

# STEWARDSHIP POLICY

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VERSION 7.0, April 2022

### History Sheet

<b>Date</b>	<b>Particulars</b>	<b>Approved By</b>
July 19, 2017	Ver 1.0	Board
July 23, 2018	Ver 2.0	Board
October 26, 2018	Ver 3.0	Board
October 25, 2019	Ver 4.0	Board
April 30, 2020	Ver 5.0	Board
April 30, 2021	Ver 6.0	Board
May 09, 2022	Ver 7.0	Board

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

### 1. Key Stewardship Responsibilities

#### 1.1. Primary Stewardship Responsibilities. RNLIC shall:

- a) take into consideration, in the investment process, investee companies' policies and practices on environmental, social and governance matters;
- b) take into account the corporate governance practices of investee companies, when undertaking buy and sell 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 responsibility;
- f) be accountable to shareholders/investors within the parameters of professional confidentiality and regulatory regime; and
- g) maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

#### 1.2. Discharge of Stewardship Responsibilities: RNLIC 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 on material environmental, social and governance opportunities or risks in RNLIC's investee companies.

#### 1.3. Responsibility for oversight of the stewardship activities:

The Executive Investment Committee of RNLIC (“ECI”) shall ensure that there is an effective oversight of the stewardship activities.

- 1.4. Disclosure of Stewardship Code: This Stewardship Code and amendment thereto, shall be disclosed on the website of RNLIC. Any amendment or modification to this Stewardship Code shall be disclosed on the website.
- 1.5. Disclosure of Stewardship Activities: RNLIC shall also disclose the requisite compliance and non-compliance with the Stewardship Code and Stewardship Principles.

## 2. Managing Conflict of Interest

- 2.1. 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 RNLIC(including its employee, officer or director) conflict with the interests or benefits of its shareholder/investor or the investee company.
- 2.2. Avoid conflict of interest: The employees, officers and directors of RNLIC 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 the ECI.
- 2.3. Identifying conflict of interest: While dealing with investee companies, RNLIC may be faced with a conflict of interest, *inter alia*, in the following instances, where:
  - a) RNLIC and the investee company are part of same group; or
  - b) RNLIC 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 RNLIC’s group;
  - d) any of the group companies or affiliates of RNLIC is a supplier or partner of the investee company;
  - e) a nominee of RNLIC has been appointed as a director or a key managerial person of the investee company;
  - f) a director or a key managerial person of RNLIC has a personal interest in the investee company;

- g) RNLIC (including its 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.

2.4. 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) Referring such matters to Audit Committee.
- c) Clear segregation of voting function and client relations / sales functions.
- d) Policy for persons to recuse from decision making in case of the person having any actual
- e) potential conflict of interest in the transaction.
- f) Maintenance of records of minutes of decisions taken to address such conflicts.

2.5. Manner of managing conflict of interest:

- a) Holdings of Designated Employees of RNLIC covered under Employee Personal Securities Trading Dealing policy would be maintained by Compliance.
- b) A potential conflict of interest in relation to an investee company shall be reasonably highlighted in the internal compliance system.
- c) Employees, officers and directors of RNLIC will record their outside appointments/professional engagement with the Compliance.
- d) Save as in the ordinary course of business, the members of the Committee shall not engage with the investee companies outside the scope of their duties under the Stewardship Code.
- e) RNLIC may consider abstaining from voting when RNLIC and the investee company are part of the same group, unless RNLIC records rationale for voting on such resolutions.
- f) Business level conflicts shall be resolved on a case to case basis by the Committee, after factoring the relevant considerations.

### **3. Monitoring of Investee Companies**

3.1. RNLIC shall monitor all investee companies in following manner.

- a) Different levels of monitoring in different investee companies. E.g. companies where larger investments are made may involve higher levels of monitoring vis-a-vis companies where amount invested is insignificant from the point of view of its assets under management (AUM).
- b) The ECI shall be responsible for monitoring of the investee companies' business strategy, performance, risk, capital structure, remuneration, corporate governance performance, cultural, social and environmental matters, shareholder's rights and grievances and compliance with SEBI's (Prohibition of Insider Trading) Regulations, 2015 as amended time to time
- c) RNLIC may use publicly available information, sell side research and industry information and wherever possible shall engage with the investee companies' through investor analyst calls or analyst meet at least once in *a year*, to monitor the investee companies.
- d) Wherever possible RNLIC shall meet the management teams / key managerial personnel of the investee company on a yearly basis and actively participate in investor meetings and general meetings held by the investee company, through webcast, conference call or other mechanism when possible, which will provide for higher participant/engagement.

