

# **Max Pension Fund Management Limited**

## **Stewardship Code**

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# 1.

## Introduction

A Stewardship Code has the following principal elements:

- i. Monitoring of and engagement with investee companies;
- ii. Voting on shareholder resolutions; iii. Managing conflict of interest situations; and iii. Disclosures on voting and engagement.

Pension Fund Regulatory & Development Authority (PFRDA), vide its Circular dated 4<sup>th</sup> May 2018 (“Common Stewardship Code” or “Code”), prescribed that all the Pension Funds under the NPS architecture shall follow the Stewardship Code and the Voting Policy notified by PFRDA dated 20th April, 2017.

The six principles to be covered by the Stewardship Code for pension funds are as follows:

1. Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.
2. Institutional Investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities, publicly disclose it.
3. Institutional Investors should monitor their investee companies.
4. Institutional Investors should have a clear policy on intervention in their investee companies. Institutional Investors should have a clear policy for collaboration with other Institutional Investors, where required, to preserve the interest of the ultimate investors, which should be disclosed.
5. Institutional Investors should have a clear policy on voting and disclosure of voting activity.
6. Institutional Investors should report periodically on their stewardship responsibilities.

This stewardship code (“Code”) describes the approach of Max Life Pension Fund management (“MLPFM” or “the Company”) to the stewardship responsibilities as set out under each principle and how its Code and procedures meet the regulatory requirements. This Code is also available on our Company’s website ([www.maxlifepensionfund.com](http://www.maxlifepensionfund.com))

## 2. Stewardship Code

In accordance with the circular, this Code summarizes MLPFM's policy and procedures adopted for monitoring and engagement with its investee companies and for voting.

The key purpose of implementing this Code is to further enhance and protect the long-term benefits of MLPFM's pension scheme subscribers by engaging with its investee companies on issues such as strategy, performance, corporate governance, environmental and social issues that may materially affect the future sustainability of companies and shareholder value.

MLPFM's philosophy is to ensure that it does not expose its pension scheme subscribers to any undue risks. MLPFM's fiduciary responsibility towards its subscribers guides all its investments. MLPFM appraises each investment with integrity and focuses on an investment's long-term benefits. Stewardship activities are aimed at monitoring our investments and guiding the investee companies with a view to protect our rights as shareholders and to improve corporate governance in investee companies and thus helping to enhance the long-term value for our pension subscribers.

It is clarified that compliance with these principles does not constitute an invitation to manage the affairs of a company or preclude a decision to buy or sell securities of any of the investee companies when this is considered in the best interest of clients or beneficiaries.

At least once a year, the Code will be reviewed based on emerging practices and regulatory developments. The revised Code will be tabled at the Investment Committee for review and to the Board for approval.

MLPFM shall publicly disclose this policy on its website including the updated policy as amended from time to time. MLPFM may disclose all the activities undertaken with regard to implementing this stewardship policy and discharging its responsibilities, on its website, as part of public disclosures.

MLPFM shall annually intimate to the NPS Trust and PFRDA about implementation of principles laid down in the Policy.

### 3.

## Role and responsibilities

The Policy is approved by the Board and shall be reviewed at least once in a year to incorporate the changes as may be required. The roles and responsibilities are defined as below:

**Investment Committee (IC):** IC of MLPFM shall ensure that there is an effective oversight of the Company's stewardship activities and shall recommend changes in the Policy to the Board. The IC shall be responsible for the overall implementation and execution of this Policy. The threshold of investment in the investee company, beyond which the Company shall perform its stewardship activities, shall be prescribed by the IC and shall be reviewed by them annually.

**Investment front office team (FO):** The Investment team shall be responsible for ongoing monitoring of the investee companies, engaging with the management of the investee companies and for identifying situations which require intervention in the investee companies and the manner of this intervention. The team may seek guidance from the IC in matters pertaining to intervention in investee companies or conflict of interest.

