

## SHRIRAM LIFE INSURANCE COMPANY LIMITED

# **STEWARDSHIP POLICY**

Version 3.0

Date: 20-May-2020

### **Version Control Index:**

Version No	Description of Change	Approval Date
1.0	New Policy	01-Jul-2017
2.0	Changes pursuant to IRDAI Circular IRDA/F&A/GDL/CMP/059/03/2017	31-Oct-2018
3.0	Changes pursuant to IRDAI Circular IRDA/F&A/GDL/CPM/045/02/2020	20-May-2020

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## SHRIRAM LIFE INSURANCE COMPANY LIMITED (also referred to as SLIC)

### Introduction and Regulatory Framework:

Insurance Regulatory Development Authority of India (IRDAI), under the provisions of Section 34(1) of the Insurance Act, 1938, issued a code for Stewardship (the “Code”) for Insurers, vide its circular Ref: IRDA/F&A/GDL/CMP/059/03/2017 on 20th March, 2017.

IRDAI through these Guidelines has advised insurers to put in place, with the approval of the Board, a policy to discharge stewardship responsibilities with an aim to enhance and protect the value for the ultimate beneficiary or client.

After review of the existing guidelines on Stewardship code based on the experience in implementation, compliance by the insurers and the recent developments in this regard, IRDAI has come up with the revised guidelines on Stewardship, vide its circular Ref: IRDA/F&A/GDL/CPM/045/02/2020 on 07th Feb, 2020.

This Code comprises with a set of principles which the insurers are required to be adopt and formulate a policy which shall govern the conduct of Insurers with regard to Stewardship of Investee Companies and disclosures thereto.

### Effective Date:

This policy as approved by the Board of Directors will be referred to as the 'Stewardship Policy' for SLIC and will be effective from the date of approval by the board of directors of SLIC and any material change in the policy will also be approved by the Board of Directors. This policy, as amended from time to time will be disclosed on the website of the company along with other public disclosures.

### Scope of Applicability:

This Stewardship Policy is created in accordance with the IRDAI guidelines dated 20th Mar 2017 and updated in accordance with the revised guidelines dated 07th Feb 2020. SLIC, as an Institutional Investor, can consider intervening, in the acts/omissions of an investee company, where SLIC holds investments more than the threshold limit and this shall be set by Investment Committee of SLIC. The threshold level will help in determining the level of engagement and intervention with the investee company

Asset Class	Threshold Limit
In equity	at least 1% of the of Outstanding Equity Shares (Face Value) of the investee company
In debt	at least 1% of the Paid-up Share capital, free reserves (excluding revaluation reserve) and Debentures /Bonds (incl. CPs) of the ‘Investee’ company
In equity & Debt together	at least 1% of the Paid-up Share capital, free reserves (excluding revaluation reserve) and Debentures /Bonds (incl. CPs) of the ‘Investee’ company

Also in the above cases, SLIC must ensure that the investee companies maintain corporate governance at high level by playing an active role in the General meetings. SLIC must also engage with the management of Investee Company at a greater level to improve their governance. The Investment Committee can amend the above threshold level based on experience.

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### Principles Governing Stewardship Responsibilities:

This document narrates how SLIC implements the approach with respect to the principles presented by the Code.

#### Key stewardship responsibilities:

##### 1. Primary Stewardship Responsibilities:

SLIC must ensure that while making Investment decisions, Investment team evaluates /monitors Investee Company's performance, Strategy, Risk, Capital structure and corporate governance practices, including culture and remuneration and maintain transparency as required under the regulations, in reporting its voting decisions in investee companies.

SLIC must ensure that the investment team shall engage with managements of the investee companies for development of corporate governance standards and corporate responsibility wherever possible/required by the stewardship Code to enhance the value creation of policyholders/shareholders

The Investment Committee of SLIC shall recommend to the Board whether it intends to use the services of any external service providers to support the Investment team in discharging its stewardship responsibilities. The Mechanism will be decided by the investment committee which would spell out the members/employees who would be empowered to take the decision.

