund as per the Investment Agreement entered into with National Pension Scheme (NPS) Trust. NPS Trust is the registered owner of the funds contributed by the subscribers and holds it for the benefit of the subscribers.

The Company, in terms of the Investment Agreement manages the corpus or portfolio of the subscribers on behalf of the NPS Trust. Investments are managed as per the Investment Guidelines issued by PFRDA from time to time. The Company being an institutional investor and asset manager, in this process of managing investments, has a responsibility to monitor and engage with investee companies commonly, referred to as “Stewardship Responsibilities” with the intention that subscribers’ interests are protected.

PFRDA has set out the Common Stewardship Code for pension fund managers in its Circular dated 4 - May- 2018 to be followed by all pension fund managers.

Accordingly, the Company adopted the principles set out in the said Common Stewardship Code in this Code for the Company which is developed on the basis of the guidance provided in the Common Stewardship Code by PFRDA and is approved by its Board of Directors at their meeting held on 05.12.2019 and is effective from 5 December 2019.

### **Principle 1: Discharge of Stewardship responsibilities, publicly disclosure, review and periodical updation**

The Company is of the view that the investee companies should be at full liberty to deal with matters of strategy, performance, risk, capital structure and corporate governance, including culture and remuneration as long as environmental, social and corporate governance principles are embedded in the investee company’s decisions and it is not prejudicial to the interest of the Company. In case of divergence from these principles, the Company shall consider one or more of the following options viz. engaging with the investee company, collaborating with other institutional shareholders, escalating the issue to regulatory and statutory authorities or other appropriate and approved action which is warranted by the circumstances.

The Company may engage the services of external service providers in the course of discharging its stewardship responsibilities. The role of the service providers shall not be beyond providing company research reports, data and tools for reporting and ensuring regulatory compliance. The services sought from external service providers would be utilized with a view to enable the Company to take informed decisions which would benefit all the stakeholders.

The Company shall provide training to present and future employees of the Company on the various aspects of implementing the Stewardship Policy.

The Stewardship Policy shall be reviewed periodically and also be made available on the website of the Company.

## **Principle 2 : Managing Conflict of Interest.**

The term “conflict of interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. A conflict of interest exists where the interests or benefits of LICPFL (including its key Managerial Persons and Directors) conflict with the interests or benefits of its subscribers/beneficiaries or the investee company.

The Company shall take reasonable steps to avoid actual or potential conflict of interest situations. The Company shall maintain arms’ length in the dealings with its sponsor LIC and other group companies within permissible limits specified by the regulator PFRDA, to protect the interest of its subscribers.

- a. The investee companies play an important role in the matter of enhancement of subscribers’ wealth since huge funds contributed by the subscribers are invested in these companies. The Company is of the view that the investee companies should be at full liberty to manage their affairs as long as environmental, social and governance principles are embedded in the investee company’s decisions, and it is not prejudicial to the interest of the Company. In case of divergence of interest of the investee company and the Company or any of its stakeholders, the Company shall consider appropriate and approved action as warranted under the circumstances with a view to resolve the conflict of interest.
- b. The Directors of LICPFL shall, in timely manner, intimate their change in interest or concern in the company/companies, body corporate, firms or other association of individuals at least on a quarterly basis as per provisions of Section 184 (1) and Rule 9 (1) in Form MBP 1 of the Companies Act 2013.
- c. The Company shall have in place the Code of Conduct for Designated Persons of LIC Pension Fund Limited to check self-dealing and front running, which will be strictly adhered to.

## **Principle 3 Monitoring of Investee Companies**

- a. The investee companies shall be regularly monitored through research reports, media reports, annual reports, presentations sought from the companies on specific issues and engagement with the executives of the companies. The Company shall intervene in the matter of succession planning only if it involves a violation of the principles of corporate governance. The intervention in such an

eventuality shall be confined to collaborating with other institutional shareholders and appropriate and approved voting on proposed resolutions.

- b. The Company shall neither wish to be made an insider in the investee companies nor wish to be given price-sensitive or business-sensitive information which might have an impact on dealing with the shares of the companies.

**Principle 4 : Intervention in Investee Companies.**

- a. As it has already been covered under Principle 3, the Company shall not wish to be made an insider in the investee companies and hence will not be actively involved with the companies. The oversight by the Company on the investee companies would be mainly for ensuring that the investment made by it in the investee companies on behalf of the subscribers is enhanced and protected, thereby increasing their wealth and in matters where conflict of interest needs to be resolved.
- b. The intervention by the Company would be in the form of engaging with the executives of the investee company, seeking presentations from the investee company, taking voting decisions and in extreme cases, escalating issues to regulatory and statutory authorities.

**Principle 5: Voting and disclosure of voting activity.**

The Company shall exercise the voting rights and vote on all shareholder resolutions of all investee companies as per the E-voting Policy issued by PFRDA's letter Ref: PFRDA/2017/PF/1 dated 20<sup>th</sup> April 2017 and shall comply with the provisions given in the E-voting policy. Voting decisions shall be made available on the website of the Company.

**Principle 6: Periodic reporting of stewardship activities**

- a) Modifications/Updation of the Stewardship Policy shall be disclosed on the website of the Company.
- b) The Company shall also file a status report to PFRDA/ NPS Trust on an annual basis, indicating the compliance with the principles laid down in this policy as per the Annexure A. The status report will also be uploaded on the website on an annual basis.

**Stewardship Report****Format for annual reporting of the compliance status of stewardship Policy to the Authority**

Name of Pension Fund Manager: LIC Pension Fund Manager

Period of Report as on : March 31, \_\_\_\_\_

**Status of Compliance with Stewardship Principles**

Sr No.	Particulars of Principles of Stewardship Policy	Status (Deviation, Partly complied, Not complied, complied)	Reason/ Justification for deviation or non-compliance

Authorised Signatory

(Name and Signature)

Place :

Date:

[Recommended in Investment Committee on 29.01.2024 and approved by the Board on 30.01.2024]