

# Stewardship Policy



April 2021

## **DOCUMENT CONTROL**

### **1. Document Version**

Document version of this Stewardship Policy is 5.

### **2. Preparation / Revision History**

<b>S. No.</b>	<b>Date of Approval / Modification</b>	<b>Version No.</b>	<b>Approved / Modified by</b>
1	July 28, 2017	1. Stewardship Policy - July 2017	Board of Directors
2.	July 27, 2018	2. Stewardship Policy - July 2018	Board of Directors
3.	July 26, 2019	3. Stewardship Policy - July 2019	Board of Directors
4.	May 12,2020	4. Stewardship Policy - May 2020	Board of Directors
5.	April 30,2021	5. Stewardship Policy - April 2021	Board of Directors

### **3.Issuing Authority**

This policy document is to be approved by the Board of Directors.

### **4. Author and Responsible Official**

This policy document will be maintained and updated by way of additions, deletions and modifications, by Chief Investment Officer and by any other authorized official of the company.

Chief Investment Officer or any authorized official will initiate changes for any revision by way of additions, deletions and modifications that are deemed necessary and place the revised Policy for consideration by the Investment Committee and with its recommendations, put up to the Board of Directors for its approval.

Audit Committee of the Board would overview Stewardship activities undertaken by the Company. Audit Committee would be responsible for monitoring the implementation of the Stewardship Policy of the Company.

Every time the policy document is edited, the version will increase by one unit. The Version History to be maintained as above.

The revised policy is to be disclosed on the website of the Company, duly mentioning the change / modification to the Policy on Stewardship.

## **STEWARDSHIP POLICY**

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## STEWARDSHIP POLICY OF SUD LIFE

### A. INTRODUCTION

- Star Union Dai-ichi Life Insurance Company Limited (SUD Life) as a part of its normal investment activities invests in Equity Shares issued by companies (Investee Company).
- Exposure to equities is taken with due consideration to Investment Philosophy of the Company, Regulatory guidelines and to meet the policyholder's reasonable expectations. The investments in equities are made for long-term capital appreciation and dividend yield. These investments are monitored regularly and are reviewed by the Investment Committee and the Board.
- Insurance companies are significant institutional investors in listed companies. It is expected that Insurance companies engage with the managements at a greater level to improve their governance. It will result in informed decisions by the parties and ultimately improve the return on investments of insurers.
- IRDAI vide Circular Ref. IRDA/F&A/GDL/CMP/059/03/2017 dated March 20, 2017 issued Guidelines on Stewardship Code for Insurers. These guidelines require Insurers to frame Stewardship Policy and engage with the investee companies, in order that the best interests of the policyholders are protected.

### B. OBJECTIVES

Objectives of the Stewardship Policy of the company are as below:

- To set out the principles to be followed to protect the interest of the policyholders' fund;
- To put in place process of monitoring of the investee companies and voting on the resolutions;
- To set guidelines for engagement with the managements of the investee companies with significant holding; and
- To state the manner of public disclosures and reporting thereto

### C. STEWARDSHIP PRINCIPLES OF SUD LIFE

Followings are the seven Stewardship activities, which would be carried out by SUD Life on best effort basis. These Stewardship responsibilities would be discharged in respect of those Investee Companies, with equity exposure as defined in this policy document.

#### I. Stewardship Responsibilities

- a) Stewardship activities would include monitoring of company's performance and developments on matters such as strategy, performance, risk, capital structure, leadership effectiveness, succession planning, remuneration and corporate governance.
- b) Applicability: Stewardship policy and its principles would be applicable in the following
  - 1) Where SUD Life's equity investment in an investee company is Rs 75 Crores and above:

The company shall examine all the agenda items to be considered at the General / Extra- ordinary Meetings and decide on the stance to be taken on voting on resolutions. The company, in general, would participate in the voting.

Where the company decides not to cast its vote, it may record the reasons thereof.

