PNB MetLife India Insurance Company Limited

Stewardship Policy

Version 1.0

Document History:

S.N.	Action	Function	Approval Date
1.	Prepared by	Investment Front Office	10-08-2017
2.	Reviewed by	Investment Mid-Office	10-08-2017
3.	Concurred by	Compliance and Legal	10-08-2017

Change History:

S.N.	Action	Description of Change	Approval Date (Board)
1	New Policy	New Policy	10-08-2017

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1. Objective

PNB MetLife India Insurance Company Limited (PMLI) is an institutional investor in the equity shares of listed companies (Investee Companies). It has been entrusted with the responsibility of acting in the best interest of policyholders. As such, making informed investment decisions is crucial to fulfil its obligations towards its policyholders. In this regard, the investment team of PMLI (Investment Team) is expected to monitor and engage with investee companies on an ongoing basis and intervene, as required. The Investment Team is also required to exercise their voting decisions on resolutions of investee companies, on behalf of PMLI.

This document provides key guidelines for the formulation and implementation of the Stewardship Policy (Policy) with regard to monitoring and engaging with investee companies, selective intervention, managing conflicts of interest and voting decisions. It also provides guidelines on making necessary disclosures and periodic reporting of stewardship and voting activities.

2. Effective Date of Policy

The Policy will be effective from the date of approval of the Board of Directors of PMLI (Board). Any change or modification to the Policy will be reviewed by the Invesment Committee (IC) and presented to the Board for approval and implemented thereafter.

3. Disclosures

The Policy will be disclosed on the website of PMLI. All amendments to the Policy, duly approved by the board, will be updated on the website on a timely basis.

4. Key Principles of the Policy

- The Investment Team will be responsible for effectively discharging the stewardship responsibilities as per the Policy based on "Guidelines of Stewardship Code for Insurers in India" issued by Insurance Regulatory Development Authority of India (IRDAI) and duly approved by the Board of PMLI. This includes regular monitoring and engagement with investee companies on matters such as strategy, performance, risk, capital structure and corporate governance as well as voting on resolutions. The Investment Monitoring Committee (IMC – a sub-committee of IC) will be responsible for monitoring the implementation of the Policy on a monthly basis. The IC will oversee the same on a quarterly basis.

- The IMC will decide on a framework to determine the level of engagement and intervention in the investee company. This will be based on a threshold level of exposure to the investee company beyond which an engagement will be required. However, the Investment Team may decide to intervene in an investee company with exposure below the threshold level as well, if the subject matter is perceived as value destructive. The Investment Team may also decide to collaborate with other institutional investors, as appropriate.

- The Investment Team may either decide to intervene or reduce/exit the investment in an investee company, if an action of the company is found to be value destructive in a significant manner.

- The Investment Team may refrain from intervening if the subject matter pertaining to the investee company is insignificant and not value destructive. The reason for any non-intervention, which was warranted in accordance with the Policy, will be recorded and an update will be provided to the IC.

- The IC may recommend engagement with an external service provider for supplementing the stewardship activities and to provide unbiased independent third party view on governance issues. However, the final stewardship responsibilities will be taken care of by the Investment Team.

5. Managing Conflicts of Interest

- A conflict of interest occurs when a person's personal interest conflicts with his responsibility to act in the best interest of the company. Personal interests include direct interest as well as those of family, friends, associates or other entities. A conflict of interest may be actual, potential or perceived and may be financial or non-financial.

- Scenarios where conflicts of interest may arise, amongst others, include: a) Voting in parent company or any group company of PMLI (as defined in the section 2(g) of Investment regulation, 2016), b) Personal interests of key managerial personnel or concerned employees of PMLI, and c) Director's conflicts with the interest of policyholders.

- PMLI aims to manage conflicts of interest by requiring the Board members and employee(s) who are involved in implementing the Policy to (as per Model code of conduct guidelines for prevention of insider trading of PMLI):

  a) Avoid conflict of interest wherever possible,

  b) Identify and disclose any conflict of interest,

c) Carefully manage any conflict of interest, and
d) Follow the Policy and respond to any breaches.

