



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG REPORT  
**FY2020**

# ICICI Prudential Life Insurance Company Limited

## ESG report

ICICI Prudential Life Insurance Company believes in ensuring its long term sustainability through adoption of sustainability principles across business activities. The sustainability framework is built on the three pillars of: Environmental – leaving the planet a better place for our next generation, Social – giving back to society and Governance – transparency in functioning. As a Company, we are in the fortunate position of being in the business of **life insurance which is a unique financial planning tool that provides families with a financial safety-net** by enabling them to achieve their long term financial goals and protection of their families in the event of specific exigencies. Life insurance is a key social need in India in the context of the current social security framework for our citizens. Our endeavour is to ensure that every Indian family has adequate financial protection whilst taking into account our wider responsibilities to the society and the environment.

The past two years have seen a significant transformation of our business model and more specifically on our articulation of strategy as well as our aspiration of value creation for our shareholders. As our business model is intertwined with the sustainability objectives, we have now holistically documented our objectives and approach on the aspects of the ESG framework i.e. Environmental, Social and Governance. Our ESG framework is based on our Company's vision which is to build an **enduring institution** that serves the protection and long term saving needs of customers **with sensitivity**. Our Executive Committee comprising the senior leaders of the Company oversee the integration of ESG within the organizational framework and undertakes initiatives to balance the growth and profitability objectives whilst serving the welfare of society and the preservation of the planet and thereby ensuring sustainability.

### **Environmental**

We are a financial services company and hence our focus on the environment is driven primarily by what we consume and how we recycle. We operate through 517 offices including 1 Head office and 2 back offices. We try to minimise the environmental impact through various measures which are grouped as under for the purpose of reporting.

**A. Reduction in energy consumption:**

We have taken various steps to reduce the energy consumption within our physical premises and business activities. **Periodic maintenance** is undertaken for major equipment including Air Conditioners (AC) which contributes to ~80% of the electricity consumption. We are installing **Variable Refrigerant Flow (VRF) AC systems** progressively, as and when the need for replacement or new system arises at our offices. As of now we have installed VRF AC systems to meet 20% of our requirement. We have also installed **energy efficient ACs (3/5 star rated)** across our offices. 84% of our air conditioning requirement is met through 3 star rated ACs and the rest with 5 star rated ACs. We now equip our new branches with efficient electricity consumption appliances, using latest technologies on light sensors as well as LED devices. 54% of branch lighting and 47% of our backlit signage have been **changed from conventional to LED lighting** at branches across the country. We have improved air quality in 31% of our total office area by **using live plants within our office premises**. On the GHG (Green House Gas) emission, the emission intensity is insignificant as our Company is a financial services entity. Further, our thrust on digitisation to smoothen the entire life cycle ranging from prospecting to sales to customer service has helped to mitigate the residual impact of the GHG emission.

**B. Waste management and reduction**

Waste reduction and management has been one of the focus area to improve our operational efficiency as well as minimise the impact on the environment. The waste generated through our operations can be broadly classified as dry waste (primarily paper waste), e-waste and wet waste (primarily from the cafeteria). Since the Company is a financial services entity, there is no hazardous waste being generated. Similarly, our raw material procurement is very limited in scope and it is largely confined to paper and electronic equipment. We believe in reduce, reuse, recycle and manage solid waste efficiently. Reduction of paper consumption has been a key strategic thrust.

**B.1. Digitisation**

We provide **end to end digital solutions** within each aspect of our business such as contacting the customer through digital mode, sending them pre sales and policy documents online and empowering them with self-help service modules. We provide **24/7 customer service through a Chatbot** named LiGo and collect **74.1% of renewal premium through online modes**. Through digitisation, we have not only logged 94.1% of our new business cases digitally but also settled 99.6% of eligible claims in just one day. 87% of service

requests were completed through self-help modules. Our Chatbot LiGo has responded to customer queries with 91% accuracy. With Artificial Intelligence, we have been able to increase our productivity by reducing the time taken for business activities, including underwriting a proposal.

To give a further fillip, we operate **digital delivery channels such as our website and those of web aggregators**. Through the initiative of Insta-insure, we offer instant policy issuance without the need for a customer to go anywhere. These digital solutions not only reduce solid waste through avoidance of documentation process but also reduces carbon emission by avoiding travel requirements.

### **B.2. Waste Reduction:**

Other than our core business operations, we aim to reduce waste generation and more specifically the usage of paper through,

- **Managed print services** avoiding unnecessary prints as well as encouraging employees to go paperless
- **Centralized call logging facility for office stationery** for tracking and reducing consumption
- **Encouraging our Shareholders to provide email ids** thereby sending Annual Report and other communication digitally. Out of 342,191 shareholders as on March 31, 2020, 84% have registered their email id for digital communication.

Another big focus area for us has been replacement of disposable cups as they had high usage and wastage and were difficult to recycle. We have been encouraging **employees to bring their own cups**, or use our reusable mugs and glasses. We have also **stopped single use plastic** water bottles across our offices and replaced them with reusable water jar and glasses. We have **replaced plastic garbage bags with bio-degradable bags** and **plastic dustbins with steel dustbins**. For office signage, we are in a pilot project phase to **replace plastic material with fabric material**. At our cafeterias, which are available at our largest offices in Mumbai, we **use reusable plates**. We have also **installed video conferencing facility in 94 locations** reducing the need for travel leading to reduction in carbon emission.

