

## STEWARDSHIP CODE

### **Introduction:**

The Securities and Exchange Board of India (“SEBI”) vide its circular reference CIR/CFD/CMD1/168/2019 dated December 24, 2019 prescribed stewardship principles/code to be adopted and implemented by Mutual Funds. Accordingly, LIC Mutual Fund Asset Management Limited (“AMC”) has adopted this Stewardship Code effective from July 1, 2020.

*The Code has been duly approved by the Board of Directors of AMC and LIC MF Trustee Pvt. Ltd.*

This Code documents the guiding principles to be adopted and followed by the Investment Team / Investment Committee of AMC.

### **Principle 1:**

**Institutional investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.**

The AMC 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 company’s decisions and it is not prejudicial to the interest of subscribers/unitholders/beneficiaries.

The Investment Team / Investment Committee shall discharge its stewardship responsibilities which includes monitoring and actively engaging with the investee companies on various matters like business performance and strategy, corporate governance, material opportunities and risks, capital structure, voting in general meetings, etc. as and when required, to protect subscribers/unitholders/beneficiaries interest to the extent possible.

The AMC shall provide training to its present and future employees on the various aspects of implementing the Stewardship Policy. Periodic calls, emails and meetings will aid the training.

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

### **Principle 2:**

**Institutional investor should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.**

The term “Conflict of Interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgement of professional activities. A conflict of interest exists where the interests or benefits of the AMC (including its key managerial persons and directors) conflict with the interests or benefits of its subscribers/unitholders/beneficiaries or the investee company.

The Company shall undertake reasonable steps to avoid actual or potential conflict of interest situations.

While dealing with investee companies, the AMC may be faced with a conflict of interest inter alia, in the following instances, where:

- a) The AMC and the investee company are part of promoter group.
- b) A director/ employee of the AMC have personal interests in the investee company

The Company shall manage the conflict of interest in following ways and includes:

- a) Identify, disclose and monitor conflict of interest, if any.
- b) Rationale for voting on shareholder resolutions shall be recorded.
- c) Business level conflicts, if any shall be resolved on a case-to-case basis by Investment Team / Investment Committee, after factoring the relevant considerations.
- d) Blanket bans on investment as may be decided by the Investment Team / Investment Committee, wherever deemed necessary.

### **Principle 3:**

#### **Institutional investors should monitor their investee companies**

- a) The Investment Team / Investment Committee shall monitor investee company with large investments by using publicly available information, management meetings, interaction with investee company boards, voting in board or shareholder's meetings, sell-side research and industry information etc.
- b) The meetings/conference calls with the investee companies may be conducted with management to monitor the investee companies. There will be no threshold limit applicable for the monitoring purpose.
- c) The Investment Team / Investment Committee will be monitoring the performance of investee companies. The Investment Team / Investment Committee may consider the investee companies' leadership effectiveness, corporate governance and other parameters considered to be important while making investment decisions.
- d) Monitoring will include but need not be restricted to strategy and business outlook, operational and financial performance, industry analysis, management evaluation and corporate governance issues, capital structure and key risk areas. Monitoring on areas like succession planning, remuneration, material environmental, social and governance (ESG) opportunities or risks issues shall be on a best effort basis.
- e) While dealing with the Investee Company, the AMC and its Personnel shall ensure compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015. A Code of Conduct is in place to monitor compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015.

### **Principle 4:**

**Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.**

### **The AMC's intervention and escalation policy is as follows:**

The AMC shall intervene in its investee companies, on a case-to-case basis, wherever it deems necessary. Circumstances for intervention may include poor financial performance of the company, poor corporate governance related practices, Improper Director/Executive remuneration, poor business strategy, ESG risks, leadership issues, litigations, etc. The AMC may also intervene, if in its opinion intervention is required to protect value of its investment and discharging its stewardship responsibilities.

a) Engagement: The AMC shall take all reasonable steps to engage with the investee company's management to resolve any concerns of the AMC including steps to be taken to mitigate such concerns.

b) Re-Engagement: In the event, the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the AMC within a reasonable timeframe, the AMC shall take all reasonable steps to re-engage with the management to resolve its concerns.

c) Escalation: In case, there is no progress despite the above steps, the AMC may engage with the Board of the investee company (through a formal written communication) and elaborate on the concerns.

### **Collaboration with other Institutional Investors:**

a) The AMC may consider collective engagement with other institutional investors on a case to case basis, when it believes that a collective engagement will lead to a better resolution.

b) The AMC can also, where permitted, interact with other professional associations.

### **Principle 5:**

#### **Institutional investors should have a clear policy on voting and disclosure of voting activity**

a) Voting decisions are made in accordance with the AMC's **Proxy Voting Policy** available on its website.

b) Voting exercised and abstained along with the rationale supporting their voting decisions is disclosed on a quarterly basis within ten working days from the end of the quarter in the format prescribed by SEBI as amended from time to time.

c) A summary of the voting exercised across all the investee companies and its break-up in terms of total number of votes cast in favour, against or abstained from is also uploaded.

The AMC discloses the proxy voting exercised on an annual basis in the Annual Report of the Schemes of LIC Mutual fund along with due certification from the 'scrutinizer' in terms of Rule 20 (3) (ix) of Companies (Management and Administration) Rules, 2014.

## **Principle 6:**

### **Institutional investors should report periodically on their stewardship activities**

The AMC will disclose on its website the implementation of the principles enlisted in the Code. The format of disclosure will be approved by the Investment Team / Investment Committee and is subject to regular updates.

This Code, as amended from time to time, will be disclosed on the website of the AMC along with other public disclosures. Any change or modification to the Code will also be disclosed at the time of updating the code on the website.

The AMC in addition to the disclosure on its website as specified above shall also circulate to unitholders a status report for every financial year, as part of annual intimation to the investors. The report shall *inter alia* include details indicating the compliance/ any variances with the principles laid down in this Code. The format and content of the status report will be decided by the Investment Team / Investment Committee.