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**BHARTI AXA LIFE INSURANCE COMPANY LIMITED**

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# **STEWARDSHIP POLICY**

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July 2017

Version 1.0

## PREAMBLE

The Stewardship policy (“the policy”) is formulated as per the ‘Stewardship Principles’ as specified by the Insurance Regulatory and Development of India. This document sets out the approach by Bharti AXA Life Insurance Company Limited (“BAL”) to responsible ownership, with regard to the guidelines set out in the Stewardship Code (the “Code”). This document outlines how we implement our approach with respect to each of the core principles presented by the Stewardship Policy.

Stewardship aims to promote the long-term success of investee companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits both investee/investor companies and enhances the quality of capital markets.

## LEGAL FRAMEWORK

Insurance Regulatory and Development Authority of India (“IRDAI”) issued Guidelines on Stewardship Code for Insurers in India *vide* Circular No. IRDA/F&A/GDL/CMP/059/03/2017 dated 20<sup>th</sup> March 2017 which provides set of principles which the insurers are required to adopt and formulate a policy which shall govern the conduct of insurers with regard to Stewardship of investee companies and disclosures thereto.

## SCOPE OF APPLICATION

This policy shall come into force from the date of its approval by the Board of Directors of BAL. This policy applies to the cases where BAL has invested in shares (both equity and preferential shares), debentures and bonds and loans to Investee Company. The policy shall be applicable for investments which fulfill the below mentioned criteria:

- Where debt + equity exposure is more than 1% of (paid up capital + free reserves + outstanding debentures) of the investee company, or
- Where debt + equity exposure in the investee company is more than 1% of BAL’s total AUM.

## PRINCIPLES GOVERNING STEWARDSHIP RESPONSIBILITIES

### 1. Key Stewardship Responsibilities

#### 1.1 Primary Stewardship Responsibilities: BAL shall:

- Take into consideration, in the investment process, investee companies’ policies and practices on environmental, social and governance matters;
- Take into account the corporate governance practices of investee companies, when undertaking buy and sell decisions;

- Enhance shareholder/investor value through productive engagement with investee companies;
  - Vote and engage with investee companies in a manner consistent with the best interests of its shareholders/investors;
  - Influence the development of corporate governance standards and corporate responsibility;
  - Communicate environmental, social and governance principles and policy guidelines to investee companies;
  - Maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.
- 1.2 Discharge of Stewardship Responsibilities:** BAL shall discharge its stewardship responsibilities through:
- Voting on shareholders' resolutions, with a view to enhance value creation for the shareholders/investors and the investee companies; BAL has appointed Institutional Investor Advisory Services ("Agency") as proxy advisors to advise and assist in voting;
  - BAL shall use the services of external agencies (such as custodians/ banks etc.) wherever deemed fit to discharge the duties on behalf of BAL, however, the final onus and responsibility shall be that of BAL;
  - Advocating for responsible corporate governance practices, as a driver of value creation; and
  - Intervening on material environmental, social and governance opportunities or risks in the investee companies.
- 1.3 Responsibility for oversight of the stewardship activities:**
- The Board Investment Committee ("Committee") shall ensure that there is an effective oversight of the stewardship activities;
  - Compliance Officer shall be designated as the "Stewardship Officer". The Stewardship Officer shall be responsible for compliance with this Stewardship Code and shall be under the supervision of the Committee.
- 1.4 Disclosure of Stewardship Code:** This Stewardship Code and amendment thereto, shall be disclosed on the website of BAL. Any amendment or modification to this Stewardship Code shall be disclosed on the website.
- 1.5 Disclosure of Stewardship Activities:** BAL shall also disclose the requisite compliance and non-compliance with the Stewardship Code and Stewardship Principles [as required by the IRDA].

## 2. Managing conflicts of interest in relation to stewardship

- 2.1** 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 BAL (including its employee, officer or director) conflict with the interests or benefits of its shareholder/investor or the investee company.
- 2.2** As per provisions of “Code of Conduct for prevention of Insider Trading” of the company, all covered employees shall submit to the Stewardship Officer a securities statement with details of the securities of listed companies and unlisted companies held by him/her (including the securities held by his/her immediate relative). All employees shall also be governed by BAL’s Conflict of Interest Policy
- 2.3** Avoid conflict of interest: The employees, officers and directors of BAL 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, employees, officers and directors shall consult with the Stewardship Officer.
- 2.4** Identifying conflict of interest: While dealing with investee companies, BAL may be faced with a conflict of interest, inter alia, in the following instances, where:
- BAL and the investee company are part of same group; or
  - The investee company is also a client of BAL or its group companies or affiliates;
  - BAL 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 BAL’s other group companies;
  - Any of the group companies or affiliates of BAL is a supplier or partner of the investee company;
  - A nominee of BAL has been appointed as a director or a key managerial person of the investee company;
  - A director or a key managerial person or their relatives of BAL has a personal interest in the investee company;
  - BAL’s 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
- 2.5** Manner of managing conflict of interest:
- - Rationale for voting on each shareholder resolution shall be recorded in the internal records of BAL;

- A potential conflict of interest in relation to an investee company shall be reasonably highlighted to the Stewardship Officer;
- Employees, officers and directors of BAL will record their outside appointments/professional engagement with the Stewardship Officer;
- Save as in the ordinary course of business, the members of the Committee and the Stewardship Officer shall not engage with the investee companies outside the scope of their duties under the Stewardship Code;
- BAL may consider abstaining from voting when BAL and the investee company are part of the same group, unless BAL records rationale for voting on such resolutions;
- Business level conflicts shall be resolved on a case to case basis by the Investment Team in consultation with the Stewardship Officer, after factoring the relevant considerations.