### **B.3. E-waste management**

Being a financial services entity, there is limited scope for using recycled material as processed inputs. Nonetheless, the company is constantly seeking out opportunities to recycle waste. E-waste such as computers, printers, switches, scanners have been the main

e-waste generated. To reduce the wastage, we have **donated 100 laptops/ desktops this year** and disposed more than 5,000 office equipment through **a government certified vendor**.

#### **B.4. Wet-waste reduction:**

We are focused on reducing wet waste by creating awareness amongst employees on food wastage. At our head office and back office cafeterias, we **display the daily quantum of food being wasted** and the number of people who could have been fed with the food that was wasted. At our head office we have a system to **convert wet waste into manure**.

#### **C. Water management:**

Being a financial service entity, water usage is limited to domestic purposes. Yet, we take appropriate precautions to conserve the resource. **Sensor-based urinals** are provided in all new offices and **water less urinals** are installed at many branches. Also, our two largest offices are equipped with **sensor-based taps**. Our head office has a **Sewage treatment plant**.

## **Social**

Our vision is to build an enduring institution that serves the protection and long term saving **needs of customers with sensitivity**. This vision is supported by our commitment to five core values i.e. **Customer first**, Humility, Passion, Integrity and Boundaryless. Each of our business activities including product development, distribution strategy, service framework and investment management, revolves around the primacy of the customer. As a business, we offer Life and Health insurance along with pension products. The business is unique in nature that it provides a financial safety-net to families by enabling them to achieve long term financial goals and protection of their families in times of exigencies. In a country like ours with minimal social security systems, we consider ourselves fortunate to be in a business that serves the long term protection and financial security needs of society. Our endeavour is to ensure that every Indian family has adequate financial protection. Our suite of comprehensive and responsible products serve the life stage based protection and savings needs of customers. All our products are approved by the Insurance Regulatory and Development Authority of India. Our business success is ascribed to all our stakeholders, which includes our customers, employees, shareholders, business partners, regulators and the community at large.

### **A. Customer centricity**

We work towards aligning our business interests with the interests of our customers, thus creating value and building long term viable relationships. The Company tries to enhance the quality of the customer experience by providing products and services suited to the needs of the customer. Our **products are designed to suit the different lifestage requirements of a cross-section of customers**. Our **multi-channel distribution architecture enables customers to choose their preferred mode of purchasing products**. Our presence across channels ensures that we are able to cater to the **varied needs of customers across all touch-points**. Our device agnostic digital platform **allows customers 24x7 access** to their policies, to register claims online, to initiate and conclude service requests (self-service) etc. As part of our endeavour to be future-ready and to cater to the millennial customer, we are the first life insurer in India to officially offer **WhatsApp as a customer service channel**. Our AI-powered **Chatbot LiGo** is equipped to provide accurate responses and to learn with every customer interaction. We are **committed to investing in technology**, which we see as a key business enabler, to deliver superior products and service to our customers. We follow an integrated investment management approach in which we follow the three pillars of safety, stability and returns. We generate and

deliver **consistent and risk-adjusted returns** to our customers through a systematic and structured investment process.

We also offer **micro-insurance products** such as Sarv Jana Suraksha, a protection product, Anmol Bachat, a savings oriented product, Shubh Raksha Credit and Life, a group micro insurance protection product thereby catering to the rural and social sector obligations of the Company. We partner with ICICI Bank in promoting **PMJJBY** (Pradhan Mantri Jeevan Jyoti Beema Yojana) a social security initiative aimed at making insurance services available to the weaker section and low income groups. As of March 2020, more than 3.9 million lives are covered under the rural/social sector obligation and PMJJBY scheme.

Our determined efforts to ensure customer delight have been rewarded with customer loyalty which reflects in our **13th month persistency and self-help service usage which are 85.3% and 87% respectively.**

While in general the business efforts are carried out with customer centricity in mind, even during natural calamities or pandemics such as recent COVID-19 outbreak, we have taken various measures to ensure our customers experience an uninterrupted service. Through our digital enablers we have been able to assist our customers 24 X 7 without their having to visit our branches in person. We reached out to our customers through various platforms like SMS, e-mail, website, application, social media, WhatsApp and IVR calls and informed them regarding the digital avenues available for servicing of insurance policies including submission of a claim. Periodically, we have not only communicated with our customers on market volatility during this period but also on hygiene etiquettes, including travel advisories and precautionary measures to be adopted against the spread of the virus.

### **B. Employee diversity and engagement**

Our commitment to employees is based on the three pillars of our employee value proposition or our Cornerstones namely, Fairness and Meritocracy, providing a Supportive environment and Learning and Growth. We cater to the priorities of different employee segments such as millennials, mid-career employees, late-career employees, and women employees through various policies, practices and initiatives across employee segments. Our Company is a gender neutral, equal opportunity employer and there is zero tolerance for any discrimination based on gender, religion, caste or class. Gender is not a consideration in compensation fitment and all reward actions are as per the Company policy. We have a strong and dedicated workforce from a diverse background, education & experience. At March 31, 2020, we had