SLIC Investment Committee shall be responsible for monitoring implementation of the Stewardship Code duly approved by the Board and an appropriate operating framework / guidelines shall be put in place for such monitoring on ongoing basis. SLIC shall ensure that there is effective oversight on Stewardship Activities and Audit committee of the Board shall exercise the same

SLIC shall ensure that the amended Code from time to time will be disclosed on the website of the company along with other public disclosures

Investment team operating framework shall be as follows.

The investment team of SLIC headed by the Chief Investment Officer (CIO) will be responsible for ongoing monitoring of the investee companies and will also be responsible for engaging with the managements of the investee companies and training of the personnel. Investment mid-office team will duly inform the Investment front office team about notices/communication received from investee companies regarding voting or any other engagement. The investment team will seek guidance, when required, from the Investment Committee with respect to the engagement and intervention with the investee companies.

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### 2. Managing Conflicts of interest in fulfilling Stewardship responsibilities:

- 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 SLIC (including its employee, officer or director) conflict with the interests or benefits of its shareholder/investor or the investee company.
- 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 SLIC’s Conflict of Interest Policy
- The employees, officers and directors of SLIC 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.
- **Identifying conflict of interest:**

While dealing with investee companies, SLIC may be faced with a conflict of interest, inter alia, in the following instances, where:

- SLIC and the investee company are part of same group; or
  - The investee company is also a client of SLIC or its group companies or affiliates;
  - SLIC 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 SLIC’s other group companies;
  - Any of the group companies or affiliates of SLIC is a supplier or partner of the investee company;
  - A nominee of SLIC 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 SLIC has a personal interest in the investee company;
  - SLIC’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
  - Where a conflict is identified, the matter will be referred to the Investment committee.
- **Manner of managing conflict of interest:**
    - Rationale for voting on each shareholder resolution shall be recorded in the internal records of SLIC;
    - A potential conflict of interest in relation to an investee company shall be reasonably highlighted to the Stewardship Officer;

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- Employees, officers and directors of SLIC 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;
- SLIC may consider abstaining from voting when SLIC and the investee company are part of the same group, unless SLIC 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.
- Matters relating to conflict of Interest may be referred to Audit committee
- Maintenance of records of minutes of decisions taken to address such conflicts.

### **3. Monitoring Investee Companies:**

Investment team will be responsible for monitoring all the companies in which SLIC invests in. The levels of Monitoring will be decided based on SLIC share of holdings in the Investee Company. If exposure crosses 3% of total AUM or threshold limit as defined in the scope of applicability whichever is higher, SLIC will ensure monitoring minimum of the following:

- Company Strategy and Performance (Financial & operational)
- Industry level Monitoring and possible impact on the investee companies
- Quality of Company Management and Board, leadership and Succession planning
- Corporate Governance including remuneration, structure of the Board and related party transactions
- Risk including Environmental, Social and Governance (ESG) risks
- Shareholder rights and their grievances
- Check the promoters pledge of shares

The Investment Team shall inform the investee companies to not share any unpublished price sensitive information with SLIC which would make SLIC an 'insider', without a specific prior agreement with SLIC. While dealing with the investee company, SLIC shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.

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### **4. Intervention in the Investee companies:**

SLIC, as an Institutional Investor, can consider intervening, in the acts/omissions of an investee company, where SLIC holds investments more than the threshold limit as defined in the Scope of Applicability.

SLIC 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 like Leadership and litigations.

#### **Step 1: Interaction**

In such instances, SLIC as an active shareholder will seek to engage with the company's management to discuss the concerns and apprehensions and actions to mitigate the concerns. The interactions must be held with the company personnel authorised and empowered to act on the areas of concerns.