- 2) Where SUD Life's equity exposure is 2% and above of the share capital of the investee company:

The company shall endeavor to engage with the investee company (by attending meetings, calls or any other means of communication) on matters such as strategy, performance and corporate governance.

- 3) In addition to the above, based on merits, the company may apply the stewardship responsibilities to other companies where it has equity exposure.
- c) Investment Team would report to Investment Executive Committee (IEC) on monthly basis and Investment Committee (IC) on quarterly basis, about its Stewardship activities.
- d) Audit committee to oversight the insurers voting mechanism and stewardship activities.
- e) Personnel assigned to discharge duties regarding stewardship activities will be provided with requisite training on the job.
- f) The Company may engage the services of an external agency relating to its discharge of Stewardship responsibilities as permitted under the guidelines, which decision shall be taken by the MD & CEO of the Company. Where the services of external agency are availed, the responsibility for Steward activities shall lie with the Company only.

## **II. Manage Conflicts of Interest**

- a) The voting on company resolutions may entail some instances of a conflict of interest between SUD Life and the policyholders' interests.
- b) Conflict of interest may arise in the following cases:
- i. The investee company is a group company or an associate company.;
  - ii. The investee company is a Group policyholder of SUD Life;
  - iii. Products/services of the Investee Company are critical to the SUD Life's business;
  - iv. The Investee Company is an entity participating in the distribution of products of SUD Life;
  - v. Key managerial personnel of SUD Life may have personal interests that may conflict with their responsibility to act in the best interests of the Company. A conflict of interest may be actual, potential or perceived and may be financial or nonfinancial.
- c) SUD Life will make its best efforts to avoid such conflicts and where it cannot be avoided, the same to be resolved in the best interests of its Policyholders.
- d) Voting function is segregated from Client and sales function to avoid any conflicts of interest.
- e) In cases where potential or perceived conflict of interest is observed, the matter would be reported to the Investment Executive Committee (IEC) which shall decide in the greater good of its policyholders (including blanket ban in certain cases, refraining the person carrying conflict of interest from decision making).
- f) Referring such matters to Audit committee.
- g). Maintain minutes of decision taken on conflicts of interest.

## **III. Monitoring of Investee Companies**

Investment Team carries out the periodical review of the financial performance of all Investee Companies,

wherein equity exposure is taken. Monitoring here includes the quarterly financial performance (or monitoring higher frequency data, depending on stock specific development) and business outlook, management evaluation, capital structure and key risk areas. However, the areas like succession planning, remuneration, corporate governance (including board structure and related party transactions), Environmental, Social & Governance (ESG) risks, Shareholder rights and grievances, etc. are assessed on the best effort basis.

In this context, Investment Team would follow the monitoring mechanism as briefed below:

- a) Monitoring would be based on the information available in public domain like Review of Financial Results, Annual Reports, Corporate Actions, Press Release, Media News etc.;
- b) Interaction with Management of Investee Companies: The best efforts would be made to have interaction with senior officials of Investee Companies individually or with other Institutional Investors. This interaction would also be attempted through any mode of communication with Investee Companies;
- c) Research Reports of these Companies and to its Industry may be available in public domain. Efforts would be made to have these types of reports from our empanelled equity brokers as well. These reports would also help to understand the developments happening in these Investee Companies; and
- d) Attending Analyst Meets and joining Conference Calls: It would be endeavored to attend the Analyst meets and join for Conference call of these Investee Companies.

Personnel discharging stewardship activities shall comply with SEBI Prohibition of Insider trading guidelines) Regulations 2015 which may trigger communication of insider information

#### **IV. Intervention in Investee Companies**

In case of any perceived concern related to strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters, of Investee Company, wherein equity exposure is beyond threshold limit (where the SUD Life owns 2% or more of share capital of the investee company), any of the following steps may be taken in the interest of Policyholders on best effort basis.

