

**Life Insurance**

Aditya Birla Sun Life Insurance Company Limited



**ADITYA BIRLA  
CAPITAL**

**ADITYA BIRLA SUN LIFE INSURANCE COMPANY LIMITED**

## **STEWARDSHIP POLICY**



## Document Version Control:

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## STEWARDSHIP POLICY

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## 1.0 Background

The purpose of this policy is to describe the approach taken by ABSLI to stewardship based on the principles indicated by Insurance Regulatory and Development Authority of India “IRDAI” vide circular reference no IRDA/F&A/GDL/CMP/059/03/2017 dated 20<sup>th</sup> March, 2017. The purpose of the Stewardship Code is to enhance the quality of engagement between institutional investors and the investee companies to help improve the Corporate Governance practices with a view to enhance long term returns to policyholders and the governance responsibilities.

## 2.0 Scope

This note covers the policy framework and the various processes that need to be followed for discharging Stewardship responsibilities and its disclosure by ABSLI

## 3.0 Policy Statement

### Regulation – Guidelines on Stewardship Code for Insurers in India – By IRDAI

Insurance Companies are significant institutional investors particularly in listed companies and the investments are held by them as custodians of policyholders. Given the above, it is desired that the insurance companies should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance standards and practices. This will result in informed decisions by the parties and ultimately improve the return on investments of insurers and protection of policyholders/shareholders interest.

Therefore, based on the principle and IRDAI direction, this Policy is being framed to implement a code for stewardship for ABSLI.

### 3.2 What is the Stewardship Code?



Stewardship Code is in the form of a set of principles that are being uniformly adopted for institutional investors like Mutual Funds, Pension Funds, Foreign Portfolio Investors (FPIs), Alternate Investment Funds (AIFs), etc.

Stewardship aims to promote the long-term success and value creation of investee companies in a way that the ultimate providers of capital (the shareholders) also prosper, keeping the Governance Standards. ABSLI's commitment to effective corporate governance and adherence to the Stewardship Code is to ensure that its investee companies, the policyholders and the economy as a whole benefit and minority interest also remains protected. Stewardship includes voting as well as monitoring and engaging with investee companies on matters such as strategy, performance, risk, capital structure and training of personnel, corporate governance and avoidance of conflict of interest.

This Code broadly requires ABSLI to follow below principles as regards their its conduct at general meetings of the Investee Company and disclosures thereto:

## 4.0 Compliance with the Stewardship Code

### Stewardship Principles

#### ❖ Principle 1

##### Responsibilities and Threshold for intervention in Investee Company:

The Investment Committee will set a threshold level beyond which the exposure to the investee company will be deemed to be 'meaningful'. The threshold level will help in determining the level of engagement and intervention with the investee company. The Investment Committee can amend the threshold level based on experience.

Investment over and above 5% on share capital/voting rights in any investee company shall be considered for stewardship activities with the aim of enhancing and protecting the interests of the policyholders

ABSLI will be responsible for ongoing monitoring of the investee companies and will also be responsible for engaging with the managements of the investee companies. The investment team will seek guidance and approvals from the Investment Committee with respect to the engagement



and intervention with the investee companies. Appropriate operating guidelines shall be put in place for such monitoring on ongoing basis.

As a policy ABSLI will not seek to nominate its representative on the Board of an investee company based on its investments in the investee company, unless necessary and / or the Investment Committee decides that a nominee is warranted.

ABSLI will discharge stewardship responsibilities in consultation of Institutional Investors advisory services. In case services of any external service providers are used, the policy should provide for the mechanism to ensure that in such cases, stewardship responsibilities are exercised diligently. Though core function of investment cannot be outsourced, professional advices to arrive at voting decisions and research reports like Market survey data, Industry wide analysis, Business valuation, etc. may be sought from external agencies.

### ❖ **Principle 2**

#### Managing Conflicts of Interest

ABSLI is part of a large and diversified Aditya Birla group with companies across spectrum of industries. The actions for company resolutions may entail some instances of a conflict of interest between the interests of shareholders of ABSLI and the policyholders' interests.

#### **Some of the key instances are as under –**

- Any group company of Aditya Birla group is the shareholder of the investee company
- The investee company is a customer of ABSLI or its group companies or affiliates
- Investment of Investee Company in Aditya Birla group Companies
- Any of ABSLI's group companies or affiliates is a supplier or partner in some aspect of the investee company's business
- Key managerial personnel of ABSLI may have personal interests that conflict with their responsibility to act in the best interests of the Company. Personal interests include direct interests as well as those of family, friends, or other organizations a person may be involved with. Conflict of interest may be actual or potential and may be financial or nonfinancial in nature. Procedures put in place by the entity in case such conflicts of interest situations arise which may, inter alia, include:



- a. Blanket bans on investments in certain cases.
- b. Clear segregation of voting function and client relations / sales functions.
- c. Maintenance of records of minutes of decisions taken to address such conflict.