**Investment Operations Team (MO/BO):** The Investment Operations Team shall be responsible for disclosures pertaining to the stewardship activities, wherever required, including disclosure of voting report quarterly and annually. The team shall also be responsible for maintaining the records pertaining to the voting activities and maintaining a list of the investee companies, in which conflict of interest, as defined below herein, has been identified.

## 4. Max Life Pension Fund's Approach to the Stewardship Principles

**Principle 1: Institutional investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.**

MLPFM shall fulfil its stewardship responsibilities basis PFRDA's Stewardship Code.

- All investments by MLPFM are made after adequate research and analysis supporting the investment decisions prior to any new investment. The analysis covers various aspects such as, financials, governance and valuations. Investments are monitored on an ongoing basis.
- Although Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration, MLPFM will selectively pursue Stewardship activities since all matters may not always be relevant to all investee companies, depending on the evaluation of individual situation.
- Since Stewardship activities have most relevance for equity investments, our efforts as shareholders are likely to be concentrated on this asset class. However, when required, MLPFM will also apply these principles to other asset classes like fixed income investments.
- As a general policy, MLPFM will not seek to nominate a representative on the Board of an investee company. However, MLPFM may decide to do so in case of certain situations (e.g. strategic investments. etc.).
- MLPFM may engage with external service providers for providing professional advice to arrive at voting decisions, research reports and analyses, proxy advisory services, market survey data, industry-wide analysis, business valuation etc., as inputs for decision making. However, the final decision and responsibility for stewardship activities rest with MLPFM and will be discharged by MLPFM.
- MLPFM will provide adequate training to personnel involved in the area of Stewardship so that stewardship activities can be discharged effectively.

**Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.**

MLPFM has various stakeholders, multiple schemes and multiple sets of subscribers with differing expectations. This may lead to instances of potential conflicts of interest amongst different classes of products, different subscriber sub-sets etc. In resolving such conflicts, the long-term interest of the subscribers will be kept in mind.

As a rule, in all cases of conflict of interests, the voting decisions of MLPFM will be based on the best interests of the subscribers.

Situations where conflicts of interest could arise in the context of Stewardship include:

- Conflicts involving subscribers of different schemes – For a given corporate action, MLPFM may vote separately for each investee company or take a holistic view of the transaction in the overall interest of subscribers.
- Potential conflicts involving business relationships of MLPFM - A Conflict Resolution Team comprising the Chief Executive Officer, Chief Investment Officer, Chief Risk Officer shall decide on how to manage the conflict of interest in the interest of subscribers.
- Conflict of interest situation involving Key Managerial Personnel (KMP) of MLPFM – KMP of MLPFM holding a directorship or a KMP position in the investee company – will be referred to the Conflict Resolution Team.
- Sponsor versus subscriber relationships – Decision to vote or abstain will be made keeping in mind the interest of the subscribers and will be subject to a decision by the Conflict Resolution Team.
- Personnel shall recuse himself / herself from decision-making on any voting item in case he/she has any actual / potential conflict of interest in the voting decision by virtue of being a part of such decision-making process or being a part of the Conflict Resolution Team or otherwise.
- The records of minutes of decision(s) taken by the Conflict Resolution Team shall be duly maintained by it.

**Principle 3: Institutional investors should monitor their investee companies.**

MLPFM investment team will monitor all the companies in which MLPFM invests in.

As a responsible investor, MLPFM monitors the investee companies on a regular basis. MLPFM monitors the financial performance as well the governance practices with a view to safeguard its investments and for the promotion of good practices in these areas.

When monitoring companies, MLPFM seeks to:

- Keep abreast of the company’s performance and strategy, including the future direction and strategy of the investee company, growth opportunities, return ratios, capital structure and, key risks,.
- Keep abreast of developments, both internal and external to the company, that drives the company’s value and risks.
- Maintain records of the companies we invest in and our related engagement and voting activities.
- Monitor industry level monitoring and possible impact on the investee companies.
- Monitor risk including Environmental, Social and Governance (ESG) risks.
- Monitor shareholder rights and their grievances.
- Connect with the company at appropriate forums, e.g., investor meetings, analyst meetings, conference calls, general meetings, one-on-one meetings, etc., to better understand the ground reality. In case a meeting is not feasible but an interaction would be deemed valuable, monitoring of their business would be done using others channels (e.g., competition, trade channels, etc.).