**14,630 employees.** This includes **3,748 women employees** comprising about 26% of the total workforce. To support women colleagues for their life stage needs and to build a more inclusive workplace, we provide **twenty six weeks of paid maternity leave (even before it was made mandatory under the Maternity Benefit (Amendment) Act, 2017), three months of paid adoption leave, special maternity leave for recovery from miscarriage / illness related to maternity / tubectomy, fertility treatment leave, sabbatical and part time employment options** and also special workshops and seminars on a variety of themes. The Company allows managers to accept requests for “work from home” on a need basis. We have also formulated policies that cover needs of employees such as Additional sick leave, Transfer & Relocation, Education Assistance, Employee’s Children’s Education Scholarship, Employee’s Children’s Sports Sponsorship, and Employee’s Children with Special Needs. The company is also facilitating **Voluntary Health Cover for parents (and parents-in-law)** for employees whose parents are not covered in the Group Health Insurance (GHI) policy. We have formulated various policies to ensure employee safety and to enable employees to Work-From-Home during the COVID-19 pandemic like Mobile Reimbursement on actuals, Local Conveyance on actuals, Data charges reimbursement, suspension of co-pay on delayed hospitalisation reimbursement under the Group Health Insurance policy and paid Leave during treatment for any employees diagnosed COVID-19 positive, apart from enhancing base limits for employees under the Group Health Insurance and Group Term Insurance policies.

We offer our employees a **long term career proposition.** We support them by giving them opportunities to learn and grow and a work environment which is supportive, fair and meritocratic. Talent development is a key employee value proposition and we aim to facilitate capability building through classroom/on the-job training, virtual learning, job rotation, job enrichment, and other opportunities for career progression. We support team work and a healthy work environment through various recreation activities conducted throughout the year during festivals, annual team offsite, team celebrations which contribute to creating a culture of camaraderie amongst employees and helps in building employee morale. We believe in **creating leaders for tomorrow through** structured programs like **Leadership Mentoring Programs** which are conducted to build perspective on various leadership themes using experiential learning techniques. The Company has both leadership depth and breadth, with **85% of the senior management team having served the Company for more than 10 years and with 94% of the senior management having done at least 3 job rotations** during their tenure with us.



We follow all statutory employment laws and have put in place a grievance redressal process to address employee concerns and grievances, which are addressed in a time bound manner as per the Company's Code of Conduct and Employee Service Rules. We also conduct Voice of Employee (VOE) surveys and Town Halls at regular intervals to solicit employee feedback and use these opportunities to deepen and enhance the employee value proposition.

Considering the current situation of COVID-19 outbreak, we have triggered our business continuity plan with employee safety as paramount. As Insurance is an essential service, we have kept some offices operational with minimal requisite staff and limited timing. Even with this, more than 99% of our employees, including those from sales and operations, are working from home. Accesses to required applications to manage day to day operations have been provided through Virtual Private Network (VPN) along with essential information technology support. Even after this, if for any reason, any employee is required to visit any of our offices, it is only after necessary approvals and in compliance with existing protocols on social distancing and sanitation.

### **C. Promoting responsible behaviour**

The Company is committed to adopting the highest business, governance, ethical and legal standards in the conduct of its operations. We promote responsible behaviour amongst our employees through various measures and initiatives. The Company has a Code of Conduct which defines the professional and ethical standards that employees & Directors need to adhere to in compliance with all applicable laws, regulations and internal policies. All employees confirm that they have read and understood the **Code of Conduct** annually which includes aspects related to **information and cyber security, whistle blowing practices and anti-bribery/ corruption**. All new employees are also required to confirm that they have read and understood the Code after joining. The Company regularly conducts awareness campaigns to familiarise employees with the various policies to ensure adherence to the highest standards of ethical behaviour.

To administer and ensure compliance to the Code and applicable laws and regulations, the Company has defined **Employee Service Rules (ESR)** that apply to all employees and Whole-time Directors. The objective of the ESR is to define the terms and conditions of appointment and service, the rules of conduct that employees need to adhere to at the workplace and to lay down the procedure of grievance redressal and disciplinary action in the event of a breach of the Code or any of the Company's policies, statutory laws or regulations as maybe applicable.

The Company has a **grievance redressal process for employees** to ensure that all grievances are suitably investigated and action is taken as per due process stipulated in the ESR with the principle of natural justice being adhered to. The redressal process outlines the method by which employees may register their grievances, the role of the Governance team, the classification of grievances, the process of enquiry, disciplinary action, appeal mechanism and reporting.

The Company also has a **Grievance Redressal policy for the customers which has been approved by the Board**. The policy aims to ensure that all customers are treated fairly at all times and all queries, requests and complaints raised by the customers are dealt with courtesy, accuracy and are resolved in time. In line with regulations, we have Grievance Redressal Officer (GRO), and the GRO details along with a brief about the channels for raising any concern and grievance resolution process is published on the Company's website.

Our **privacy policy** is available on our website and is in accordance with Information technology (Reasonable security practices and procedures and sensitive personal data or information) Rules, 2011. The policy provides our commitment to privacy by taking reasonable steps to protect the confidentiality of the Personal Information provided and protect it from unauthorised access or unauthorised alteration, disclosure or destruction. We have controls in place to ensure data is obtained through lawful and transparent means and is also collected and processed only for the stated purpose. We also undertake **employee awareness programs** covering the aspects related to data privacy such as Do's and Don'ts in the areas of privacy & confidentiality, workplace responsibilities, password and email security, information and cyber security. Employee onboarding and induction process includes information and cyber security aspects.