ABSLI will manage conflicts of interest by requiring Investment Committee members and other personnel involved in implementing the stewardship code and will refer such matters to Audit Committee.

Investee company's key personnel/promoters could potentially engage into activities which are not in minority shareholder interest. Corporate actions, merger and acquisition are some instances. ABSLI will take necessary steps to resolve such conflict of interests & all the decision will be taken in the best interest of policyholders.

### ❖ Principle 3

#### Monitoring of Investee Companies

Frequency and process to monitor the activities of Investee Company shall be annually.

Investment team will be accountable for monitoring all the companies in which ABSLI invests in with different levels of monitoring in different investee companies.

The mechanism adopted for monitoring purpose will but not limited to:

- Publicly available information
- Management interaction through meetings/ con-call
- Broker research and inputs
- Industry information

Though most of the companies interact with institutional investors, in some cases, few of our investee companies don't interact as management is not accessible or investment team believes that there is no incremental information which is being provided by the management. In such cases, it is possible that the monitoring is through other sources.

Key areas for monitoring include strategy and business outlook, leadership effectiveness, financial performance, management evaluation and corporate governance issues, capital structure etc.

Monitoring on areas like succession planning, Shareholder rights and their grievances, remuneration, environmental issues and Identification of situations which may trigger



communication of insider information and the procedures adopted to ensure SEBI (Prohibition of Insider Trading) Regulation will be on a best effort basis.

### ❖ **Principle 4**

#### Engagement Strategy

Investment Front Office shall decide the engagement strategy based on internal research and institutional advisory services. The final decision should be documented by Investment Front Office and approved by Investment Mid Office and subsequently presented in IC for noting.

#### **Active intervention in the Investee companies**

ABSLI may intervene on case-by-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility.

Decision for intervention will be decided by Investment front office Team as disclosed to mid-office team based on the disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans/ strategy, CSR etc.

The investment in the company should be above the threshold level defined by the Investment Committee. However, the Investment Committee can decide to intervene in companies where the investment is below threshold level, depending on the criticality of the issue.

First step: Interaction:

The meeting(s) with investee companies are to be conducted in a confidential manner with a view to resolve the issue constructively. If dissatisfied with the response of the investee company, ABSLI will proceed to escalate the matter further.

Next step: Escalation

First level of escalation will be internally to investment head or committee, where further course of action will be decided which may include decision to divest or escalate the matter to regulatory authorities or collaboration with other investors and voting against decisions

In case there is no progress despite re-iteration through multiple interactions, the matter will be discussed at the Investment Committee of ABSLI 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.

Final step: Reporting to regulators/authorities

Despite escalation if there is no response or action taken by Investee Company, 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.

## ❖ Principle 5

Collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed.

### **Collaboration with other Institutional Investors**

In certain cases, engagement with the investee company management or the issues involved in resolutions needs to be voted upon by shareholders may impact all of investors.

Collaboration with other investors could be the most effective manner to engage with the investee companies.

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.

It is only when we believe collaborative action would be an effective means by which investors can exercise appropriate influence; we will willingly initiate action or support other investors' actions.

## ❖ Principle 6

Voting and disclosure of voting activity

ABSLI has formulated a separate voting policy (Annexed herewith as Annexure C) and the same shall be followed / adhered so the voting in Investee Company is concerned.

## ❖ Principle 7

Periodic reporting on stewardship activities.

### **Disclosures**

ABSLI 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.



Compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when this is considered in the best interest of clients or beneficiaries. Effective oversight on the insurer's stewardship activities is to be reviewed by Board for the compliance with corporate governance code.

ABSLI shall furnish a report on an annual basis to the Authority as per Annexure A and B, on the status of compliance with the Stewardship Code. The status report approved by the Board shall be endorsed by the Compliance Officer & the CEO and should be submitted on or before 30th June every year. The reporting should be done under the principle of "comply or explain", the reasons for deviation or non-compliance with the Stewardship Principles should be provided in the report.

## **5.0 Ownership**

This policy is owned by the Investments Mid Office team.

## **6.0 Responsibilities**

The Investments Mid Office will agree to monitor that the Policy is followed in true spirit and maintain all the documents for Internal and Audit purpose.

Investment Front Office will agree to timely provision of recommendation and supporting documents to the Investment Mid Office Team.

## **7.0 Policy Review**

The Stewardship Policy will be reviewed once in two years.

## **8.0 Approval**

Investment Committee will recommend any changes in the Stewardship Policy and send to Board for approval.

