

Nippon Life India Asset Management Limited

## **Stewardship Policy**

**For**

## **Nippon India Mutual Fund (NIMF)**

Version 3.0

July 2022

## **I. Background**

Securities and Exchange Board of India (SEBI) vide circular number CIR/CFD/CMD1/168/2019 dated December 24, 2019 prescribed Stewardship Principles to be adopted and implemented by the Mutual Funds in relation to their investment in listed equities. Accordingly, this Stewardship Policy was approved by The Board of Nippon Life India Asset Management Limited ("NAM India" or "Company" or "AMC") and The Board of Trustees of Nippon Life India Trustee Limited and shall be effective from April 01, 2020.

## **II. Objective and Applicability**

We, Nippon Life India Asset Management Limited (NAM India) is the investment manager for Nippon India Mutual Fund (NIMF), consider our research and investment activities as integral part of our investment process. We believe fruitful dialogue with investee companies leads to higher corporate governance which ultimately becomes an act of value co-creation between the unitholders and investee companies.

In all our activities, we always fulfill our fiduciary duties and always strive to serve our unitholders' interest to the best of our capabilities.

As a responsible asset manager, we will continue to enhance our capabilities necessary for carrying our stewardship responsibilities and intends to contribute to the development of Indian economy and society through this approach.

This Stewardship Policy applies to investment for all mutual fund schemes in listed equities.

### **III. 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.

#### **Primary Stewardship Responsibilities**

Our primary stewardship responsibilities include:

- Monitor and actively engage with investee companies on various matters including performance, corporate governance, material environmental, social and governance (ESG) opportunities or risks, capital structure, etc.
- Enhance unitholders value through constructive engagement with investee companies.
- Vote in the Board and Shareholders meetings and engage with investee companies with a view to enhance value creation for unitholders and investee companies.
- Accountable to unitholders within the parameters of professional confidentiality and regulatory regime.

#### **Discharge of Stewardship Responsibilities**

We have formulated the following policies to fulfil our stewardship responsibilities in the equity investment process:

- We position “dialogue with investee companies” at the center of our investment process and strive to evaluate corporate values.
- We focus “dialogue with investee companies”, to obtain deeper insight and understand corporate strategies, through detailed discussions with management, interaction with boards, voting in board or shareholders meetings, etc.
- We enhance unitholders’ value through regular monitoring and active engagement with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social and governance (ESG) matters, capital structure, etc.

- We express our opinion as a responsible investor and exchange opinions in “dialogue with investee companies”, which we believe create corporate value, resulting in benefits for both our unitholders and investee companies.
- We take into consideration, the corporate governance practice of investee companies, when undertaking buy and sell decisions.
- We exercise voting on shareholders’ resolutions (as per our board approved voting policy), with a view to enhance value creation for shareholders / investors and investee companies.
- We advocate for responsible corporate governance practices, as a driver of value creation.
- We regularly monitor and intervene (wherever necessary) on material environmental, social and governance (ESG) opportunities or risks in investee companies.
- We ensure adequate training to personnel engaged in implementation of these principles.

### **Oversight of Stewardship Responsibilities**

The Stewardship Committee shall ensure implementation of stewardship principles.

Minutes of the meeting of the Stewardship Committee shall be placed before the Board of AMC and Trustees.

The Company may avail the services of external agencies in discharging its stewardship responsibilities.

**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.

### **Managing Conflicts 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 NAM India (including its employee, officer or director) conflict with the interests or benefits of its unitholders or the investee companies.