As part of our Internal Audit framework we conduct audits across systems and processes. We also seek external agencies help for any specific and technical audits. As part of our IT Governance, system audits and vulnerability assessments are being conducted periodically. We have requisite frameworks and processes in place to investigate incidents and take corrective actions through our **Information and cyber security policy** and **Fraud risk management policy**.

Our **Whistle Blower policy** is committed to adopt the highest business, governance, ethical and legal standards. The policy covers all employees, including directors of the Company. The policy encourages employees to report any breach of any law, statute or regulation within

the Company. The Policy provides a secure mechanism for employees to raise concerns (with an option to remain anonymous), which are appropriately and independently investigated, addressed and reported to the Audit Committee of the Board. The policy also ensures appropriate protection to the individuals raising the concerns. The policy complies with the vigil mechanism as envisaged by the Companies Act, 2013 and the rules framed thereunder. Details of this policy are proactively communicated to employees at regular intervals through emails.

We have a **Framework for managing Conflict of Interest** that clarifies the principles and the measures to manage potential conflicts of interest at the individual and the organisation level, to conduct its activities in an ethical and transparent manner.

We have a **Policy against Sexual Harassment** at Workplace and we create awareness amongst our employees periodically. We believe in providing a safe working environment at the workplace. We have also complied with provisions mentioned in The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 including the one relating to the constitution of Internal Complaints Committee.

We also have policy on **Anti-Bribery & Anti-Corruption (ABC)** and Operational Guidelines for Acceptance of Gifts, Entertainment & Sponsored Travel. Our Code of Conduct restricts any employee from making any payment to or for anyone for the purpose of obtaining or retaining business or for obtaining any favorable action, including to any Government agency or its representatives. While the ABC policy aspects are covered in employee induction, classroom training is conducted for sensitive departments.

We also **promote physical safety** through regular communications on road safety, healthy lifestyle including awareness on epidemic diseases, fire safety norms, and also conduct periodic fire drills at our offices.

### **D. Providing long term capital**

For sustainable development in the country, there is an immediate need for substantial investment in critical sectors including infrastructure and housing. The Indian insurance industry plays a key role in **channelizing the household savings to provide long term capital needed for infrastructure and housing, as also investing significantly in Government bonds**. As of March 31, 2020, our company has invested ~51% of its assets

under management in the industries related to infrastructure/ housing sector and Government bonds (₹ 300 billion and ₹ 481 billion respectively).

## E. Inclusive Growth

**Our vision is to build an enduring institution that serves the protection and long term saving needs of customers with sensitivity.** In line with this vision, our objective is to proactively support meaningful socio-economic development in India and enable a larger number of people to participate in and benefit from India's economic progress. **Our Corporate Social Responsibility (CSR) policy** is our commitment to provide resources and support activities focused on enhancing economic and social development. Some of our key focus areas for inclusive growth include **Skill development and sustainable livelihood, Health and education.**

We generally contribute 75% of our CSR budget to ICICI foundation for Inclusive Growth (ICICI Foundation) which is involved in CSR activities for the ICICI group and the balance is deployed to directly undertake various initiatives to serve the underserved.

### **Key programs with ICICI Foundation include:**

- **Skill development for the organised market via ICICI Academy for Skills (Academy)**

The Academy offers, industry relevant and job oriented vocational training in 12 technical and office skills. In FY2020, the Academy trained more than 25,000 youth. The Academy has 27 fully operational centres and has tied up with over 1,300 industry partners to provide employment opportunities to the trained youth. All the trainees have secured employment on completion of their training. Cumulatively, over 145,400 youth have been trained under this initiative.

- **Skill development in rural markets via Rural Livelihood (RL)**

Under this program, vocational training is provided based on the needs of the local economy and the aspiration of the villagers. In FY2020, over 76,400 villagers were trained under the RL. Around 1,000 villages across the country have been covered till date. ICICI Foundation facilitates market linkage for the trainees, so that they can find a market for their produce on a sustainable basis. Cumulatively, over 275,200 villagers have been covered under this initiative.

The Foundation also undertakes various community connect initiatives for creating awareness amongst the target population on various socially relevant topics. In the light of the COVID-19 virus, ICICI Foundation has supported Government hospitals and public servants through provision of ventilators and other consumables like sanitizers and masks. This support will be further extended into FY2021 depending on the prevailing circumstances.

**Some of the direct initiatives are as follows:**

- **Education and Skilling and sustainable livelihood:**
  - **Skilling and securing sustainable livelihoods of local communities in Himalayan rangelands**

We have partnered with World Wide Fund for Nature (WWF)-India and Nature Conservation Foundation (NCF) to support skilling and sustainable livelihood of the local communities living in the Himalayan regions as well as manage the ecological balance of the region. With WWF India, in Tsokar Leh in Ladakh, communities have been trained on setting up homestays to host tourists. In FY2020, 4 households for homestays have been trained and set up of another 16 homestays is in progress. Further a production facility is being set up in Tsokar to produce pashmina shawls and train the women on its production. Approximately, 90 women have been trained and additional 160 women will be trained in the coming year.

Through program 'Shen' with NCF, the Company provides alternate livelihood opportunities to local women in Spiti rangelands through handicraft training. Of the plan to train 80 women on handicraft production, 104 women have been trained for the same in the second year of the program, with market linkages facilitated for economizing the produce.

