



## **BHARTI AXA LIFE INSURANCE COMPANY LIMITED**

---

### **STEWARDSHIP AND VOTING POLICY**

---

May 2021

Version 3.0



Date of change	Version Control	Board Approval Date	Reason for Change
July 2017	1.0		Policy formulated in accordance with Guidelines on Stewardship Code dated 20 March 2017
February 2020	2.0	March 2020	Policy reviewed and updated in accordance with Revised Guidelines on Stewardship Code dated 7 February 2020
May 2021	3.0	May 2021	Small modifications to align content of the Policy with procedure followed



## **PREAMBLE**

The Stewardship and Voting 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’s (“BAL”) responsible ownership, with regard to the guidelines set out in the Stewardship Code (the “Code”). This document outlines how BAL implements its approach with respect to each of the core principles presented in the 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 promotes informed decisions by the parties, improves the return on investments of insurers which ultimately benefits the Policyholder 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 provided set of principles which insurers required to adopt. The Guidelines required insurers to formulate a policy which governed the conduct of insurers with regard to Stewardship of investee companies and disclosures thereto. Based on experience in implementation, compliance by insurers and recent developments, the IRDAI thereafter issued a revised guidance on stewardship code stated as Revised Guidelines on Stewardship Code for Insurers in India vide Ref No.: IRDAI/F&A/GDL/CMP/045/02/2020 dated 7th February 2020. In accordance with the principles indicated in the revised guidelines, insurers are required to review and update their existing stewardship policy, obtain Board approval for implementation of the policy and disclose the Board approved policy on its website alongside the public disclosures, within thirty (30) days of Board approval,

## **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 BAL's exposure in the investee company is 1% and above of paid-up capital of investee company Or
- where debt + equity exposure in investee company is more than 1% of the AUM of Bharti AXA Life Insurance.

## **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 as and when required the 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. BAL shall use its own discretion while using the services of the external agencies so as to ensure that Stewardship responsibilities are exercised diligently at all times. 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:

- Board Investment Committee (“Committee”) shall ensure that there is an effective oversight of the stewardship activities;

The Local Management Investment Committee (LMIC) 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 should be approved by the Board of directors and should be disclosed on the website of BAL within 30 days of approval by the Board, alongside the public disclosures. Any subsequent amendment or modification to this Policy should be specifically disclosed at the time of updating the Policy on the website.

1.5 Disclosure of Stewardship and Voting Activities: BAL shall also disclose the regarding the voting activity in the investee companies in which BAL have actively participated and voted on resolutions / proposals. This disclosures will form part of the Public Disclosures on website on quarterly basis in accordance with timelines prescribed for quarterly public disclosures on website, in the prescribed format as set out in Annexure A in this Policy.

**2. Training of Personnel in relation to compliance with the Code:**

- 2.1 BAL will ensure that the concerned employee is trained to ensure continued and effective compliance with the Policy

**3. Managing conflicts of interest in relation to stewardship**

3.1 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 policyholders/shareholder.

3.2 As per provisions of “Code of Conduct for prevention of Insider Trading” of the Company, all covered employees shall submit 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.

3.3 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 report such conflicts to the LMIC for appropriate action

3.4 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

3.5 Manner of managing conflict of interest:

- All who are directly/indirectly involved in decision making have a responsibility of recusing himself/herself from decision making in case of having actual / potential conflict of interest in the transaction. Such persons shall make a statement about his/her interest to LMIC and Compliance Officer, as soon as a situation of conflict arises.
- A potential conflict of interest in relation to an investee company shall be reasonably highlighted to the LMIC and Compliance Officer who may further decide to refer unresolved conflicts to the Audit Committee;
- LMIC and Compliance Officer may pass blanket bans on investment in certain cases;
- The rationale for voting on each shareholder resolution shall be recorded in the internal records of BAL;
- Employees, officers and directors of BAL will record their outside



- appointments/professional engagement with the Company;
- 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 LMIC wherever required, after factoring the relevant considerations.
- All reports of minutes of decision taken to address such conflicts would be maintained as per Company's Record Retention Policy

