



**Common Stewardship Code  
and  
Corporate Governance Policy**

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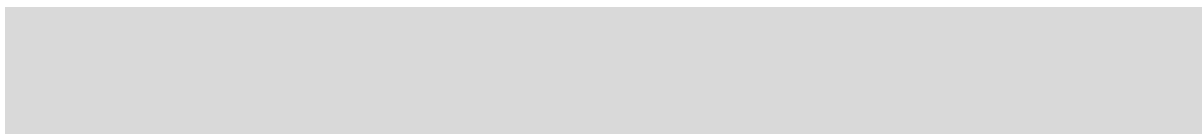
**UTI Retirement Solutions Limited**

[A wholly-owned subsidiary of UTI Asset Management Company Limited,

Incorporated under the Companies Act, 1956]

Version – II

(Reviewed on 27<sup>th</sup> October, 2020)



## **Common Stewardship Code and Corporate Governance Policy**

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## Common Stewardship Code and Corporate Governance Policy

### **Background**

As per Circular No. PFRDA/2018/01/PF/01 dated 4<sup>th</sup> May, 2018 issued by Pension Fund Regulatory & Development Authority on Common Stewardship Code, All the Pension Funds under the NPS architecture shall follow the Stewardship Code annexed to the said circular and the Voting Policy notified by Pension Fund Regulatory & Development Authority dated 20<sup>th</sup> April, 2017.

Accordingly, this code is being documented in compliance with the circular of PFRDA on Common Stewardship Code.

### **Principals of Common Stewardship Code**

This Common Stewardship Code is based on the following 6 principals enumerated by the PFRDA in its Circular No. PFRDA/2018/01/PF/01 dated 4<sup>th</sup> May, 2018:

- a. Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.
- b. Institutional Investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities, publicly disclose it.
- c. Institutional Investors should monitor their investee companies.
- d. 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.
- e. Institutional Investors should have a clear policy on voting and disclosure of voting activity.
- f. Institutional Investors should report periodically on their stewardship responsibilities.

Accordingly, the following code has been documented.

### **1. Stewardship Responsibilities**

As a Pension Fund Manager, UTI Retirement Solutions Limited acknowledges the primary Stewardship Responsibility as “to invest in companies, which have acceptable standards of effective management, follow good corporate governance practices and have fundamental strengths”.

As a Pension Fund we acknowledge that the stewardship responsibilities include monitoring and actively engaging 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) opportunities or risks, capital structure etc.

At UTI group level we continuously review the various developments at the investee company such as financial research / corporate actions / significant events / development etc.

We also review the various proposals being submitted to the various meetings of the members and exercise our vote appropriately.

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

UTIRSL will discharge its stewardship responsibilities through:

- a) voting on shareholders’ resolutions, with a view to enhance value creation for the shareholders/investors and the investee companies;
- b) advocating for responsible corporate governance practices in the investee company, as a driver of value creation; and
- c) intervening on material environmental, social and governance opportunities or risks in the Asset Manager’s investee companies.

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At UTI group level we continuously review and monitor closely the various developments at the investee company such as financial research / corporate actions / significant events / development etc.

UTI group has research (Equity & Credit team) comprising experienced sector analysts/credit analysts with good fundamental background which provides research support to various UTI affiliates as well as an information sharing platform for Investee company related inputs. UTI RSL being one of the group affiliates has continuous access to this research and information relating to the investee companies.

We also review the various proposals being submitted to the various meetings of the members and exercise our vote appropriately.

### **2. Managing Conflicts of Interest**

Investment by the NPS Schemes managed by UTIRSL in the Group Companies of UTI AMC, if any, will be made in accordance with the guidelines / restrictions issued by Pension Fund Regulatory & Development Authority and reports for such investments will also be filed with PFRDA as required under these Regulations.

UTI RSL also recognizes that there may be potential conflict of interest when UTI RSL will have to take decision for voting on Resolutions of entities including the group companies of UTI AMC or otherwise with which it may have some relationship, and in such circumstances, UTI RSL will continue to review all voting proposals, routine as well as non-routine, and perform its duties in a responsible manner keeping in mind the best interests of NPS Subscribers, in line with the regulatory requirement.

The employees, officers and directors of the UTI Retirement Solutions Limited will undertake reasonable steps to avoid actual or potential conflict of interest situations while investing the NPS Funds. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, employees, officers and directors shall consult with senior management / NPS Trust / PFRDA.

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Identifying conflict of interest

- a) UTIRSL and the investee company are part of same group; or
- b) a nominee of UTIRSL has been appointed as a director or a key managerial person of the investee company;
- c) a director or a key managerial person of the UTIRSL has a personal interest in the investee company;
- d) UTIRSL (including its employee, officer or director) is likely to make a financial gain, or avoid a loss, at the expense of a shareholder/investor or the investee company.