- a) Investment Team would communicate to Investee Company about the concern (through any mode of communication);
- b) To seek appointment with the senior management of the company through investors relations personnel to know the company's view;
- c) The best possible efforts would be made to join hands with Institutional investors to take up the matter to the Senior Management of Investee Company; or
- d) Voting on significant resolutions would be carried out, in active consultation with other similarly placed institutional investors in the interest of the Policyholders.

#### **V. Collaboration with other Institutional Investors**

- a) SUD Life may from time to time, find concern related to strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental

matters, of its Investee Companies.

- b) In some case, there can be certain requirements related to monitoring of Investee Companies in respect of their leadership effectiveness, succession planning, corporate governance, reporting and other parameters (like reported corporate actions, news, agenda items in meetings, etc).
- c) SUD Life, based on the severity of the issue, would collaborate with other Institutional Investors (including interactions with and through Life Council) to arrive at common stance in the best interest of the policyholders.

## **VI. Voting Policy**

- a) SUD Life is responsible, in its fiduciary capacity, to act in the best interests of its stakeholders.
- b) Equities held by SUD Life carry voting rights. Exercising voting rights is to be carried out in the overall interest of the stakeholders.
- c) Having regard to the agenda items, authorised officials of the Company would decide on either to participate or abstain from voting and also on the stand to be taken.
- d) While deciding on the stand to be taken on the agenda items, impact on Profitability, Shareholder value, Corporate Governance etc. would be taken into account.
- e) SUD Life would authorise its Officials to cast vote at the investee company meetings. The vote may be cast through e-voting (electronically) as well.
- f) Investment Team would report to IEC details of participation in voting.
- g) In respect of securities lent under Securities Lending & Borrowing (SLB) mechanism, the company (lender) would still be holding shares of the investee company as certain percentage of holding can be lent.

In the event of the corporate action which is in nature of AGM/EGM, SEBI vide Circular Ref. CIR/MRD/DP/122/2017 dated November17, 2017 stipulates that SLB Contract can be of two types viz.,

- i. **Contract needs to be mandatorily foreclosed** – In this case voting rights remain with the lender (Insurer) on all the shares, as the contract get foreclosed in the event of AGM / EGM; and
- ii. **Contract not to be foreclosed** - In this type of contract, the lender (Insurer) would not have the voting rights on the shares to the extent shares are lent under said SLB contract, as the contract would not get foreclosed in the event of AGM / EGM.

As such SUD Life would consider the resolutions, in respect of holding excluding those lent under SLB, and decide on its stance thereof, in respect of those companies as well.

## **VII. Public Disclosure & Reporting of Stewardship activities**

SUD Life shall make the necessary disclosures and reporting to the IRDAI, as per the regulatory requirements related to Stewardship Code.

### **1) Public Disclosures**

- a) Stewardship Policy would be uploaded on the website of the Company, within 30 days from the

date of approval by the Board.

- b) In case of revision of the policy, the same would be displayed on the website of the Company, within 30 days from the date of approval by the Board, duly mentioning the changes / modifications thereto the Policy.
- c) SUD Life shall disclose a report on its Stewardship activities on its website, as part of Public Disclosures.

## **2) Internal Reporting**

Investment Team would report to Investment Executive Committee (IEC) on monthly basis and Audit & Ethics Committee on quarterly basis, about its Stewardship activities.

## **3) Reporting to IRDAI**

SUD Life shall comply with stewardship code and submit an Annual Certificate of Compliance approved by the Board to the Authority in the prescribed format duly certified by CEO and Compliance Officer on or before 30<sup>th</sup> June every year

## **D. APPROVAL & REVIEW OF STEWARDSHIP POLICY**

Stewardship Policy shall be reviewed and approved by the Board on annual basis or as warranted.