- **Holistic development of underprivileged children**

The Company supports underprivileged/orphan/abandoned children living in child care homes on interventions of education, skilling, vocational training, food & nutrition, and health & hygiene, to provide a nurturing environment for their overall development. The Company has partnered with SOS Children's Villages of India (SOS India) and Catalysts for Social Action (CSA) to provide support on the holistic development of children. With SOS India, we support around 26 children living in two children homes located in Raipur and Vishakhapatnam and with CSA support has been extended to 129 children living in 3 child care homes of Madhya Pradesh. One of the key components of the program with CSA is to provide support for the 'Aftercare'

initiative for children aged 18 and above, which aims to help them to get integrated into the society through support on higher education, skilling and life skills.

- **Supporting education through scholarship**

The Company provides educational scholarships to 5 underprivileged students to support them on their education. Of the 5 children, 3 students are pursuing school education at Plenum School, Himachal Pradesh and the other 2 students are pursuing their doctorate program in 'Conservation Science' through NCF.

- **Personal Safety Program' for children**

To reduce the instances of child abuse and ensure child safety, the Company supports Arpan for its 'Personal Safety Program'. The program's objective is to empower and educate school children on the relevant knowledge, skills and attitude to prevent abuse as well as seek adequate support proactively. Over 280 children have been trained in FY2020 on the personal safety program.

- **Healthcare:**

- **Cancer Care Support**

As part of the Cancer care programme, we have partnered with Tata Memorial Hospital (TMH), Mumbai and Tata Medical Centre (TMC), Kolkata, to support medical treatment of underprivileged children diagnosed with the ailment. Over 340 patients have been supported through the program.

- **Medical treatment of underprivileged infants, children and youth**

With Shrimad Rajchandra Sarvamangal Trust and Ekam Foundation (Mumbai), the Company provides support on medical surgery, treatment for critically ill infants, children. With Ekam, the program has been enhanced to support vocational equipment for the differently abled youth. Cumulatively, 44 children/youth have been supported through the program

- **Environmental sustainability and ecological balance**

In FY2019, the Company initiated a program with WWF-India to prevent retaliatory killing of predators by supporting the underprivileged villagers financially for their loss of cattle. The financial support extended aims to soften the blow of losing a critical livelihood

option. The program is implemented across WWF-India's priority tiger landscapes in India, namely, Brahmaputra landscape (Assam), Western Ghats Nilgiris landscape (Tamil Nadu, Kerala, and Karnataka) and Terai Arc landscape (Uttarakhand, Uttar Pradesh and Bihar). The program has extended support to over 900 villagers in FY2020.

- **Consumer Awareness and Education**

The Company CSR initiative "Listen to your body" has been propagating the cause of preventive measures to fight critical illnesses. The initiative encourages one to pay attention to the little signs the body gives before a critical illness. This year the Company launched a pan-India poll: Mission Healthy India. It focused on the customer perception that a fit-looking body is a healthy body from within too. It also checked if customers were watchful of their body's signs and were financially prepared to deal with a critical illness. More than 18,000 respondents participated in this online poll. The poll results confirmed the customer perception. This necessitated the need to communicate that a fit-looking body does not necessarily mean that the body is fit from within too. Hence it is imperative to pay attention to the signs of the body. This message was disseminated through a multimedia campaign including digital, press and radio. The campaign reached over 51 million customers. 3,900 registrations for discounted health check-ups were received. To know more, visit [www.listentoyourbody.in](http://www.listentoyourbody.in)

The significance of having an electronic Insurance Account (eIA) was also promoted.

## **Governance**

We are building upon our organization's foundation over these nineteen years by continually enhancing the structures, processes and controls in place that support and promote accountability, transparency and ethical behaviour. We remain steadfast in our commitment to create and reinforce a strong and healthy culture in which all employees feel respected and empowered to do what is right for our customers, communities and shareholders. Our Board of Directors and senior management take their responsibilities very seriously to set the tone at the top and to provide effective leadership and rigorous oversight. We recognise ethics and governance to be of paramount importance. Through the policies, processes and practices, we have built a strong governance framework. We strongly believe that success and sustainable growth of any organization depends on good governance.

The Company featured for the second consecutive year among the top three of the 50 companies that got listed between 2015 and 2017, based on its scores on corporate governance. The award was based on the scorecard on corporate governance, developed jointly by International Finance Corporation (IFC), BSE Limited and Institutional Investor Advisory Services (IIAS).

### **A. Governance structure**

A sound corporate governance mechanism is critical to retain and enhance stakeholders' trust. The Company's corporate governance philosophy is based on an **effective independent Board and the separation of the Board's supervisory role from the executive management**. The Board primarily concentrates on the direction, control and governance of the Company, through various policies and processes. With this perspective in mind it has shaped the level of risk adoption, standards of business conduct and ethical behaviour for the company.

#### **A.1. Board composition and Independent Directors**

The Company's Board is constituted in compliance with the Companies Act, 2013 (CA2013), in accordance with relevant Securities and Exchange Board of India (SEBI) Regulations and Insurance Regulatory and Development Authority of India (IRDAI) Corporate Governance Guidelines, 2016. Additionally, the IRDAI has prescribed for assessing certain parameters for 'fit and proper', which the directors confirm to – at the time of appointment to serve as director and annually in order to continue serving as a director. The IRDAI and SEBI also expect the Board to prescribe the particular expertise or skills they expect the directors to possess and



that the same is required to be disclosed in the annual report of the Company. We are also required to submit detailed information about the directors, on their appointment, to the IRDAI.

