

ANNEXURE 'B'

LIFE INSURANCE CORPORATION OF INDIA

STEWARDSHIP CODE

(Approved by the Board on 20th March 2020)

March 2020

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INTRODUCTION

Stewardship code is a set of principles or guidelines aimed primarily at significant Institutional investors, who hold shares and thus, voting rights, to ensure that the investee companies maintain corporate governance standard at high level. The Corporation has fiduciary relationship with its policyholders and works for their best possible interest. Stewardship code requires the investor to actively monitor and wherever necessary engage with investee companies on matters such as strategy, performance, risk, capital structure and corporate governance including culture and remuneration and to vote in company AGMs, EGMs, Postal Ballots and NCLT meetings.

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 investee companies, investors and enhances the quality of capital markets.

1. Key Stewardship Responsibilities

1.1. Primary Stewardship Responsibilities: The Corporation shall discharge stewardship responsibilities, which shall consist of the following:

- a) take into consideration, in the investment process, policies and practices of investee companies on environmental, social issues;
- b) take into account the corporate governance practices of investee companies, while taking investment decisions;
- c) enhance shareholder/investor value through productive engagement with investee companies;
- d) vote and engage with investee companies in a manner consistent with the best interests of its shareholders/investors;
- e) influence the development of corporate governance standards and corporate social responsibility;
- f) communicate environmental, social and governance principles and policy guidelines to investee companies;
- g) be accountable to shareholders/investors within the parameters of professional confidentiality and regulatory regime; and
- h) maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

1.2. Discharge of Stewardship Responsibilities: The Corporation shall discharge its stewardship responsibilities through:

- a) voting on shareholders' resolutions, with a view to enhance value creation for the shareholders/investors and the investee companies;
- b) advocating for responsible corporate governance practices, as a driver of value creation; and
- c) intervening in material, environmental, social and governance opportunities or risks in the Corporation's investee companies.

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

1.4. Disclosure of Stewardship Activities: The Corporation shall disclose the requisite compliance and non-compliance with the Stewardship Code on the website of the Corporation.

2. **Managing Conflict of Interest**

2.1. The term “conflict of interest” refers to instances where personal or financial considerations may affect or have the potential to affect the judgment of professional activities.

2.2. Avoid conflict of interest: The employees, officers and directors of the Corporation shall undertake reasonable steps to avoid actual or potential conflict of interest situations.

2.3. Identifying conflict of interest: While dealing with investee companies, the Corporation may be faced with a conflict of interest, *inter alia*, in the following instances, where:

- a) the investee company is also a client of the Corporation or its group companies or affiliates;
- b) the Corporation is a lender to the investee company;
- c) the investee company is partner or holds an interest, in the overall business or is a distributor for the Corporation's group;
- d) any of the group companies or affiliates of the Corporation is a supplier or partner of the investee company;
- e) a director of the Corporation has a personal interest in the investee company;
- f) the Corporation is likely to make a financial gain, or avoid a loss, at the expense of a shareholder/investor or the investee company.
- g) Corporation has invested both in a company and its competitors.

2.4. Manner of managing conflict of interest:

- a) Voting functions and client relations/ sales functions shall be dealt by two distinctly different sections.
- b) The employees and directors covered under Code of Conduct to Prevent Insider/Personal trading of Directors (Members & Employees) shall comply with the provisions of the same.
- c) The employees and directors shall recuse from decision making in case the employee/director has any potential/ actual conflict of interest in the transaction.
- d) Rationale for voting on each shareholder resolution shall be recorded in the internal records of the Corporation.
- e) A potential conflict of interest in relation to an investee company and how it is resolved shall be reported to the Audit Committee.

- f) The Corporation shall vote on resolution of the investee company, where the Corporation has its nominees on the board of directors of the investee companies irrespective of the holding in the company.

3. Monitoring of Investee Companies

3.1. The Corporation shall monitor all investee companies as per SOP.

3.2. Areas of Monitoring:

- a) The Investment department shall review the monitoring of the investee companies' business strategy, operational and financial performance, quality of company management and Board, leadership effectiveness, succession planning, remuneration, corporate governance performance, ESG (environmental, social and governance) risks, shareholders rights and grievances and any other matter important to the interest of the Corporation.

3.3. Manner of Monitoring:

- a) The Corporation may nominate officers in the cadre of Executive Director in companies where it has substantial equity and/or debt exposure as per the guidelines issued by the Government of India.
- b) The Corporation may use publicly available information, reports of proxy advisory firms etc to monitor the investee companies.
- c) The Corporation shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.
- d) Investor/ shareholder meetings conducted by the management of the investee company may be attended on the instruction of Executive Director/ Chief (INVM).
- e) The Corporation shall meet the management teams / key managerial personnel of the major shareholder companies if and when required.