**E. ANNEXURE - CHANGES / MODIFICATIONS TO STEWARDSHIP POLICY**

**1. Changes / Modifications to Stewardship Policy – Review July 2018 version 2 is detailed below:**

S. No.	Stewardship Policy (July, 2017) – Version 1	Stewardship Policy (July, 2018) – Version 2	Remarks
1	<p><b>Voting Policy (Para VI (g) – Page 7)</b></p> <p>In respect of securities lent under SLB mechanism, the company would still be holding shares of the company as certain percentage of holding can be lent.</p> <p>Further, provisions relating to SLBM entail auto foreclosure of SLB contracts, in times of meetings requiring voting by the shareholders. As such the company would consider the resolutions and decide on its stance thereof, in respect of those companies as well.</p>	<p><b>Voting Policy (Para VI (g) – Page 7)</b></p> <p>In respect of securities lent under Securities Lending &amp; Borrowing (SLB) mechanism, the company (lender) would still be holding shares of the investee company as certain percentage of holding can be lent.</p> <p>In the event of the corporate action which is in nature of AGM/EGM, SEBI vide Circular Ref. CIR/MRD/DP/122/2017 dated November 17, 2017 stipulates that SLB Contract can be of two types viz.,</p> <ul style="list-style-type: none"> <li>i. <b>Contract needs to be mandatorily foreclosed</b> – In this case voting rights remain with the lender (Insurer) on all the shares, as the contract get foreclosed in the event of AGM / EGM; and</li> <li>ii. <b>Contract not to be foreclosed</b> - In this type of contract, the lender (Insurer) would not have the voting rights on the shares to the extent shares are lent under said SLB contract, as the contract would not get foreclosed in the event of AGM / EGM.</li> </ul> <p>As such SUD Life would consider the resolutions, in respect of holding excluding those lent under SLB, and decide on its stance thereof, in respect of those companies as well.</p>	<p>The Para on Voting Policy in respect of shares lent under SLB framework is modified, in lines of SEBI guidelines.</p>

2. Changes / Modifications to Stewardship Policy – Review July 2019 version 3: No change

3. Changes / Modifications to Stewardship Policy – Review May 2020 version 4:  
**ADDITIONS**

S. No.	As per Existing Stewardship Policy (Reviewed July 2019)	Proposed additions to Stewardship Policy (Review May 2020)	Remarks
1.	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>I. Stewardship Responsibilities</b></p> <p>d) on Page no 5 New point added</p> <p><i>Current Point C. I. d) re-ordered to C. I. f) to maintain flow of policy</i></p>	<p>C. I. d) Audit committee to oversight the insurers voting mechanism and stewardship activities.</p>	<p>Currently, Investment Committee has been overseeing. Henceforth, it lies with Audit Committee.</p>
2.	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>I. Stewardship Responsibilities</b></p> <p>e) on Page no 5 New Point added</p>	<p>C. I. e) Personnel assigned to discharge duties regarding stewardship activities will be provided with requisite training on the job.</p>	<p>Self-explanatory</p>
3.	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>II. Manage Conflicts of Interest d), f), and g) on Page 5</b></p> <p><b>New point Added</b></p> <p><i>Current Point C II. d) re-ordered C II. e) and modified as stated below as part of modifications. Re-ordering is done to maintain flow of the policy</i></p>	<p>C. II. d) Voting function is segregated from Client and sales function to avoid any conflicts of interest.</p> <p>C. II. f) Referring such matters to Audit committee.</p> <p>C. II. g) Maintain minutes of decision taken to address conflicts of interest</p>	<p>New additions.</p>

**MODIFICATION**

S. No.	As per Existing Stewardship Policy (Review July 2019)	As per Proposed Stewardship Policy (Review May 2020)	Remarks
1.	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>II. Manage Conflicts of Interest (C. II. b) i. on Page 5)</b></p> <p>b) i. The investee company is a group company</p> <p><b>II. Manage Conflicts of Interest (C. II. d) on Page 6)</b></p> <p>d) In cases where potential or perceived conflict of interest is observed, the matter</p>	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>II. Manage Conflicts of Interest</b></p> <p>C.II. b) i. The investee company is a group company <b><u>or an associate company</u></b></p> <p>C. II. e) In cases where potential or perceived conflict of interest is observed, the matter would be reported to the Investment Executive Committee (IEC) which shall decide in the greater good of its policyholders <b><u>(including blanket ban in certain cases,</u></b></p>	<p>Modified as provided in the revised guidelines.</p> <p><i>As mentioned above in ADDITIONS # 3. Current Point C II. d) re-ordered C II.</i></p>

