



PNB MetLife India Insurance Company Limited

Proxy Voting Guidelines

Version 1.0

Prepared by: Investment Front Office

Reviewed by: Investment Mid-Office

Introduction:-

PNB MetLife is a long term investor. We believe that sound corporate governance and corporate responsibility practices contribute to the accountability and integrity of the public and private corporations we hold and improve long-term value for our Policyholders. Shareholders have the right and responsibility to vote at shareholder meetings. Voting rights includes the ability of shareholders to cast their votes in an informed manner, free of impediments or obstacles at the AGMs/ EGMs.

As a corporate shareholder, representing the financial interest of our stakeholders, including vast number of our policyholders, we act responsibly regarding exercise of our rights.

The issues which may require our intervention would include corporate governance issues, transparency, strategic shifts, risk management, changes in the promoter groups etc.

Our policy on proxy voting incorporates our views on each of these issues; lay down processes to arrive at a conclusion on issues involved,. and vote on the resolutions accordingly.

These Guidelines set out our main beliefs on governance and corporate responsibility and present our voting guidelines on common proxy issues.

Policy on voting and disclosure of voting activity

As a matter of policy, PMLI will support unqualified, true and fair representation of financials, keeping in view the regulatory/statutory provisions applicable to the investee company. PMLI will generally vote in favour of resolution related to dividend and other decisions leading to wealth creation for shareholders.

The voting will be done by the Investment Team of PMLI.

Proxy Voting will broadly cover all important aspects stated below but not limited to only these factors. The guiding principle would be the interest of PMLI and its policy holders.

Proxy Voting Guidelines**Shareholder Meeting Notice & Disclosure of Information**

Shareholder meetings occur annually and on an ad hoc basis (these are known as extraordinary or special meetings). Appropriate notice of shareholder meetings should be given by companies to ensure that shareholders have a reasonable opportunity to exercise their voting rights.

Shareholders vote on resolutions presented by management at shareholder meetings. Appropriate quantity and quality of information regarding management and shareholder resolutions should be given by companies to enable shareholders to make informed voting decisions.

PNB MetLife will **vote AGAINST or WITHHOLD** from director nominees if shareholders are not provided with a sufficient period of time prior to a shareholders' meeting to review resolutions and cast votes.

Fund managers will decide and communicate to Mid/Back Office for instructing to custodian to attend the meeting and cast votes as a proxy on behalf of PNB MetLife Or will vote directly on behalf of PNB MetLife.

Financials

PMLI will consider observations made by the Statutory Auditors, Secretarial Auditors and Cost Auditors etc. in their respective reports on case to case basis considering information like.

- High Promoter Shareholding
- Company's Profitability
- Approval for a new line of business/ significant capital expansion
- Default in repayment of Loans, public deposits
- Operating Cash flows
- Proper disclosure of relevant Financial/ non-financial information
- Qualification(s), if any made by the Auditors
- Material variation in accounting policies from accounting principles.

PMLI will vote against resolutions which could affect earnings adversely or cause substantial increase in risk of operations to the company.

Mergers, Amalgamations and other arrangements

A merger or acquisition occurs when one corporation is absorbed into another and ceases to exist in its current form. The combined or surviving company gains all of the rights, powers, duties, assets and liabilities of the partner or target company. The shareholders of the absorbed company receive stock, cash or other securities of the newly formed company as provided by the plan of arrangement.

Proposals pertaining to mergers and acquisitions will be subject to review, on case to case basis, by PMLI to determine whether they are value accreting to shareholders. Disclosures and transparency of proposal as well as various economic and strategic factors will be considered before making final decision.

PMLI will oppose anything that will be in contravention of the regulatory/statutory provisions applicable to the investee Company; information relating to below points may be seen for the same

- Valuation
- Mode of consideration;
- Underlying rationale;
- Impact of financial & leverage ratio;
- Inequitable benefit to promoters;
- Accounting treatment;
- Legal & Tax Implications;
- Impact on Minority Shareholders;
- Disclosure Levels
- Post-Merger shareholding pattern
- Proposals that have the effect of entrenching existing management
- Governance/fairness issues

We oppose anti-takeover proposals as well as any moves which adversely affect the voting rights of existing shareholders. We will generally oppose the transfer of authority from shareholders to directors and will not favour shares with restricted or differential voting rights. We will also generally oppose unusual or excessive increases in authorised but unissued share capital, particularly in respect of proposed increases for companies in jurisdictions without assured pre-emptive rights.

Amendments in Memorandum of Association, Articles of Association

PMLI will generally support amendments in Articles of Association, Memorandum of Association for the purpose of aligning with the provisions of any regulatory requirement.

PMLI will decide its voting decision on the following

- Quality and level of disclosure of the objects proposed to be inserted or removed;
- Impact on minority shareholders;
- Rationale for the proposed amendments in the articles of association or memorandum.

Changes in Capital Structure

The proposals for increase in authorized capital will generally be supported if the proposed changes are in the best interest of the shareholders. However, we will not support changes resulting in excessive dilution of existing shareholders value.

PNB MetLife prefers companies to keep a limited authorized share capital, which can be increased by shareholder approval when needed. This protects shareholders from dilutive acts, information relating to the same may be considered for decision making like .