4. Intervention in the Investee Company

4.1. Applicability

- a) The Corporation 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, environmental, social and governance issues, related party transactions, corporate plans/ strategy, CSR and environment, or any other related matters. The intervention may be in the form of voting against proposals, personal meetings, taking up with management, taking up with Audit Committee of the company, taking up with regulators, collaboration with other institutional investors, taking appropriate legal action etc.

4.2. Intervention by the Corporation : The decision for intervention shall be decided based on the following broad parameters:

- a) The Corporation shall not generally intervene if the threshold is below the prescribed level or investment is already earmarked for divestment or in routine operational matters.
- b) The Corporation may consider intervening in matters below the thresholds, if in the reasonable opinion of the Corporation, the issue involved may adversely impact the overall corporate governance atmosphere or the Corporation's investment.

4.3. The Corporation's intervention and escalation policy is as follows:

- a) Engagement: The Corporation shall take all reasonable steps to engage with the investee company's management to resolve any concerns of the Corporation including steps to be taken to mitigate such concerns.
- b) Reporting to the Regulators: If there is no response or action taken by the investee company, the Corporation may approach the relevant authorities if it feels necessary to do so.

However, if the intervention of the Corporation is not successful (either fully or partially), it will not automatically result in the exit of investment made by the Corporation the investee company. The decision to purchase more equity or sell all or part of the Corporation's investment in the investee company shall be taken based on various factors in which outcome of such intervention may be included.

5. Collaboration with other Institutional Investors

5.1. The Corporation shall consider collective engagement with other institutional investors 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 Corporation may approach, or may be approached by other institutional investors including Banks, mutual funds etc to provide a joint representation to the investee companies to address specific concerns.

5.2. The Corporation shall also, where required, collaborate with other institutional shareholders, proxy advisory firms, regulators such as RBI, IRDA, PFRDA, SEBI, and other policy makers to solicit views.

5.3. An illustrative list of matters which require collaborative engagement may include appointment or removal of directors, their remuneration, executive remuneration in relation to the sector/industry and tenure, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders, and related party transactions.

6. Voting and disclosure of voting activity

- 6.1 The Corporation shall exercise its voting rights and vote on all shareholder resolutions of investee companies where the holding is of 5% and above of the paid up capital of the investee company. However the Corporation may participate and vote in other cases also if resolutions/proposals are considered significant and may have an impact on the value of its investments.
- 6.2 Voting decisions shall be made in accordance with the Corporation's voting policy, which will be available on the website of the Corporation.
- 6.3 The Corporation shall also consider several factors, including recommendations made by proxy advisory firms, while voting. The Corporation shall vote against resolutions which,
- a) are not consistent with the Corporation's voting policy, or
 - b) which are not in the best interests of the investors of the company.
- 6.4 Attendance at General Meetings: The Corporation shall attend general meetings of the investee companies (annual as well as any extra ordinary shareholders' meetings) if required.
- 6.5 The Corporation shall record and disclose specific rationale supporting its voting decision (for, against or abstain) with respect to each vote proposal.
- 6.6 The Corporation shall disclose all voting activity on a quarterly basis and have a detailed report on voting in the annual compliance report. The Corporation shall also disclose if it has relied on the voting recommendations provided by any proxy advisory firm. The Corporation shall disclose the votes cast on its website on a quarterly basis, within 30 working days from the end of the quarter. Further, the Corporation shall continue disclosing voting details in its annual report.
- 6.7 The Audit Committee of the Board shall exercise effective oversight on the Corporations' stewardship activities and towards this, a report on stewardship activities shall be placed before the Audit Committee every quarter.

7. Reporting of Stewardship Activities

- 7.1 The Corporation shall issue a report detailing the compliances or non-compliance (with justification of any non-compliance) with the Stewardship Principles and the requirements set out in this Stewardship Code, including how conflicts were managed (if any), extent of monitoring of investee companies, any intervention undertaken, collaboration undertaken and cumulative voting activity and outcome of each of these actions, *for the last quarter* within 30 working days of the ending of the quarter. The report shall be made public and made available to on the Corporation's website.

7.2 The Corporation shall comply with all the principles given in the guidelines and submit an Annual Certificate of Compliance approved by the Board to the Authority as per Annexure B duly certified by the Compliance Officer on or before 30th June every year.

7.3 The Corporation shall also report its compliance status with the Stewardship Code in the format issued by the IRDA.

This stewardship code shall come into effect from the date of the approval by the Board. The Board shall approve any change in the stewardship code. Chairman is empowered to issue operating instructions for implementation of the stewardship code.