	would be reported to the Investment Executive Committee (IEC) which shall decide in the greater good of its policyholders	<b><u>refraining the person carrying actual conflict of interest/ potential conflict of interest from decision making).</u></b>	e) to maintain flow of the policy
2.	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>III. Monitoring of Investee Companies (Para on Page 5)</b></p> <p>Investment Team carries out the periodical review of the financial performance of all Investee Companies, wherein equity exposure is taken. Monitoring here includes the quarterly financial performance (or monitoring higher frequency data, depending on stock specific development) and business outlook, management evaluation, capital structure and key risk areas. However, the areas like succession planning, remuneration, corporate governance etc. are assessed on the best effort basis.</p>	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>III. Monitoring of Investee Companies</b></p> <p>Investment Team carries out the periodical review of the financial performance of all Investee Companies, wherein equity exposure is taken. Monitoring here includes the quarterly financial performance (or monitoring higher frequency data, depending on stock specific development) and business outlook, management evaluation, capital structure and key risk areas. However, the areas like succession planning, remuneration, corporate governance <b><u>(including board structure and related party transactions), Environmental, Social &amp; Governance (ESG) risks, Shareholder rights and grievances</u></b> etc. are assessed on the best effort basis.</p>	Modified as provided in the revised guidelines.
3.	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>V. Collaboration with other Institutional Investors (C. V. c) on Page 6)</b></p> <p>SUD Life, based on the severity of the issue, would collaborate with other Institutional Investors to arrive at common stance in the best interest of the policyholders.</p>	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>V. Collaboration with other Institutional Investors</b></p> <p>c) SUD Life, based on the severity of the issue, would collaborate with other Institutional Investors <b><u>(including interactions with and through Life Council)</u></b> to arrive at common stance in the best interest of the policyholders.</p>	In line with the guidelines, reference to Life council is made.
4.	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>VII. Public Disclosure &amp; Reporting of Stewardship activities</b></p> <p><b>2) Internal Reporting (on Page 7)</b></p> <p>Investment Team would report to Investment Executive Committee (IEC) on monthly basis and Investment Committee (IC) on quarterly basis, about its Stewardship activities</p>	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>C. VII. 2) Internal Reporting</b></p> <p>Investment Team would report to Investment Executive Committee (IEC) on monthly basis and <b><u>Audit &amp; Ethics Committee</u></b> on quarterly basis, about its Stewardship activities.</p>	In line with Audit & Ethics Committee being the overseeing body
	<p><b>C. STEWARDSHIP PRINCIPLES OF SUD LIFE</b></p> <p><b>VII. Public Disclosure &amp; Reporting of Stewardship activities</b></p> <p><b>3) Reporting to IRDAI (on Page 8)</b></p> <p>SUD Life shall submit report on an annual basis to the Authority in the prescribed format, on the status of compliance with the Stewardship Code. The status report, as approved by the Board and as endorsed by the Compliance Officer, would be submitted to the Authority on or before 30<sup>th</sup> June every year. The</p>	<p><b>C. VII. 3) Reporting to IRDAI</b></p> <p>SUD Life shall comply with stewardship code and submit an Annual Certificate of Compliance approved by the Board to the Authority in the prescribed format duly certified by CEO and Compliance Officer on or before 30<sup>th</sup> June every year</p>	Amended as per the revised guidelines

	reporting shall be done under principle of “comply or explain”, the reasons for deviation or noncompliance with the Stewardship Principles in the report.		
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**4. Changes / Modifications to Stewardship Policy – Review April 2021 version 5: No change**

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