We have formulated the following policies regarding conflicts of interest in fulfilling our stewardship responsibilities:

- **Avoiding Conflict of Interest:** The Access employees / persons of the Company shall undertake reasonable steps to avoid actual or potential conflict of interest situations. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, Access Employees / persons shall consult with the Compliance Officer.
- **Identifying Conflict of Interest:** While dealing with investee companies, NAM India may face situations where conflict of interest may arise, inter alia, in the following instances, where:
  - NAM India and the investee company are part of the same group.
  - Investee company being a group or associate company.
  - Investee company is a client (unitholder) of NAM India.
  - Investee company has substantial / material business relationship with NAM India.
  - NAM India is a lender to the investee company.
  - The investee company is partner or holds an interest, in the overall business or is a distributor for NAM India.
  - Any of the group companies or affiliates of NAM India is a supplier or partner of the investee company.
  - A nominee of NAM India has been appointed as a director or a key managerial person of the investee company.
  - A director or a key managerial person of NAM India has a personal interest in the investee company.

- NAM India (including its employee, officer or director) is likely to make a financial gain, or avoid a loss, at the expense of unitholder or the investee company.

Above list is inclusive but not exhaustive list of situations where conflicts of interest may arise. For any other situation where conflicts of interest may arise, all stakeholders will strictly follow the procedure of managing conflicts of interest as per this policy.

- **Manner of Managing Conflict of Interest:** The mechanism to eliminate the influence of conflicts of interest in the above situations include following:
  - Board approved personal securities trading policy covering access / designated employees / persons.
  - Board approved voting policy with clear segregation of voting function and client relations / sales functions.
  - NAM India will not invest in unlisted equity of group or associate companies.
  - NAM India always seek to ensure that it acts in the best interest of all unitholders.
  - Where a potential / actual conflict is identified, the matter will be referred to the Chief Legal & Compliance Officer and Chief Risk Officer who, if appropriate, will convene the stewardship committee meeting. Record of the decision taken and supporting rationale will be documented in the form of minutes of the meeting.
  - NAM India will manage conflicts of interest by requiring access employees / persons, stewardship committee members and other personnel involved in implementing this policy to:
    - Avoid conflicts of interest where possible.
    - Identify and disclose any conflicts of interest.
    - Carefully manage any conflicts of interest.
    - Follow this policy and respond to any breaches.
  - Once the conflict of interest has been appropriately disclosed, the Stewardship Committee (excluding the member disclosing conflict of interest) will take the required decisions.
  - As a rule, in all cases of conflicts of interests the voting decisions of NAM India will be based on the best interests of the unitholders.

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

### **Monitoring of Investee Companies**

Equity investment research team led by head of equity research will be responsible for monitoring all the investee companies the NIMF invests in.

The monitoring will be based on publicly available information, management meetings, sell side research and industry information.

While endeavor would be to ensure at least one meeting with an investee company in a year, there can be investee companies where the management is not accessible or not accessible at appropriate levels or cases where the research team believes that there is no incremental information which is being provided by the management. In such cases, it is possible that the monitoring is through other sources.

Monitoring will include but need not be restricted to strategy and business outlook, financial performance, management evaluation and corporate governance issues, capital structure and key risk areas. Monitoring in areas like succession planning, remuneration, environmental issues will be on a best effort basis.

- **Manner of Monitoring:** We have formulated the following policies regarding monitoring of investee companies in fulfilling our stewardship responsibilities:
  - Equity investment research team led by head of equity research will be responsible for monitoring of the investee company's business strategy, performance, risk, capital structure, leadership effectiveness and succession planning, remuneration, corporate governance performance, cultural, social and environmental matters, on a best effort basis.
  - Research team may use publicly available information, sell side research and industry information and wherever possible shall engage with the investee companies' through investor analyst calls or analyst meet at least once in a year, to monitor the investee companies.
  - Research team to the extent feasible shall meet the management teams / key managerial personnel of the investee company on a yearly basis and actively participate in investor meetings and general meetings held by the investee company (to which it is invited), through webcast, conference call or other

mechanism when possible, which will provide for higher participant / engagement.

- Where investee company's management is not accessible or not accessible at appropriate levels or cases where the research team believes that there is no incremental information which is being provided by the management of investee company, monitoring will be done through other sources (e.g., third party research, proxy advisory services, etc.).
- Research team shall strictly adhere regulations and internal policies on prohibition of insider trading while seeking while seeking information from investee companies (and any other source) for the purpose of monitoring.