### **3. Monitoring of Investee companies**

#### **3.1 Manner of Monitoring**

- The Investment Team 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;
- Investment Team may use publicly available information, sell side research, rating agencies and industry information and shall engage with the investee companies' to monitor their performance;
- Investment Team shall endeavor to attend meetings/ calls/ webcasts which BAL deems fit on the basis of agenda for companies which fall within the threshold level. Investment Team shall also endeavor to participate through other mechanism which will provide for higher participant/engagement conducted by the management of the investee company to which it is invited.

### **4. Engagement strategies and principles with investee companies**

- 4.1** BAL shall 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.
- 4.2** Intervention by BAL: The decision for intervention shall be decided by the Stewardship Officer based on the following broad parameters:

- BAL shall not generally intervene if the threshold is below the prescribed level or investment is already earmarked for divestment;
- BAL may consider intervening in matters below the thresholds, if in the reasonable opinion of the Stewardship Officer, the issue involved may adversely impact the overall corporate governance atmosphere or BAL's investment.

#### 4.3 BAL intervention and escalation policy is as follows:

- **Engagement:** BAL shall take all reasonable steps to engage with the investee company's management to resolve any concerns of BAL 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 BAL within a reasonable timeframe, BAL shall take all reasonable steps to re-engage with the management to resolve BAL's concerns.
- **Escalation:** In case there is no progress despite the first two steps, BAL may decide to engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. BAL may also consider discussing the issues at the general meeting of the investee company (either called by the investee company or requisitioned by BAL).
- **Reporting to the Regulators:** If there is no response or action taken by the investee company despite the first three steps. BAL may approach the relevant authorities [or can consider recourse to other legal actions].

4.4 In case BAL's intervention is not successful (either fully or partially), it will not automatically result in BAL being required to exit its investment in the investee company. The decision to purchase more equity/ debt or sell all or part of BAL's investment in the investee company shall be made by the Investment Team in consultation with the Stewardship Officer, which may consider the outcome of the intervention as an input in its decision-making process.

## 5. Collaboration with other Institutional Investors

5.1 BAL may consider collective engagement with [other shareholders / 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. BAL may approach, or may be approached by, other Asset Managers, including insurers, mutual funds, debenture trustees or other type of stakeholders to provide a joint representation to the investee companies to address specific concerns.

5.2 BAL shall also, where permitted, collaborate with other shareholders, professional associations such as [General Insurance Council of India, Life Insurance Council,



Association of Mutual Funds in India, General Insurers' Public Sector Association, etc]; regulators such as IRDA, Pension Fund Regulatory and Development Authority, SEBI, and other policy makers to solicit views.

- 5.3** BAL 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.

## **6. Voting and disclosure of Voting activity**

- 6.1** BAL shall exercise their voting rights(vote/abstain) on all non-routine shareholder resolutions of investee companies which fall within the scope of application of this policy
- 6.2** Voting decisions shall be made in accordance with BAL's internal policy and shall also consider several factors, including recommendations made by the Agency
- 6.3** BAL shall endeavor to attend general meetings of the investee companies (annual as well as any extra ordinary shareholders' meetings) wherever it deems fit on the basis of the agenda, and actively speak and respond to the matters being discussed at such meetings to the extent possible.
- 6.4** BAL shall be required to record specific rationale supporting its voting decision (for, against or abstain) with respect to each non-routine vote proposal, and shall report the same to the Committee.

## **7. Reporting and Disclosures**

The Board of Directors of BAL shall ensure that there is effective oversight on BAL's stewardship activities and the Stewardship Officer shall be entrusted with compliance of the code. The Committee shall be responsible to keep an oversight on the stewardship related decisions and activities and shall intimate the Board of Directors the necessity to modify the Policy.

The Committee shall annually report to the Board of BAL activities undertaken under this policy in regard to implementing this stewardship policy and discharging its responsibilities. The Policy shall be hosted on the website of BAL and shall be kept updated whenever there are any modifications made to the Policy. Any change/modification to the Policy should be specifically disclosed at the time of updating the Policy on the website. The Company shall prepare a Status report in the format provided in Annexure I and shall place it before the Board of Directors which shall review such report and the company shall file it to IRDAI and also host it on its website as part of public disclosure.



## ANNEXURE I

### Format for annual reporting of compliance status of stewardship code to the Authority

Name of Insurer: \_\_\_\_\_

Period of Report (FY): \_\_\_\_\_

#### Status of Compliance with Stewardship Principles

Sr No.	Particulars of Principles of Stewardship Code	Status (Deviation, Partly complied, Not complied)	Reason/ Justification for deviation or non-compliance

\_\_\_\_\_  
Compliance Officer  
(Name and Signature)

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