#### **4. Monitoring of Investee companies**

##### **4.1 Manner of Monitoring**

- BAL shall adopt different levels of monitoring in different investee companies which will be in line with the internal framework of the Company.
- BAL 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.
- The Investment Team shall be responsible for the supervision of the monitoring of the investee companies' strategy and performance (operational and financial) industry level monitoring and possible impact on investee companies, quality of company management and Board and leadership effectiveness, succession planning, corporate governance including remuneration, structure of the Board, related party transactions, reporting, Risks including cultural, social , governance and environmental (ESG risks), Shareholder rights and grievances and other parameters it may consider important;
- BAL will comply with Insider Trading code with respect to identification of situations which may trigger communication of insider information in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended time to time.



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

5.1 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 poor financial performance of the investee company, corporate governance related principles such as insufficient disclosures, inequitable treatment of shareholders remuneration, related party transactions strategy, corporate plans/ strategy, CSR, Environmental , Social and Governance (ESG) risks, leadership issues, litigation, or any other related matters.

5.2 Intervention by BAL: The decision for intervention shall be 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 its reasonable opinion, the issue involved may adversely impact the overall corporate governance atmosphere or BAL's investment or it is not in the best interest of its policyholders.

5.3 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) or collaborate with other investors and vote against the decisions. BAL may also interact with the investee companies through the life insurance councils in case of any industry level issues. 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
- 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].





5.4 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, which may consider the outcome of the intervention as an input in its decision-making process.

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

6.1 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.

6.2 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 IRDAI, Pension Fund Regulatory and Development Authority, SEBI, and other policy makers to solicit views.

6.3 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.

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

7.1 BAL shall exercise their voting rights(vote/abstain) on all resolutions of investee companies which fall within the scope of application of this policy;

7.2 Voting decisions shall be made in accordance with BAL's internal framework and shall also consider several factors, including recommendations made by the Agency;

7.3 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;



- 7.4 BAL has a robust securities lending and borrowing framework. If there is a corporate action in a security which has been lent which necessitates BAL to undertake stewardship or voting activity, BAL may exercise the option of recalling the security.
- 7.5 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.
- 7.6 The Audit Committee will monitor oversight on voting mechanism;
- 7.7 The Voting activities of BAL in the investee companies in which BAL has actively participated and voted on resolutions / proposals should be disclosed in the format as prescribed under Annexure I in this Policy under public disclosure section of BAL website as per timelines prescribed for quarterly public disclosures.

## 8. **Compliance and Reporting**

It is clarified that compliance with these principles does not constitute an invitation to manage the affairs of an investee company or preclude a decision to buy or sell holdings of any of the investee companies when this is considered in the best interest of clients or beneficiaries.

The Audit Committee and the Board of Directors of BAL shall ensure that there is effective oversight on BAL's stewardship activities. The Committee shall be responsible to keep an oversight on the stewardship related decisions and activities and shall intimate the Audit Committee and the Board of Directors the necessity to modify the Policy. The Committee shall annually report to the Audit Committee and to the Board of BAL activities undertaken under this Policy in regards to implementing this Policy and discharging its responsibilities. BAL shall comply with all principles given in the revised guidelines and submit to the IRDAI an Annual Certificate of Compliance approved by the Board, in the format as prescribed under Annexure II in the Policy, duly certified by CEO and Compliance Officer on or before 30<sup>th</sup> June every year.

## 9. **Review of Policy**

BAL shall review and update the Policy periodically i.e at least once a year and within 30 days from Board approval the updated Policy should be disclosed alongside public disclosures on website specifically disclosing the change/modification to the Policy at the time of updating the Policy on the website.



**ANNEXURE I**

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 Comp	Type of Meeting (AGM/E)	Proposal of Management/Shareholders	Description of the	Management Recommendation	Vote (For/Against/Abstain)	Reason support

Place:

Signature of Compliance Officer

Date:

Name:



## ANNEXURE II

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

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

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

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

Status of Compliance with Stewardship Principles

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)