#### **Step 2: Reiteration**

If there is no response from the management or there is any lack of follow-up action as promised despite the passage of a reasonable period of time, SLIC may re-engage with the management to reiterate the conclusions or the plans of action decided at the prior meetings. A time bound plan to rectify or re align the business practices or actions should be discussed and agreed upon

#### **Step 3: Escalation**

In case there is no progress despite the first two steps, the matter will be discussed at the Investment Committee of SLIC for further escalation to the Board of Directors of the investee company. If the Investment Committee decides to escalate, the communication to the Board of the investee company should elaborate on the concerns, the past requests for engagement with the management of the company, the past discussions and the agreed course of actions.

#### **Step 4: Reporting to regulators/authorities**

Only in exceptional cases, where the concerns relate to matters of public interest or public laws, if there is no response or no action taken by the investee company despite the escalations as mentioned earlier, The Investment Committee may decide to report to the relevant regulator, authority or any Government body as may be required.

In all cases of engagement with the management and / or the Board of Directors of the 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 policyholders of SLIC.

In case of Industry related issues, Interactions can be facilitated through Life Insurance council

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### 5. Collaboration with Other institutional Investors:

SLIC as an Institutional Investor, shall collaborate with other institutional investor's, if appropriate, in order to safeguard the interest of their investors. This may be the most effective manner to engage with the investee companies. And this collaboration approach is not only cost effective but also efficient and potent to deliver the desired results. The act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert.

SLIC may collaborate with industry associations such as [General Insurance Council of India, Life Insurance Council, Association of Mutual Funds in India, General Insurer's Public Sector Association, etc]: regulators such as IRDAI, PFRDA, SEBI, RBI and other forums to engage with the Investee Company

Collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value

### 6. Voting and Disclosure of Voting activity:

SLIC shall exercise its own independent judgement in voting decisions on resolutions taken by an Investee Company to promote overall growth and, in turn, to enhance the value of their customers.

As per IRDAI guidelines, Insurers should mandatorily undertake active participation and voting on resolutions/proposals of the investee companies under the following circumstances:

Size of the AUM of the insurer (Rs. cr)	compulsory voting required, if the insurer's holding of the paid up capital of investee company (in percentage) is
Up to 2,50,000	3% and above
Above 2,50,000	5% and above

However, Voting decisions shall be made in accordance with SLIC voting policy which has been incorporated below:

The AUM size of SLIC falls under the first slab of Up to Rs.2,50,000 crores. Hence SLIC shall exercise its voting rights and vote where SLIC holdings crosses 1% of paid up capital of Investee Company and Audit committee will monitor the voting mechanism

In other cases, participation in Voting will be decided by Investment Committee of SLIC.

SLIC shall disclose all voting activity on a quarterly basis along with other public disclosures as per the timelines prescribed for quarterly public disclosures on website in the given format at Annexure-A.



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### 7. Compliance and Reporting of Stewardship Activities:

At a quarterly frequency, SLIC will disclose all the activities undertaken by the investment team, as mandated by the Investment Committee, in regard to implementing this stewardship policy and discharging its responsibilities, on its website, as part of public disclosures. The disclosures will also include the votes cast by SLIC at all the resolutions put forth by the investee companies for shareholders' approval.

#### Compliance

Annual Certificate of compliance as per Annexure B will be submitted to the regulator

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**Annexure-A**

Disclosure of voting activities in general meetings of investee companies in which the insurers have actively participated and voted:

Name of the Insurer: -----

Period of Reporting: -----

Meeting Date	Investee Company name	Type of Meeting (AGM/EGM)	Proposal of Management/ Shareholders	Description of the proposal	Management Recommendation	Vote (For/Against /Abstain)	Reason Supporting the vote decision

Place

Signature of Compliance Officer

Date:

Name:

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**Annexure-B**

**Annual Certificate of Compliance with regard to status of Stewardship Code principles**

Date: -----

Name of the Insurer: -----

Period of Reporting (FY): -----

We hereby certify that the guidelines given on Stewardship Code for Insurers in India by Insurance Regulatory and Development Authority of India are duly followed and all the principles detailed in the guidelines are duly complied with

Compliance Officer  
(Name and Signature)

Chief Executive Officer  
(Name and Signature)