- *Justifiable need for change in capital structure is demonstrated;*
- *Materiality of impact on company's business.*
- *Underwriting details*

- *Shareholding pattern before and after the issue*
 - *Amount of cash balance and marketable securities*
 - *Financial and operational performance of the Company*
 - *Operating Cash Flows*
 - *Leverage Ratios and credit rating & effective interest rates.*
-
- PNB MetLife believes that shareholders should have the ability to participate in the fundamental decisions that affect long-term corporate viability. For this reason, PNB MetLife takes seriously all share issuance and use of capital requests, and we will support such requests that have a valid corporate purpose – that is, will help management pursue long-term value maximization. Alternatively, we will not support any sustained erosion of the value of outstanding shares, or approve of issuances that will be used in a manner inconsistent with adding long-term shareholder value.
 - PNB MetLife will vote AGAINST unlimited share authorization, new share / bonds issues and share repurchase if it is not in the best long-term interest of shareholders.

Stock option plans and other management compensation issues

PMLI will generally support resolutions favouring ESOPs if the same is in accordance with applicable regulations and will prefer companies that have an Independent Compensation Committee in place. However, PMLI will oppose stock option and stock incentive plans that result in excessive dilution to the existing shareholding.

The compensation Structure to Executive/ Non-Executive / Independent Directors (Commission) should not only be within limits as prescribed in the Companies act as amended from time to time but also justifiable and comparable with industry/ peer practice. Also, the executive compensation should be directly linked to the company's performance and major part of total remuneration should include performance/ variable pay, information relating to the same may be considered for decision making like .

- Whether stock option and stock incentive plans results in excessive dilution
- Excessive golden parachute plans
- Number of options granted under earlier ESOP Schemes;
- Number of options currently held by Senior executives;
- Extent of Dilution for minority shareholders due to previous schemes;
- Cap on dilution and impact on shareholders.
- Compliance with relevant regulatory requirements

Appointment / Reappointment and Removal of Directors

The principle responsibility of the board of directors is to foster the long-term success of the company, consistent with its fiduciary duty to shareholders. The board carries out this responsibility by:

- providing input to and approval of corporate strategy;

- evaluating management performance and making executive changes when necessary;
- ensuring there are systems in place to effectively assess and manage risk, including environmental, social and governance risks; and
- supervising the selection and work of the company's external audit firm

Voting on appointment will depend on factors such as qualification, attendance, independence, criteria for independent directors, aggregate tenure on board, existing Directorship and also time commitment of all directors. In case of removal of Director, voting shall be done on the basis of disclosures made by Investee Company/ concerned director

PNB MetLife will vote for director nominees and board structures or processes that we believe will contribute most to maximizing shareholder value. We will oppose nominees and structures that we believe would not be in the best long-term interests of shareholders.

Appointment & Removal of Auditors

Auditor's independence, role, and performance shall be closely scrutinized as also matters relating to non-audit relationship, non-audit fees and rotation of auditors to be reviewed. In case of removal of auditors voting shall be on case to case basis depending upon the disclosures made by the company.

PMLI will oppose all proposals that are in contravention of the regulatory/statutory provisions applicable to the investee Company, information relating to the same may be considered for decision making like ..

- Rotation of Auditors and audit partners
- Tenure of Auditors
- Proportion of Non-audit and advisory related fees;
- Market Standing/ Independence
- Any financial interest or association with the company

Related Party Transactions

Proposals pertaining to transactions with related parties shall be subject to careful review, on a case to case basis, information relating to the same may be considered for decision making like ..

- Disclosure levels
- Rationale for the transactions & its impact on the financials of the company
- Whether an independent opinion has been obtained on the valuation/pricing aspects
- Impact on Minority Shareholders
- Inequitable benefit to promoters
- Nature of relationship
- Nature, duration and other terms of the contract.

PNB MetLife will vote AGAINST resolutions to authorize or issue equity shares that do not have full and equal voting rights. PNB MetLife will vote FOR resolutions to eliminate or unify multiple classes of shares.

OTHER ISSUES

For any other issues which are not covered will be reviewed by the Fund Manager and along with Chief Investment Officer they will decide about the proxy voting.

Resolutions under “Other Business”

Companies should not include vague resolutions on the meeting agenda that would allow discussion and voting on “other business.”

Company Operations

Companies often amend or replace by-laws and articles of incorporation to clarify ambiguity, streamline multiple amendments or reflect changes in corporate law. By-law changes can be of a minor or “housekeeping” nature in that they do not impact shareholder rights and interests (e.g., clarification). However, some by-law amendments, such as the following, are more critical as they may not be beneficial to shareholders:

Quorum for a shareholder meeting is set at a very low level (e.g., below 10% of the eligible votes)

PNB MetLife prefers companies to set quorum requirements at a reasonable level (e.g., 25% or more of the eligible votes) so that there is a sufficiently broad indication of shareholders’ approval for business conducted at the meeting.

PNB MetLife will vote FOR resolutions that are of a housekeeping nature. PNB MetLife will vote AGAINST resolutions that weaken or negatively impact shareholder rights and interests.