**Principle 4:** *Institutional investors should have 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 interest of the ultimate investors, which should be disclosed.*

### **Active Intervention in Investee Companies**

Concerns may arise with respect to the investee companies from time to time mainly on account of insufficient disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans / strategy, corporate social responsibility, environment and social matters.

We have formulated the following policies regarding intervention and escalation by NAM India in investee companies in fulfilling our stewardship responsibilities:

- **Applicability:** NAM India shall intervene in the acts / omissions of the investee company, where:
  - In the opinion of NAM India any act / omission of the investee company is considered material on a case to case basis, including but not limited to insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans / strategy, CSR and environment, or any other related matters.



- **Intervention:** The decision for intervention shall be decided by the Stewardship Committee on a case to case basis based on all available facts of investee company at that point of time. NAM India may consider intervening in matters, if in the reasonable opinion of the Stewardship Committee, the issue involved may adversely impact the overall corporate governance atmosphere or NIMF in the interest of the unitholders.
- **Intervention and Escalation:** NAM India's intervention and escalation policy is as follows:
  - Engagement: Research team shall take all reasonable steps to engage with the investee company's management to resolve any concerns including steps to be taken to mitigate such concerns.
  - Re-engagement: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by investment team within a reasonable timeframe, research team shall take all reasonable steps to re-engage with the management to resolve concerns.
  - Escalation: In case there is no progress despite the first two steps, research team shall escalate the matter to the stewardship committee. If the stewardship committee decides to escalate, research team shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. Research team may also consider discussing the issues at the general meeting of the investee company (either called by the investee company or requisitioned by NAM India).
  - Reporting to the Regulators: If there is no response or action taken by the investee company despite the first three steps. NAM India may approach the relevant authorities (e.g., AMFI, SEBI).

In all cases of engagement with the management and / or the Board of Directors of an investee company, all communications and discussions are to be conducted in private and confidential manner. The objective of the interactions is to play a constructive role in enhancing the value of the investment in the equity of the investee companies to benefit the unitholders.

In case NAM India's intervention is not successful (either fully or partially), it will not automatically result in NAM India being required to exit its investment in the investee

company. The research team, under the direction of the stewardship committee will take a decision based on then existing environment and expectations.

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

In circumstances where NAM India's approach to engaging management of investee companies is not achieving the required level of discussion or success, or when shareholder value is at risk to a sufficient degree, NAM India may undertake collective action, subject to it being in the best interest of our unitholders and there being no legal or regulatory obligation prohibiting us from so acting.

NAM India may consult with other institutional investors or with other formal or informal groups as appropriate. The decision to collaborate with other institutional investors on specific matters will be judged on a case by case basis by the research team in consultation with the stewardship committee.

We have formulated the following policies regarding collaboration with other institutional investors in fulfilling our stewardship responsibilities:

- NAM India shall consider collective engagement with other institutional investors on a general basis and in particular, when it (NAM India) believes a collective engagement will lead to a higher quality and / or a better response from the investee company.
- NAM India may approach, or may be approached by, other Asset Managers, including insurers, mutual funds, or other type of shareholders to provide a joint representation to the investee companies to address specific concerns.
- NAM India shall also, where permitted, collaborate with other shareholders, professional associations and / or regulators such as AMFI, SEBI, IRDA, Pension Fund Regulatory and Development Authority and other policy makers to solicit views.
- An illustrative list of matters which require collaborative engagement may include appointment or removal of directors, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders, and related party transactions.
- NAM India shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting as a 'person acting in concert' with other shareholders.

- When NAM India will have reasons to believe that collaborative action would be an effective means by which investors can exercise appropriate influence, NAM India will willingly initiate action or support other investors' actions.
- In taking collaborative action NAM India would be cognizant of legal and regulatory requirements, including on market abuse, insider trading and other related regulations and / or internal policies.