The Board currently comprises five independent Directors, three non-executive Directors, two of whom are nominated by ICICI Bank Limited and one by Prudential Corporation Holdings Limited, the Managing Director & CEO and the Deputy Managing Director. Except the Managing Director & CEO and the Deputy Managing Director, all other Directors including the Chairman of the Board are non-executive Directors. **The Chairman of the Company is an Independent Director.**

The Company recognises that a **diverse Board** with different thoughts, perspectives, knowledge, skill, industry experience, age and gender will ensure that the Company retains its competitive advantage. The Board Nomination & Remuneration Committee recommends the appointment of Director(s) to the Board of the Company based on the board approved **policy on board diversity and criteria for appointment of Directors**. The experience and expertise along with the qualifications of our independent Directors have been briefly articulated in the Annexure to this document. There is an appropriate mix of executive, non-executive and independent Directors. None of the Directors are related to any other Director or employee of the Company. The Board functions either as a full Board or through various Committees constituted to oversee specific areas.

Independent Directors are those Directors who have affirmatively determined that they have no material relationship with the Company. All directors disclose to the Company and confirm annually about the entities where they are directors/partners or interested, list of all his entities/firms where the Directors or his/her relatives are directors/partners or are interested. Each director is required to notify the Board of any change in circumstances or transactions which could conflict their interests or that may question his or her independence.

### **A.2. Board Independence**

The Board is responsible for corporate strategy and other responsibilities as laid down under the Companies Act, 2013, SEBI Regulations and by IRDAI under the Corporate Governance guidelines. The Managing Director & CEO and the Deputy Managing Director oversee implementation of the strategy, achievement of the business plan and day-to-day operations. Each person serving as a director must devote the time and attention necessary to fulfill the obligations of a director. Key obligations include appropriate attendance at the meetings and

appropriate review of preparatory material. Directors are also expected to attend the annual general meeting of the Company.

In carrying out their duties, the Board has delegated some of its responsibilities to various Committees for effective operations. The **Board Committees, generally comprises a majority of independent/non-executive Directors and are currently chaired by independent Directors.** There is a detailed and transparent information flow from the senior management, through well documented agenda notes and appropriate systems, to the Committees of the Board or the Board, to effectively monitor the operations of the Company. The company has various Board committees for smooth functioning of the organization which are Audit committee, Risk Management committee, Stakeholders' Relationship committee, Investment committee, Nomination and Remuneration committee, Corporate Social Responsibility committee, Customer service and Policyholders' Protection committee, Strategy committee and With Profits committee.

### **A.3. Board evaluation**

The Company has in place an evaluation **framework for evaluation of the Directors, Chairman, the Board and its Committees.** The performance of the Board is assessed on select parameters relating to roles, responsibilities and obligations of the Board and functioning of the Committees including assessing the quality, quantity and timeliness of the flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The evaluation criteria for the Directors is based on their participation and contribution to and understanding of the areas which are relevant to them in their capacity as members of the Board. The evaluation criteria for the Chairperson of the Board, besides the general criteria adopted for assessment of all Directors, focuses incrementally on leadership abilities, effective management of meetings and preservation of interest of stakeholders. The evaluation criteria for the Committees is based on effective discharge of its terms of reference and its contribution to the functioning of the Board. The Chairman of the Board Nomination & Remuneration Committee anchors the assessment of performance and the Board self-evaluation discussion.

## **B. Compensation Policy and Practices**

### **B.1. Compensation Structure**

The Company has a **Board approved Policy on Compensation & Benefits** for the Managing Director & CEO, Other Whole-time Directors, non-executive Directors, Key Management Person (KMP), Senior Management Personnel (SMP) and other employees (“Compensation Policy”), which is available on the website of the Company.

The compensation structure is designed to meet the Company’s objective of attracting, rewarding and retaining talent; and comprises a holistic composition of fixed pay (including allowances), variable pay, non-cash benefits, post-retirement benefits and employee stock options.

The extent of variable pay for individual employees is linked to individual performance for sales frontline employees and to individual and organisation performance for non-sales frontline employees and employees in the management cadre.

Non-cash benefits are provided to employees to supplement rewards and meet the non-financial and other requirements.

Employees retiring from the services of the Company are eligible for retirement benefits as identified in the Compensation Policy.

The Company’s employee stock option scheme is designed to encourage institution building among employees, which enhances employee motivation, enables employees to participate in the long term growth and financial success of the Company and acts as a retention mechanism.

### **B.2. Compensation Governance**

The Company follows prudent compensation practices under the guidance of the Board and the Board Nominations & Remuneration Committee (BNRC). The Company’s approach to review of performance and compensation is based on the ethos of meritocracy and fairness within the framework of prudent risk management.

The BNRC reviews and recommends to the Board the compensation of whole-time directors, which is **aligned to both financial and non-financial indicators of performance, including risk management parameters** such as persistency, expenses of management,

solvency, etc., and parameters with customer focus such as claim settlement and grievance redressal and in compliance with IRDAI regulations. The deferred part of the variable pay (performance bonus) for whole-time Directors is subject to malus, under which, the Company will prevent vesting of all or part of the variable pay in the event of an enquiry determining gross negligence or integrity breach. Additionally, the whole-time Directors are also subject to **claw back arrangements**, pursuant to which the Director concurs to return, in case asked for, the previously paid variable pay to the Company in the event of an enquiry determining gross negligence or integrity breach, taking into account relevant regulatory stipulations. Acts of gross negligence and integrity breach are covered under the purview of the Company's Compensation Policy, whereas errors of judgment are not construed to be breaches.