- Once the conflict of interest has been appropriately identified and disclosed, the IC (excluding the IC member disclosing it) will take the appropriate decision, keeping in mind the best interest of policyholders.
- If IC is unable to take decision on account of conflict of interest, the decision in such cases will be taken by the Board, based on a case note recommended by the IC with full disclosure of conflict.

6. Monitoring of Investee Companies

- The Investment Team, as part of its day-to-day activities, shall be responsible for regular monitoring of all investee companies irrespective of the extent of exposure.
- The Investment Team will monitor the investee companies in respect of their strategy, performance, risk management, capital structure, corporate governance and reporting.
- Sources that the Investment Team will use to monitor these companies may include: 1) publicly available information (press releases, quarterly and annual company reports), 2) broker research or other third-party research reports on investee companies and industries and 3) management meetings. The Investment Team may use other sources where access to the management of investee company is limited or ineffective.

7. Intervention in Investee Companies

- The need for intervention in any investee company may trigger from 1) insufficient disclosures, 2) non-compliances to regulations, 3) performance parameters falling short of expectations, 4) corporate governance issues, 5) financial statements and audit report, and 6) risk management.
- PMLI may intervene on case by case basis where, it is of the view that its intervention is required to protect value of its investment (which is sufficiently material) and effectively discharge its stewardship responsibilities. In most cases, need for intervention may not arise if proper disclosures are made. However, in cases where the Investment Team is not satisfied with the level of disclosures or not convinced with the explanation offered by the investee company in its communication to shareholders, it will intervene as per the Policy.

- Decision for intervention will be made by Investment Team, mainly guided by the threshold level of exposure as decided by the IMC and/or severity of impact of investee company's action on future growth prospects and value of PMLI's investment.

- Procedure for intervention entails the following steps:

  a) The Investment Team shall define the major issues for intervention and prepare an intervention memo. The intervention will start by seeking engagement with the investee company either through telephone or in writing.

  b) Intervention with the investee company will be done in a confidential manner. Each team member will be sensitized to the fact that such an intervention may be deemed as price sensitive and any leakage may cause damage to the efforts of PMLI as well as result in regulatory breach.

  c) If the investee company is not accessible, the same will be recorded.

  d) If the response of investee company is dissatisfactory, PMLI may escalate the matter further or decide to divest the holding.

  e) PMLI will create a system to record such interventions and their outcomes, whether done orally or through written communication.

8. Collaboration with Other Institutional Investors

- Collective engagement may be required at times of significant corporate or wider economic stress, or when actions of the investee company pose significant risk to shareholders' value or the issue is related to a policy matter which may impact the entire industry. In such cases, collaboration with other institutional investors may be the most effective manner to engage with the investee company fxto achieve desired results in a cost-effective and efficient manner.

- In such matters, PMLI may collaborate with other institutional investors in order to exercise appropriate influence. PMLI may take assistance of the appointed proxy advisory firm for the same.

9. Voting and Disclosure of Voting Activity

- All resolutions are considered separately and decisions are made in accordance with the Proxy Voting Policy (will be made available on the website of PMLI) in exercise of the independent judgment of PMLI. The decisions shall be aimed at promoting the overall growth of investee companies, thereby enhancing the value for their investors.

- A summary of voting activities will be disclosed on the website of PMLI on a quarterly basis within 30 days from the end of each quarter. A comprehensive report of all voting activities will be disclosed at the end of each financial year.
- Stock lending and recalling lent stock, if any, will be managed as per internal guidelines for the purpose of exercising voting rights where appropriate and in the best interest of policyholders.

10. Disclosure and Reporting

- The Investment Team will submit a report of its stewardship activities to the IC, which will be subsequently reviewed by the Board on a quarterly basis. Such report to the Board shall, *inter alia*, indicate engagements undertaken by the Investment Team with investee companies in accordance with the Policy.
- At a quarterly frequency, PMLI will disclose all activities undertaken by the Investment Team in regard to implementing the Policy and discharging its stewardship responsibilities, on its website, as part of public disclosures.
- Annual Report on the status of compliance will be submitted to IRDAI in the format prescribed under the Guidelines, on or before June 30th every year, i.e., within 90 days from the end of the financial year-end. The reporting should be done under the principle of "comply or explain", the reasons for deviation or non-compliance with the Stewardship Principles should be provided in the report.