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

### **Voting and Disclosure of Voting Activity**

To protect and enhance wealth of our unitholders and to improve governance of the investee companies, we take our own voting decisions in the investee companies after in-depth analysis. We consider the exercise of proxy voting rights as one form of “dialogue with investee companies” to fulfil our stewardship responsibilities.

We make decisions regarding exercising proxy voting rights in accordance with our Board approved Proxy Voting Policy (available on our website), following consultation with the proxy voting committee.

Our Board approved Proxy Voting Policy provides:

- The mechanism of voting.
- Guidelines on how to vote on certain specific matters / circumstances including list of such possible matters / circumstances and factors to be considered for a decision to vote For or Against.
- Constitution of proxy voting committee.
- Details of proxy advisory services which we use along with their scope and extent to which we rely upon / use recommendations made by them.
- Guidelines on matters related to conflicts of interest.
- Disclosure of voting for every proposed resolution in investee companies, i.e., For or Against with rationale for voting and the manner and frequency of disclosure on the website of the NAM India.

We have formulated the following policies regarding voting and disclosure of voting activity in fulfilling our stewardship responsibilities:

- We will exercise our voting rights and vote on all shareholder resolutions of investee companies, as may be deemed necessary in the interest of unitholders.
- We will vote against resolutions which are not in the interest of unitholders and / or not consistent with our voting policy.
- While voting we will also consider several factors, including recommendations made by our empaneled proxy advisory services (Institutional Investor Advisory Services and Stakeholders Empowerment Services).
- All voting decisions will be made in accordance with our Board approved Proxy Voting Policy, which is available on our website.
- We will attend general meetings of the investee companies (annual as well as any extra ordinary general meetings) where appropriate, and to the extent possible, actively speak and respond to the matters being discussed at such meetings.
- We will disclose on a quarterly basis all voting decisions for every proposed resolution in investee companies, i.e., For or Against with rationale for voting decision on the website of the NAM India.

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

#### **Periodic Reporting on Stewardship Activities**

We are committed to providing transparency on our stewardship and voting activities. We will report our stewardship activities annually via our website, as per the stewardship code prescribed by SEBI vide circular number CIR/CFD/CMD1/168/2019 dated December 24, 2019.

#### **IV. Stewardship Committee**

Board of Directors has constituted the Stewardship Committee of Executives of Nippon Life India Asset Management Limited (NAM India). Executive Director & CEO, Chief Investment Officer – Equity, Chief Investment Officer - Debt, Head of Equity Research,

Chief Planning & Business Excellence Officer, Chief Financial Officer, Chief Risk Officer and Chief Legal & Compliance Officer are members of the Stewardship Committee.

The Stewardship Committee will meet at least once in a quarter or more frequently, as circumstances dictate. Roles and responsibilities of the Stewardship Committee includes, but not limited to:

- Ensure strict adherence and effective implementation of stewardship policy, proxy voting policy and relevant regulations.
- Monitor engagement of equity research team with the investee companies.
- Ensure that all voting's are exercised as per the proxy voting policy, stewardship policy and relevant regulations.
- Monitor the services of external agencies in discharging stewardship responsibilities including the proxy voting advisory services.
- Ensure adequate training to personnel engaged in implementation of stewardship principles.
- Ensure adequate and timely disclosures (including proxy voting) as per the stewardship policy.
- Make decisions pertaining to actual / potential conflicts of interest situations and ensure that NAM India will always act in the best interest of the unitholders.
- Ensure that NAM India will actively engage and intervene in a timely manner, wherever required, as per the stewardship policy.
- Make decision for escalations, reporting to regulators, collaboration with other institutional investors, etc., as per Principle 4 of this stewardship policy.
- Review and recommend this stewardship policy for further approval to the Board.
- Ensure proper records are maintained as per regulation and internal policies.

## **V. Annual Review of Stewardship Policy**

This Stewardship Policy shall be reviewed and updated at least annually or earlier, if required and the updated policy shall be disclosed on the website of NAM India.