**9.0 a. Annexure A**

**Format for voting activities in general meetings of investee companies 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:



### **b. Annexure B**

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

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

Date: \_\_\_\_\_

Period of Report (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)



**c. Annexure C**

**ADITYA BIRLA SUN LIFE INSURANCE COMPANY  
LIMITED**

**Policy and Process for Exercising Voting Rights**

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| 1.0              | IMO                          | January 28, 2011      | January 28, 2011              | April 27, 2011                   | New Policy              |
| 1.1              | IMO                          | January 29, 2013      | January 29, 2013              |                                  | Review                  |
| 1.2              | IMO                          | January 27, 2015      | January 27, 2015              |                                  | Review                  |
| 1.3              | IMO                          | February 03, 2017     | February 03, 2017             |                                  | Review                  |
| 1.4              | IMO                          | January 17, 2019      | January 17, 2019              |                                  | Review                  |
| 1.5              | IMO                          | January 21, 2021      | January 21, 2021              |                                  | Review                  |



## Policy and Process for Exercising Voting Rights

### PURPOSE

The purpose of this Policy is to establish the principles and guidelines that will govern the Voting in the AGM/EGM/meetings of creditors/ preference shareholders

### SCOPE

This note covers the policy framework and the various processes that need to be followed for exercising Voting rights.

### POLICY STATEMENT

#### 3.1 Regulation – Company Act 2013

Every Share Holder\* of the company is entitled to attend and vote at a meeting by show of hand or can demand for Poll or voting is carried out electronically.

#### Proxies

Any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself; but a proxy so appointed shall not have any right to speak at the meeting:

(2) The instrument appointing a proxy shall-

- (a) be in writing; and
- (b) be signed by the appointer or his attorney duly authorized in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it.



## 3.2 Key Corporate Actions

In general the voting is conducted on the following points

- a) Corporate Governance matters (including changes in the state of incorporation, merger and other corporate restructuring and anti takeover provisions)
- b) Capital Structure
- c) Compensation and Benefits
- d) Social and Corporate Social Responsibilities
- e) Board of Directors
- f) Other issues
  - i. Auditors
  - ii. Corporate Charter and By-Laws
  - iii. Miscellaneous Issues

The research analyst will analyze various economic and strategic factors to determine whether the said corporate action would be beneficial to shareholders and make recommendation on case-to case basis on its merit.

ABSLI seeks to make voting decisions in the manner most likely to protect and promote the long-term economic value of the securities held in its account. Additionally, 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                                                                                                       |

## 3.3 Operating Process



All Voting actions need to be recorded and documented. Investment Front Office (Equity/Debt Research Analyst) will provide relevant documents and rationale along with the recommendation to Vote 'For', Vote 'Against' or to 'Abstain' from the voting. The document should be duly Signed by CIO / Head of Equity and provided to the Investment Risk Management Team at least 8 working days before the date of Voting for proxy voting/ 7 working days before the voting for self-voting. The document should also mention if we wish to send a Proxy or ABSLI representative. Instances where ABSLI wish to 'Vote For / Vote Against' individual recommendation note will be prepared by the Research/ credit Analyst, while those instances where ABSLI wishes to 'Abstain' from voting a consolidated approval on fortnightly basis will be provided to Investment Risk Management team.

Investment Risk Management will evaluate the recommendation based on the available information and seek approval for 'Vote For / Vote Against' cases as per the approval matrix.

Investment Risk Management Team will issue instruction to the nominated representative of ABSLI or sent the instructions to Custody in case of Proxy Voting within one working day of receipt of approval.

### **Approval Matrix**

|                          |   |         |
|--------------------------|---|---------|
| To 'Abstain' from Voting | - | Group A |
| To Vote 'For'            | - | Group B |
| To Vote 'Against'        | - | Group C |

### **Groups**

|                       |   |                                                                                                                                |
|-----------------------|---|--------------------------------------------------------------------------------------------------------------------------------|
| Group A               | – | Chief Investment Officer <i>and</i><br>Chief Compliance& Risk Officer                                                          |
| Group B<br><i>and</i> | - | Chief Executive Officer / Chief Financial Officer<br><br>Chief Investment Officer <i>and</i><br>Chief Compliance& Risk Officer |





Group C - Chief Executive Officer – ABFSG *and*  
Chief Executive Officer *and*  
Chief Financial Officer *and*  
Chief Investment Officer

All voting rights exercised during the quarter will be presented and noted in the subsequent Investment Committee Meeting.

## **OWNERSHIP**

This policy is owned by the Investments Risk Management team.

## **RESPONSIBILITIES**

The Investments Risk Management will agree to monitor that the Policy is followed in true spirit and maintain all the documents for Internal and Audit purpose.

Investment Front Office will agree to timely provision of recommendation and supporting documents to the Investment Risk Management Team.

## **EFFECTIVE DATE**

The Policy Effective date will be from the date of its approval in the Investment Committee Meeting.

## **POLICY REVIEW**

The Voting Policy will be reviewed at least once in every two years.

## **APPROVALS**

Investment Committee will be authorized to approve any change in the Voting Policy.