Performance bonus is payable to employees based on the performance of the Company and individual performance. The decision relating to remuneration of the Managing Director & CEO and other Whole-time Directors is reviewed & approved by the BNRC and the Board and in compliance with IRDAI regulations.

### **C. Compliance framework**

The Company is a registered life insurance company and regulated by the Insurance Regulatory and Development Authority of India (IRDAI or Authority). The Authority has been pivotal and guiding force behind the resilient and well developed insurance sector.

Further, the Company has formulated various internal policies/procedures and an employee Code of Conduct, which govern the day-to-day activities to ensure compliance. The compliance function disseminates the information regarding relevant laws, regulations and circulars related to insurance and anti-money laundering to various functions. It also serves as a reference point for seeking clarifications on applicable insurance laws, regulations and circulars issued by the Regulator. The **Compliance Policy**, serves as the guiding force in building the compliance culture within the organisation.

The Company has in place a policy on **anti-money laundering and countering terrorist financing (AML)**, through which it has put in place procedures to combat money laundering and terrorist financing. Through this policy the Company identifies and monitors customer transactions and makes necessary reporting to the Financial Intelligence Unit - India.

The compliance team also monitors the adequacy of the compliance framework across the Company in conjunction with the Internal Audit function through an integrated risk based audit plan. Key issues observed as part of this monitoring are reported to the Board Audit

Committee, and implementation of recommendations is actively monitored. Additionally a **quarterly compliance certificate** signed by the Managing Director & CEO, based on the confirmations from respective functional heads, is placed before the Board Audit Committee and the Board of directors. The heads of control functions like the Compliance and Internal Audit, report to the Board Audit Committee.

#### **D. Risk Management**

We recognise that risk is an integral element of our business and managed acceptance of risk is essential for the generation of shareholder value. We have a risk management structure which consists of the Board, the Board Risk Management Committee (BRMC) and the Executive Risk Committee (ERC) which is supported by appropriate sub-committees. The risks faced by the Company are classified into market, credit, liquidity, insurance and operational risks, which is managed through its **Board Risk Policy** covering aspects of financial risk management encompassing the market risk, credit risk, liquidity risk and insurance risk and operational risk management. In addition to the Board Risk Policy, we also have Board approved **Reinsurance Policy, Underwriting Policy, Outsourcing Policy, Fraud Risk Management Policy, and Information & Cyber Security Policy**. Apart from the above mentioned risks, the Company also focuses on two important risk from the business point of view which are **reputation risk** and **customer risk**. The Company reviews reputation risk by monitoring communication pertaining to the company emanating in the formal media/social media channels as well as monitors the engagement with key stakeholders like customers, regulator, legal fora. Trustworthiness amongst customers is monitored through various quantitative trends to ensure subjectivity does not creep in.

The BRMC reviews the **asset liability management (ALM)**, to monitor all risks across the various lines of business of the Company and establish appropriate systems to mitigate such risks. The BRMC reviews the risk appetite and risk profile of the Company in addition to overseeing the effective operation of the risk management system and advises the Board on key risk issues. This includes monitoring and reviewing the aggregated view of the risk profile of the Company in addition to the individual risk profiles, reporting to the Board details of the risk exposures and the actions taken to manage the exposures, set the risk tolerance limits and assess the cost and benefits associated with risk exposure, review compliance with the regulatory guidelines on **Insurance Fraud Monitoring Framework**.

Our **policy on Outsourcing** of our activities includes operating framework for the due-diligence and vendor empanelment. We have constituted an Outsourcing Committee to oversee the compliance to the policy and IRDAI regulations.

We have **Business Continuity Management (BCM) framework** to ensure resilience and continuity of key products and services at minimum acceptable level to achieve business-as-usual presence in the market place and safety of human resources. The Company has been **accredited with ISO 22301:2012 certification for the business continuity management systems.**

Almost every country was impacted by the outbreak of COVID-19 pandemic. An unprecedented situation when the BCM frameworks of all companies and disaster management teams were put to test. During such times we took measures to ensure our employees and customers are least impacted and we are able to serve or take care of them. With the competent IT teams, apart from soliciting new business dependent on face to face meetings, almost all our operations were managed from home. Digital service enablers such as SMS, e-mail, website, application, social media WhatsApp and similar such avenues helped us services our customer. Further, the Virtual Private Network (VPN) along with essential IT support enabled all our employees to work from home. While the Company took these steps to restore continuity of business, we also updated the Board regularly about the impact to the Company on various parameters, including business, solvency, etc.

Our **information and cyber security framework** ensures that all information assets are safeguarded by establishing comprehensive management processes throughout the organisation and business information is protected adequately through appropriate controls and proactive measures.

Our **Privacy policy** is available on our website and is in accordance with Information technology (Reasonable security practices and procedures and sensitive personal data or information) Rules, 2011. The policy provides our commitment to privacy by taking reasonable steps to protect the confidentiality of the Personal Information provided and protect it from unauthorised access or unauthorised alteration, disclosure or destruction. We have controls in place to ensure data is obtained through lawful and transparent means and is also collected and processed only for the stated purpose. We also undertake **employee awareness program** covering the aspects related to data privacy such as Do's and Dont's in the areas of privacy & confidentiality, workplace responsibilities, password and email security,

information and cyber security. Employee onboarding and induction process includes information and cyber security aspects.

