

SAHARA INDIA LIFE INSURANCE COMPANY LIMITED (SILICL)

STEWARDSHIP POLICY

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1.0 Background

The purpose of this policy is to describe the approach taken by SILICL 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 20th 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.

Sahara India Life Insurance Company Limited as a part of its regular business activities invests in Equity & Debt securities issued by companies (Investee Company). Sahara India Insurance Company Limited is expected to monitor and engage with the investee companies on issues like strategy, business performance and corporate governance etc. Also Sahara India Insurance Company Limited is expected to exercise the voting rights attached with these investments in the best interest of the policyholders.

Description

This document sets out the principles and the policies to be followed by Sahara India Insurance Company Limited regarding the engagement with the management of the investee companies, voting on resolutions pertaining to the investee companies and disclosures relating thereto. This policy as approved by the Board of Directors will be referred to as the 'Stewardship Policy' for Sahara India Life Insurance Company Limited and will be effective from the date of approval by Board. 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. Any change or modification to the policy will also be disclosed at the time of updating the policy on the website. The company will file a status report to IRDAI on an annual basis, indicating the compliance with the principles laid down in this policy. Non-compliance, if any, will also be reported along with the reasons / justifications for the same.

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 Sahara India Life Insurance Co. Ltd.

3.0 Objective of the Stewardship Code

From the stance of a long-term perspective, Sahara India Life Insurance Company Limited (insurer) recognises that securing and enhancing investment profits while controlling risk is essential to fulfil its obligation to its policyholders. Therefore, the Insurer’s fundamental concept for investment is to yield stable returns over the long-term keeping in view market realities and Investee Company’s corporate value.

The Insurer has a fiduciary responsibility to act in the best interest of the Policyholders and Insurance Funds (‘the Funds’). This responsibility should not only be limited to making an assessment of the Company in which investment is being made at the time of making investment. Such responsibility should even include on-going monitoring and engaging with Investee Companies on matters such as strategy, performance, risk, capital structure, corporate governance including culture, exercising voting rights towards the securities in which the Funds have invested. This can be achieved by regular interaction with the Investee Company, participating in investor calls, exercising voting rights at the general meetings of the Investee Companies or through postal ballots.

This Code aims to stipulate matters concerning the efforts of the Insurer to fulfil its Stewardship Responsibilities in line with the Stewardship Principles and to act appropriately as a responsible institutional investor.

The Code contains the Principles that form the basis of Stewardship Responsibilities. These Principles are essential to ensure the long-term performance of Investments managed by the Insurer. The Insurer will execute its Stewardship Responsibilities with the same level of care and skill as it manages the Funds. In general, the Insurer does not have the intention to participate directly or indirectly in the management of the Investee Companies but it will use its influence as the representative of the shareholders amongst others by exercising its voting rights in accordance with the best interests of its Policyholders.

The Stewardship Code of the Insurer is a part of its broader Corporate Governance policy of the Insurer, and includes the following Principles:

1. Publicly disclose their policy on how they will discharge their Stewardship Responsibilities;
2. Monitor investee companies;
3. Clear guidelines on intervention in their Investee companies;
4. Collaboration with other institutional investors, where required, to preserve the interests of the policyholders;
5. Have a clear policy on voting and disclosure of voting activity; and
6. Report periodically on Stewardship and voting activities.

3.1 Short Title & Applicability:-

- a) This Policy may be called as “Stewardship Policy” of SILICL
- b) This policy shall be effective from date of approval from the Board
- c) The Threshold level for intervention by the Company is 1% of the investee company’s equity base.

3.2 Definitions:-

- a) “IRDAI” or “Authority” means Insurance Development and Development Authority of India established under Section 3 of the IRDA Act, 1999.
- b) “Company” or “SILICL” means “Sahara India Life Insurance Co. Ltd.”
- c) “Stewardship Policy” means the Policy framed under Insurance Regulatory and Development Authority of India Guidelines on “Stewardship Code for Insurer 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 Insurer 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 SILICL has equity investment
- f) “Shareholders/Investors” means all equity shareholders of the investee company
- g) “CIO” means Chief Investment Officer of the Company.

4.0 Policy Statement

Regulation – Guidelines on Stewardship Code for Insurer in India – By IRDAI

Insurance Companies are significant institutional investor's 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 Insurer 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 SILICL.

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.

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. SILICL'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 corporate governance and avoidance of conflict of interest.

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

7) Compliance with the Stewardship Code

Stewardship Principles

Principle 1

Insurer should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it:

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 1% 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.

a) Primary Stewardship Responsibilities: The Company shall

- i) Take into consideration, in the investment process, investee companies' policies and practices on governance matters.
- 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.

c) Disclosure of Stewardship Code: This Stewardship Code and amendment thereto, shall be disclosed on the website of SILICL. Any amendment or modification to this Stewardship Code shall be disclosed on the website.

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

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 100 basis points (1%) of outstanding shares of the investee company.

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

The Company is an affiliate of a large, diverse financial services organisation with many associate companies, which may lead to situation creating conflicts of interest. Conflicts of interest may arise in certain situations, such as:

- a. The Investee Company is a client of its affiliates;
- b. Affiliates of the Insurer could be lender to the Investee Company;
- c. Investee Company is a seller whose products or services are important to the business of Insurer and/or its affiliates;
- d. The Investee Company is an entity participating in the distribution of investment products advised or administered by the Insurer and/or any of its affiliates.
- e. Any group company of SAHARA GROUP is the shareholder of the investee company.
- f. Investment of Investee Company in Sahara group Companies
- g. Any of SILICL's group companies or affiliates is a supplier or partner in some aspect of the investee company's business.
- h. Key managerial personnel of SILICL 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.