Manner of managing conflict of interest:

- i. All employees and directors will comply with the disclosure requirement of PFRDA on dealing in securities by them. A quarterly “Report by Directors and Key Personnel of the Pension Fund on instances of self dealing or front running” shall be submitted to the Board of UTI RSL and also to the NPS Trust & PFRDA.
- ii. Rationale for voting on each shareholder resolution shall be recorded and reported to Board of UTI RSL and also to the NPS Trust & PFRDA.
- iii. Employees, officers and directors will disclose their other appointments/professional engagement.

Any transaction of Front Running by any employee/director, directly or indirectly, is strictly prohibited. For this purpose, “Front Running” means any transaction of purchase and/or sale of a security carried by any employee/director whether for self or for any other person, knowing fully well that the UTI RSL also intends to purchase and/or sell the same security for the schemes managed by it.

Any transaction of self-dealing by any employee/director either directly or indirectly, whether alone or in concert with another person is prohibited. For this purpose, “Self Dealing” means trading in the securities based on price sensitive information to which the employee has access by virtue of his office.

**3. Monitoring investee companies**

The Asset Manager shall monitor all investee companies.

The Fund Manager and / Chief Investment Officer Committee shall be responsible for the supervision of the monitoring of the investee companies' business strategy, performance, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance performance, cultural, social and environmental matters.

The Fund Management and / or research team will use publicly available information, research and industry information and shall engage with the investee companies' investor analyst calls periodically / at least once in *a year* to monitor the investee companies.

During our interaction with the management of Investee Company, UTIRSL shall inform the investee companies to not share any unpublished price sensitive information with it which would make UTIRSL an 'insider'. While dealing with the investee company, compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015 shall be kept in mind.

At UTI group level we continuously review and monitor closely the various developments at the investee company such as financial research / corporate actions / significant events / development etc.

UTI group has research (Equity & Credit team) comprising experienced sector analysts/credit analysts with good fundamental background which provides research support to various UTI affiliates as well as an information sharing platform for Investee company related inputs. UTI RSL being one of the group affiliates has continuous access to this research and information relating to the investee companies.

**4. Policy on intervention / collaboration in investee companies**

UTIRSL will intervene in the acts/omissions of an investee company, in which it:

- (1) has invested more than Rs.100,00,00,000; or
- (2) holds at least 2% of the share capital of the investee company; or

UTIRSL will intervene if, in its opinion 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.

UTIRSL will take reasonable steps to engage with the investee company's management to resolve any concerns raised by UTIRSL including steps to be taken to mitigate such concerns.

In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by UTIRSL within a reasonable timeframe, the UTIRSL will take all reasonable steps to re-engage with the management to resolve all the concerns.

In case there is no progress despite the first two steps, the UTIRSL will escalate the matter to the Investment Management Committee. If the Investment Management Committee decides to escalate, UTI RSL will engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. UTIRSL may also consider discussing the issues at the general meeting of the investee company.



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If there is no response or action taken by the investee company despite the first three steps; UTIRSL may approach the relevant authorities governing the investing company.

In case UTIRSL's intervention is not successful (either fully or partially), it will not automatically result in the exit of investment in the investee company. The decision to purchase more equity or sell all or part of the total investment in the investee company will be made by the Investment Management Committee, which may consider the outcome of the intervention as an input in its decision-making process.

### Collaboration with other Institutional Investors

UTIRSL will consider collective engagement with *other Pension Fund Manager / institutional investors / advisors / proxy advisory firms*] on a general basis and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. UTIRSL may approach, or may be approached by, other asset managers to provide a joint representation to the investee companies to address specific concerns.

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.

UTIRSL will 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.

At UTI group level we continuously review and monitor closely the various developments at the investee company and UTI has strong research (Equity & Credit team) team comprising experienced sector analysts/credit analysts.

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### **5. Voting Policy**

As per the PFRDA Circular No. PFRDA/2017/17/PF/1 dated 20<sup>th</sup> April, 2017 the responsibility of exercising actual voting rights have been entrusted to the custodian [Clause 1(A)(iii)]. SHCIL provides a quarterly report thereon which is placed before the Board of UTI Retirement Solutions Limited and also submitted to the NPS Trust and PFRDA. The same is also disclosed on the website of UTI Retirement Solutions Limited.

The data on voting exercised or otherwise is maintained in electronic / physical mode covering all equity holdings and the same is disclosed on UTIRSL website. A certificate from Statutory Scheme Auditor is also taken and attached to the Annual Reports of NPS Schemes.

### **6. Periodic Report on stewardship responsibilities.**

An annual report on the implementation of this policy shall be submitted to the NPS Trust and PFRDA.

### **7. Disclosure of Stewardship Code and Corporate Governance Policy**

This Stewardship Code and Corporate Governance Policy and amendment thereto, shall be disclosed on the website of UTI Retirement Solutions Limited.

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