MLPFM has adopted a model code of conduct in compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (as amended from time to time) to prevent

insider/ personal trading by any officer or employee of the Company who directly or indirectly, has access to unpublished price sensitive information or is reasonably expected to have such access.

**Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the ultimate investors, which should be disclosed.**

- MLPFM’s focus is on long-term value creation for its subscribers. Various fora of interaction with managements of investee companies may be used to provide constructive feedback to guide MLPFM investee companies towards long-term value creation

Circumstances for intervention may, inter alia, include but not limited to, poor financial performance of a company, corporate governance related practices, remuneration, strategy, Environmental, Social and Governance (ESG) risks, leadership issues and litigations. Inputs received from interactions or via public news-flow, management comments, exchange disclosure, etc., may be considered before an intervention if it is felt that it could adversely impact the investee company’s future. MLPFM would attempt to gain understanding from the investee company on the rationale for any such action. If the action does not appear to be in the interest of MLPFM subscribers, engagement with the company would be undertaken and the concerns may be voiced. MLPFM shall intervene basis threshold levels of investment as per its internal guidelines. In its regular course of business, MLPFM meets its investee companies in various forums, in face-to-face meetings, group conference calls, public investor meets, etc. These forums may be used to give constructive feedback on raising the overall standard of governance, strategy, performance, risk-management, etc. and raise any concerns that MLPFM may have on the same.

- If MLPFM feels that responses are not forthcoming or the investee company is unable to provide sufficient rationale for its actions, MLPFM may collaborate with other institutional shareholders to collectively convey the concerns and feedback. Collaboration would normally be taken up if individual efforts do not yield necessary responses.
- The collaboration could be used for conveying concerns, collectively voting against a proposal, raising issues with regulators or for legal recourse. In case a company is not willing to receive feedback and continues to pursue a path that MLPFM believes is not in the best interest of its subscribers, MLPFM may choose to exit the investment.
- If MLPFM efforts do not seem to be bearing fruit and / or the company is not open to feedback, MLPFM may escalate the efforts. Escalation may be in the form of
  - a. Coordination with other investors;
  - b. Voting against the proposal;
  - c. Engage with the investee company board; or
  - d. In rare cases, raise the issue with PFRDA, relevant regulators or pursue legal action.Such escalation will be done on a case-to-case basis with the approval of the Investment Committee.



- All our engagement activities are undertaken in the best interests of our subscribers.

**Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity.**

- MLPFM shall follow the Voting Policy guidelines released in circular no. PFRDA/2017/17/PF/1 dated 20.04.2017 issued by the PFRDA.
- MLPFM will use its influence as an investor by exercising its right to vote on company matters. The voting shall be done keeping in mind the interests of pension scheme subscribers and long-term value creation for them. In matters where there is insufficient information or MLPFM does not have a clear stance on investee company proposal, MLPFM may choose to abstain from voting.

Disclosures shall be made by MLPFM quarterly in its website, regarding the voting activity in the investee companies in which it has actively participated and voted on resolutions/proposals.

**Principle 6: Institutional investors should report periodically on their stewardship activities.**

- MLPFM shall publicly disclose this policy on its website including the updated policy as amended from time to time.
- MLPFM will disclose the fulfilment of its Stewardship responsibilities as part of its public disclosures published on its website on a quarterly basis.
- An annual report on the implementation of this policy shall be submitted to the NPS Trust and PFRDA post approval by board and duly certified by CEO.
- Investment Committee shall monitor MLPFM's adherence to this Code and its stewardship activities on a periodic basis