

Policy On Stewardship Code

CHAPTER 1 - INTRODUCTION/DESCRIPTION

1) Background

Insurance Regulatory and Development Authority of India (“IRDAI”) has issued Guidelines on “Stewardship Code for Insurers in India” on March 20, 2017, wherein all the Insurers are directed to put in place a Board approved policy on Stewardship Code. The principles are set out in the Guidelines..

2) Objective

The objective of the policy is to broadly lay down the principles as regards the Company’s conduct at general meetings of the Investee Companies and the disclosures relating thereto..

3) Short Title & Applicability

- a) This Policy may be called as “Stewardship Policy”
- b) This policy shall be effective from date of approval from Board

4) Definitions

- a) “IRDAI” or “Authority” means Insurance Development and Development Authority of India established under Section 3 of the IRDA Act, 1999.
- b) “Company” means “DHFL Pramerica Life Insurance Co. Ltd.”
- c) “Stewardship Policy” means the Policy framed under Insurance Regulatory and Development Authority of India Guidelines on “Stewardship Code for Insurers in India” issued on March 20, 2017 vide circular ref. no. IRDA/F&A/GDL/CMP/059/03/2017.
- d) “Applicable Guidelines” means Insurance Regulatory and Development Authority of India Guidelines on “Stewardship Code for Insurers in India” issued on March 20, 2017 vide circular ref. no. IRDA/F&A/GDL/CMP/059/03/2017 and including modifications, amendments form time to time.
- e) “Investee Company” means the company in which the Company has equity investment

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- f) "Shareholders/Investors" means all equity shareholders of the investee company
- g) "CIO" means Chief Investment Officer of the Company.

5) Review of the Policy

The Company shall review this Policy on periodic basis to ensure compliance with applicable laws and regulations.

6) Modification to the Policy

The Policy shall be modified only with the approval of the Board of the Company.

CHAPTER - 2 - STEWARDSHIP PRINCIPLES

Principle - 1: Insurers should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it:

- a) **Primary Stewardship Responsibilities:** The Company shall
 - i) Take into consideration, in the investment process, investee companies' policies and practices on governance matters .The threshold level of Investment shall be 0.5% of the investee company's equity base;
 - ii) Enhance shareholder/investor value through productive engagement with investee companies;
 - iii) Vote and engage with investee companies in a manner consistent with the best interests of its shareholders/investors;
 - iv) Maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.
- b) **Discharge of Stewardship Responsibilities:** The Company 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;

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Principle 2: Insurers should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it:

- a) 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 the Company (including its employee, officer or director) conflict with the interests or benefits of its shareholder/investor or the investee company, subject to Company’s holding of minimum 10 basis points (0.1%) of outstanding shares of the investee company.
- b) The employees, officers and directors of the Company 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 Compliance Department.

Principle 3: Insurers should monitor their investee companies:

- a) The Company shall monitor all investee companies where The Company is holding of minimum 10 basis points (0.1%) of outstanding shares of the investee company.
- b) **Manner of Monitoring:** Investment Department (Research) shall be responsible for the supervision of the monitoring of the investee companies’ business strategy, performance, risk, capital structure, leadership effectiveness, remuneration, corporate governance performance matters on an annual basis.
- c) Investment Department (Research) of the Company may use publicly available information, sell side research and industry information and shall engage with the investee companies’ investor analyst calls periodically.

Principle 4: Insurers should have a clear policy on intervention in their investee companies:

- a) The Company shall intervene in the acts/omissions of an investee company, in which it has holding of minimum 10 basis points (0.1%) of outstanding shares of the investee company.

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- b) The Company 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.
- c) The decision for intervention shall be decided by CIO based on the following broad parameters:
 - i) The Company will not generally intervene if the threshold is below the prescribed level.
 - ii) The Company may consider intervening in matters below the thresholds, if in the reasonable opinion of the CIO intervention is required.
 - iii) In case there is no progress despite the first two steps, the Company shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. The Company may also consider discussing the issues at the annual general meeting of the investee company (either called by the investee company or requisitioned by the Company).
 - iv) In case the Company's intervention is not successful (either fully or partially), it will not automatically result in the Company being required to exit its investment in the investee company. The decision to purchase more equity or sell all or part of its investment in the investee company shall be made by CIO, who may consider the outcome of the intervention as an input in its decision-making process.

Principle 5: Insurers should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed:

- a) The Company may consider collective engagement with [other shareholders / institutional investors / advisors / proxy advisory firms/regulators] 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. The Company may approach, or may be approached by, other Asset Managers, including insurers, mutual funds, or other type of shareholders to provide a joint representation to the investee companies to address specific concerns.

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- b) The Company 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.

Principle 6: Insurers should have a clear policy on voting and disclosure of voting activity

- a) The Company shall exercise their voting rights and vote on all shareholder resolutions of all investee companies in accordance with the Company's voting policy.
- b) Attendance at General Meetings: The Company may attend general meetings of the investee companies (annual as well as any extra ordinary shareholders' meetings) where appropriate, and to the extent possible, actively speak and respond to the matters being discussed at such meetings.
- c) The Company shall be required to record and disclose specific rationale supporting its voting decision (for, against or abstain) with respect to each vote proposal.
- d) Investment Research department of the Company shall provide report on all the voting activity on a quarterly basis to Compliance department.

Principle 7: Insurers should report periodically on their stewardship activities:

The Company shall provide a periodic report to their ultimate beneficiaries (policyholders) in the format as prescribed by the Authority.

CHAPTER - 3 - DISCLOSURE & REPORTING

The Company shall furnish a report on an annual basis to the Authority as per format prescribed under the Guidelines, on the status of compliance with the Stewardship Code.

The status report, approved by the Board shall be endorsed by the Compliance Officer and shall be submitted on or before 30th June every year.