In cases where a conflict of interest emerges in the course of the implementation of its Stewardship initiatives, the Insurer will put the utmost value on the interest of its policyholders.

The Investment Committee of the Board of Directors shall periodically monitor all investments and check if there are/were any potential conflicts not reported and recommend corrective measures.

In cases where investments are in group companies of the Insurer or where the Investee Companies has substantial investments in the Insurer's Funds, the Insurer shall specifically review all voting proposals, routine as well as non-routine, and take decisions with respect to voting on such proposals in the best interest of the policyholders. The Insurer may also decide to abstain from such voting, if it deems fit to do so, in the best interest of the Policyholders or if there is a conflict of interest.

The Insurer will vote in the exclusive interest of the policyholders, without taking into consideration the interest of the businesses of its promoter group companies. The strict separation of the Insurer's investment management activities from other activities within its promoter group companies prevents access of the Insurer to insider and unpublished price sensitive information for which use and/or disclosure of such information could generate conflicts of interest.

The Insurer supports resolutions that promote the functioning of the Investee Company's Board in the best interests of their shareholders, resolutions that change the state of incorporation, merger etc. which are in the shareholders' value. Issues, including those business issues specific to the Investee Company or those raised by shareholders of the Investee Company would be addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value. The Insurer reserves the right to vote against any resolution that goes against the interest of its Policyholders and Shareholders. The Insurer in such other matters may decide to abstain from voting if it has insufficient information or there is conflict of interest or the Insurer does not have a clear stance on the proposal. The decision regarding voting for a particular resolution, i.e. whether the Insurer will vote for/against or abstain, will be taken by the Fund Manager/s, in consultation with the CIO. The Fund Manager may also seek the analysis and recommendations of a research firm or other competent authority or individual to aid such decision(s).

Principle 3

Monitoring of Investee Companies

The Company shall monitor all investee companies where The Company is holding minimum 100 basis points (1%) of outstanding shares of the investee company.

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 matters on an annual basis.

Investment Department (Research) of the Company may use publicly available information, sell side research and industry data and shall engage with the investee companies' through analyst calls periodically.

In case of any perceived concern related to strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters, of Investee Company, wherein equity exposure is beyond threshold limit (where the SILICL owns 1% or more of share capital of the investee company), any of the following steps may be taken in the interest of Policyholders on best effort basis.

- a) Investment Team would communicate to Investee Company about the concern (through any mode of communication);
- b) To seek appointment with the senior management of the company through investors relations personnel to know the company's view;
- c) The best possible efforts would be made to join hands with Institutional investors to take up the matter to the Senior Management of Investee Company; or
- d) Voting on significant resolutions would be carried out, in active consultation with other similarly placed institutional investors in the interest of the Policyholders.

Principle 4

Engagement Strategy

The Company shall intervene in the acts/omissions of an investee company, in which it has holding of minimum 100 basis points (1%) of outstanding shares of the investee company.

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

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.

The decision for intervention shall be made 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.

SILICL 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 midoffice 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, SILICL 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.

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

Insurer 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 Insurer, mutual funds, or other type of shareholders to provide a joint representation to the investee companies to address specific concerns.

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:

Insurer should have a clear policy on voting and disclosure of voting activity 'Voting Right' means the right of a shareholder to vote on matters of corporate policy and other resolutions. The Insurer will undertake appropriate exercise of voting rights in accordance with its in-house rules. The exercise of voting rights will require regular monitoring of financial performance, corporate governance matters, industry performance and subsequent consideration of the potential impact of a vote on the value of the securities of the Investee Company. In order to discharge its obligations under this Code, the Insurer will access and utilise research on management performance and corporate governance issues of the Investee Company(ies), drawn either from its in-house Fund Management team or from independent consultant/firm amongst others.

The Insurer is entitled to exercise the voting rights attached to the shares of the Investee Company. The shareholders do not necessarily need to be physically present at the site of the Investee Company's annual general meeting/extra-ordinary general meeting in order to exercise their right to vote. It is common for shareholders to voice their vote through an E-Voting system provided by entities such as NSDL, CDSL, Karvy, etc., or by appointing a proxy.

The Insurer is permitted to engage in securities lending activity. Securities lent may be recalled for voting purposes. In connection herewith, the Insurer will exercise adequate safeguards to address any conflicts of interest with regard to any individual investments made by the schemes of the Funds. This may imply that the Insurer may decide to refrain from exercising its voting rights if considered appropriate.

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 (embedded below)

a) 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.

b) 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.

c) Investment Research department of the Company shall provide report on all the voting activity on a quarterly basis to Compliance department.

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Principle 7 – Reporting, Disclosures and Review

Disclosures and Reporting: The Insurer will host the Stewardship Code and Voting Rights Policy on its website. The Insurer shall discharge its Stewardship Responsibility and Reporting according to the Guidelines issued by IRDAI and as amended from time to time.

Review: Investment Committee will be responsible for the review and oversight on the Insurer's Stewardship activities. The Stewardship Code and the Voting Rights Policy will be reviewed annually by the Investment Committee and the Board of Directors of the Company or at the time of any material change in the Policy, whichever is earlier.

SILICL 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.

SILICL shall furnish a report on an annual basis to the Authority as per Annexure A, on the status of compliance with the Stewardship Code. The status report, approved by the Board shall be endorsed by the Compliance Officer 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.

8.0 Ownership

This policy is owned by the Investments Mid Office team.

9.0 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.

10.0 Policy Review

The Stewardship Policy will be reviewed once in two years.

11.0 Approval

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

12.0 Annexure A

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

Name of Insurer: Sahara India Life Insurance Company Limited_____

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