As part of our Risk-based Internal Audit framework, the Internal Audit team, conducts audits across systems and processes of the Company. If necessary, they also seek specialist external agencies' assistance for any specific or technical audits. As part of our IT governance framework, system audits and vulnerability assessments are being conducted periodically. We have requisite framework and processes in place to investigate incidents and take corrective actions through our Information and cyber security policy and Fraud risk management policy. On Data Request Management, we have defined responsibilities and processes to evaluate and respond to law enforcement or Government agencies. The data submission is done in accordance with the applicable rules and regulations.

### **E. Investment framework**

We recognise our responsibility, as insurance companies to protect the interests of the policyholders, which demands that we have in place good governance practices for sound long term investment in addition to the robust risk management framework. Through the board approved **Investment Policy** the Company has laid out an operational framework for its investment. This policy and an operational framework, *inter alia*, encompass aspects concerning liquidity for smooth operations, compliance with prudential regulatory norms on investments, risk management or mitigation strategies to ensure commensurate yield on investments and above all protection of policyholders' funds.

In furtherance to the above as an investor in various securities and an entity whose securities are listed the Company also has a **Code of Conduct to regulate, monitor and report trades in Securities by Designated Employees (Insider Trading Code)**, which prescribed norms and restrictions in undertaking personal investment by select employees, considering the Company invests its policyholders funds.

Additionally, as an insurance company, we are a significant institutional investor in listed companies, securities of which are held by the Company primarily as custodians of our policyholders. Therefore, we play an active role in the general meetings of investee companies and engage with the managements of these investee companies at a greater level to improve their governance, in accordance with our **Stewardship Code**, the compliance of which along with the Stewardship Code itself, is available on our website.

## F. Ethics and Policies

We understand that our governance processes must ensure that the resources are utilised in a manner that meets stakeholders' aspirations and societal expectations. There are policies and frameworks in place for managing and monitoring the company's risk management framework as well as ethical conduct across all its engagement.

The Company's Code of Conduct for all employees, including directors, aims at ensuring high professional and ethical standards of conduct, integrity in all aspects of activities and compliance with all applicable laws, regulations and internal policies. The Code of Conduct covers various aspects, including,

- Requirements prescribed in the Company's Board approved **Framework for Managing Conflict of Interest** which also alludes to adherence of the Company's Insider Trading Code, which not only prescribes restrictions for persons investing the funds of the policyholders, but also those select persons who could have unpublished and price sensitive information about the Company, considering the Company's shares are listed on stock exchanges.
- Operational Guidelines for **Acceptance of Gifts, Entertainment and Sponsored travels.**

Further, the Company endeavours to ensure a safe, secure and congenial work environment, so that employees can deliver their best. We are an equal opportunity employer and through all our policies, seek to ensure that no preferential or discriminatory treatment is meted out to any employee. The Company's **Policy against Sexual Harassment at Workplace**, aims to provide protection against sexual harassment of women at the workplace and articulates the procedure to be adopted for redressal of complaints.

We have a policy on **Anti-Bribery & Anti-Corruption (ABC)** and Operational Guidelines for **Acceptance of Gifts Entertainment & Sponsored travel**. Our Code of Conduct restricts any employee to make any payment to or for anyone for the purpose of obtaining or retaining business or for obtaining any favorable action, including to any Government agency or its representatives. While the ABC policy aspects are covered in employee induction, classroom training is conducted for sensitive departments.

Our **Whistle Blower policy** is committed to adopt the highest business, governance, ethical and legal standards. The policy covers all employees, including directors of the Company. The policy encourages employees to report any breach of any law, statute or regulation within the Company. The Policy provides a secure mechanism for employees to raise concerns (with



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an option to remain anonymous), which are appropriately and independently investigated, addressed and reported to the Audit Committee of the Board. The policy also ensures appropriate protection to the individuals raising the concerns. A summary of the Whistleblower policy is also available on the website of the Company.

**Annexure****Profile of the Independent Directors on the Board of the Company:**

<b>Name of the Director</b>	<b>Qualification</b>	<b>Key particulars</b>
Mr. M. S. Ramachandran – Chairman	B. E. (Mechanical)	Former Chairman of Indian Oil Corporation Limited, Chennai Petroleum Corporation Limited, IBP Company Limited and Bongaigaon Refineries & Petrochemicals Limited.
Mr. Dilip Karnik	B. Sc. and LLB	Former Judge of High Court of Bombay. Currently an advocate and arbitrator.
Mr. R. K. Nair	MSc, LLB, MBA Financial Management, Diploma in Securities law	Former Executive Director at Securities and Exchange Board of India (SEBI) and former Member (Finance and Investment) Insurance Regulatory and Development Authority of India (IRDAI).
Mr. Dileep Choksi	B.Com, C.A., LLB, Cost Accountant	Practices taxation since 41 years, former Joint Managing Partner, National Leader - Tax and Financial Advisory Services of Deloitte, India.
Ms. Vibha Paul Rishi	MBA in Marketing, Honors in Economics	Leadership roles with PepsiCo for 17 years, one of the founding team members of PepsiCo India, member of international marketing team of PepsiCo's London; was also associated with Tata Administrative Service as of the core start-up team of Titan Watches, etc.