#### **4. Active Intervention in the Investee Company**

##### **4.1. Applicability**

- a) RNLIC shall intervene in the acts/omissions of an investee company, in which it has invested Rs. 10 crores and holds at least 2% of the share capital of the investee company.
- b) RNLIC 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, CSR and environment, or any other related matters.

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

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

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

- a) Engagement: RNLIC shall take all reasonable steps to engage with the investee company's management to resolve any concerns of RNLIC including steps to be taken to mitigate such concerns.
- b) Re-engagement: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by RNLIC within a reasonable timeframe, RNLIC shall take all reasonable steps to re-engage with the management to resolve RNLIC's concerns.
- c) Escalation: In case there is no progress despite the first two steps, RNLIC shall escalate the matter to the ECI. If the ECI decides to escalate, RNLIC shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. RNLIC may also consider discussing the issues at the general meeting of the investee company (either called by the investee company or requisitioned by RNLIC).
- d) Reporting to the Regulators: If there is no response or action taken by the investee company despite the first three steps. RNLIC may approach the relevant authorities.

In case RNLIC's intervention is not successful (either fully or partially), it will not automatically result in RNLIC being required to exit its investment in the investee company. The decision to purchase more equity or sell all or part of RNLIC's investment in the investee company shall be made by the ECI, which may consider the outcome of the intervention as an input in its decision-making process.

## 5. Collaboration with other Institutional Investors

- 5.1. RNLIC shall consider collective engagement with other shareholders 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. RNLIC 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.

- 5.2. RNLIC shall also, where permitted, collaborate with other shareholders, professional associations and/or regulators such as IRDA, Pension Fund Regulatory and Development Authority, 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, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders, and related party transactions.
- 5.4. RNLIC 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.

## **6. Voting and disclosure of voting activity**

- 6.1 RNLIC shall exercise their voting rights and vote on all shareholder resolutions of all investee companies.
- 6.2 Voting decisions shall be made in accordance with RNLIC's voting policy.
- 6.3 RNLIC shall also consider several factors, including recommendations made by Institutional Investor Advisory Services and/or other proxy advisory firms, while voting (if any). RNLIC shall vote against resolutions which,
  - a) are not consistent with RNLIC's voting policy, or
  - b) which are not in its investors'/shareholders'/clients' best interests.
- 6.4 Attendance at General Meetings: RNLIC shall 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.



- 6.5 RNLIC shall be required to record and disclose voting decision (for, against or abstain) with respect to each vote proposal. RNLIC shall disclose all voting activity on a *quarterly* basis on the website. RNLIC shall also disclose if it has relied (either partly or fully) on the voting recommendations provided by IiAS and or any other proxy advisory firm.
- 6.6 RNLIC shall disclose in ECI the stock lending in-case the activity has been conducted
- 6.7 The stewardship policy should cover the aspects of voting activity. Audit Committee will monitor oversight on voting mechanism
- 6.8 RNLIC would mandatorily vote on resolutions/ proposals of investee companies under the following circumstances:

Size of the AUM of the Insurer (Rs. Cr.)	Paid up capital of investee company (in percentage) is
Up to 2,50,000	3% and above
Above 2,50,000	5% and above

## 7. Reporting of Stewardship Activities

- 7.1. The Insurer shall also report its compliance status with the Stewardship Principles in the format issued by the IRDA which is an Annual Certificate of Compliance approved by the Board to the Authority as per Annexure B duly certified by CEO and compliance officer on or before 30th June every year

## 8. Training of Personnel for Stewardship Activities

- 8.1. The Insurer shall encourage the investment team to attend training to equip them to fulfill stewardship responsibility

Annexure A

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 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:

Annexure B

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

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)