

# ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED



## Policy on discharge of stewardship responsibilities

<b>Release date</b>	<b>With effect from</b>	<b>Version no.</b>	<b>Approved by</b>	<b>Changes</b>
25.07.2017	25.07.2017	1.0	Board of Directors	First time adoption
24.04.2018	24.04.2018	2.0	Board of Directors	No change
24.04.2019	24.04.2019	3.0	Board of Directors	No change
25.04.2020	25.04.2020	4.0	Board of Directors	Amendment as per revised stewardship code issued by IRDAI
19.04.2021	19.04.2021	5.0	Board of Directors	No change
16.04.2022	16.04.2022	6.0	Board of Directors	No change

## **A. Introduction**

The Policy on discharge of stewardship responsibilities ("Policy") sets out the framework and guidelines on discharge of the stewardship responsibilities of ICICI Prudential Life Insurance Company ("the Company") in accordance with Guidelines on Stewardship Code for Insurers in India issued by The Insurance Regulatory and Development Authority (IRDAI).

The Policy defines the stewardship responsibilities to be undertaken by the Company and the processes that the Company intends to follow in order to safeguard the interests of its Policyholders.

## **B. Roles and responsibilities**

The Policy is approved by the Board and shall be reviewed at least once in a year to incorporate changes as may be required. Further, the compliance of the Policy is also reviewed by the Board at least once in a year.

The roles and responsibilities are defined as below:

### **Board Audit Committee (ACM) and Board Investment Committee (BIC)**

The ACM of the Company shall ensure that there is an effective oversight of the Company's stewardship activities and shall recommend changes in the Policy to the Board. Additionally, given that stewardship is closely connected with investing, the compliance to the Policy will also be presented to the BIC.

### **Executive Investment Committee (EIC)**

The EIC shall be responsible for the overall implementation and execution of this Policy. The threshold of investment in the investee companies beyond which the Company shall perform its stewardship activities shall be prescribed by the EIC. The EIC shall also be responsible for stipulating the procedure for voting.

### **Investment team**

The Investment team shall be responsible for the ongoing monitoring of the investee companies, for engaging with the management of the investee companies and for identifying situations which require intervention in the investee companies and suggest the manner of such intervention. The investment team shall also be responsible for identifying situations which may give rise to a conflict of interest. The team may seek guidance from the EIC in matters pertaining to intervention in investee companies or potential conflict of interest.

### **Investment Operations Team**

The Investment Operations Team shall be responsible for disclosures pertaining to stewardship activities including voting report on a quarterly basis. The team shall also be responsible for maintaining the records pertaining to the voting activities and maintaining a list of investee companies in which conflict of interest, as defined below herein has been identified.

### **C. Stewardship principles**

Insurance companies are significant institutional investors and the investments are held by them as custodians of the Policyholders. Therefore, in an endeavor to safeguard the interests of the Policyholders, the Company shall work towards fulfilling the objectives of the below listed principles.

The term 'investee companies' used in this Policy herein shall mean investee companies in which equity investments are above the threshold limit as prescribed by EIC.

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

The Policy is disclosed on the website of the Company. Any change or modification to the Policy will also be disclosed at the time of updating the Policy on the website.

The primary stewardship responsibilities of the Company shall be:

1. To take into consideration, in the investment process, the investee companies' policies and practices on corporate governance matters;
2. To seek productive engagement with the investee companies;
3. To exercise voting rights in investee companies in a manner consistent with the best interests of its Policyholders, and;
4. To maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

The Company shall fulfil its stewardship responsibilities by way of the below activities:

1. The Company shall frame procedures on voting to deal with the exercise of the Company's voting rights in investee companies.
2. The Company shall appropriately engage and intervene on any issue which may, potentially, affect an investee company's ability to deliver long-term sustainable performance and value.

3. The Company shall endeavor to work collectively with other institutional investors and support collaborative engagements organised by representative bodies and others.
4. The Company shall disclose compliance to the Policy and the principles therein on its website annually. The Company shall also disclose the voting report each quarter.
5. The Company shall ensure that members of the investment/investment operations team are provided adequate training to discharge the responsibilities under the stewardship policy.

The Company may use services of external agencies to support it in discharging its stewardship responsibilities. However, the Company shall not outsource any core function of investment. The ultimate stewardship responsibility shall be that of the Company and EIC would be responsible to approve the use of external agencies to support the discharge of stewardship responsibilities.

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

The Company has detailed out below the process of identifying and managing conflict of interest.

Identifying conflict of interest: While dealing with investee companies, the Company may be faced with a conflict of interest. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, the EIC may be consulted. Given below are a few instances where potential conflict of interest may arise:

1. The investee company is also an institutional client of the Company;
2. The Company is a lender to the investee company;
3. The investee company is a partner or holds an interest, in the overall business or is a distributor for the Company;
4. A nominee of the Company has been appointed as a director or a key managerial person of the investee company; or
5. The Company and the investee company are part of same group;

To manage the above potential conflicts of interest, the Company shall ensures that:

1. Any potential conflict of interest in relation to an investee company shall be highlighted to the EIC. If those transactions do not appear to be in ordinary course

- of business or not at arm's length, the EIC may either apply blanket ban on investment or refer to the Audit Committee for further guidance.
2. Such decisions taken by the EIC shall be recorded in the minutes of meeting.
  3. The employees in the investment teams shall comply with the Code of Conduct for Prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations.
  4. Rationale for voting on each shareholder resolution shall be recorded by the Company. The Company may consider abstaining from voting when the Company and the investee company are part of the same group, unless the Company records the rationale for voting on such resolutions.
  5. Rationale behind a new investment decision shall be recorded.
  6. There shall be a clear segregation of voting function and client relation/sales function. The Investment team will be responsible for the voting decision.
  7. Any person having any actual/potential conflict of interest shall recuse themselves from the decision making process.

**Principle 3: Insurers should monitor their investee companies.**

1. The Investment team shall be responsible for the monitoring of the investee companies' performance. The investment team may consider the investee companies' leadership effectiveness including quality of management, board & leadership, succession planning, corporate governance, reporting, risks including environment, social and governance risk, shareholder rights & grievances and other parameters they consider important while making investment decisions.
2. The Investment team shall engage with investee companies as part of the research process that leads to an investment in an investee company, which might include meetings with management.

Once an investment is made, the Investment team shall continue to monitor each investee company. As a part of this process, the fund manager/ analysts shall, where feasible, attend meetings/Conference calls conducted by the management of the investee company. Fund Manager/ analysts may also use publicly available information, sell side research and industry information and shall engage with the investee companies through any means detailed above. EIC shall prescribe threshold for different level of monitoring in different investee companies considering the significance of investment.

3. While dealing with any investee company, the Company shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.
4. The EIC shall review the monitoring and engagement activities being carried out by the Investment team annually.

As a general principle, the Company shall not nominate its representative on the Board of an investee company. However, to protect the interest of policyholders', if the situation warrants so the Company may nominate its representative subject to prior approval of EIC.

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

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, environment, social & governance risks, leadership issue & litigations or any other related matters.

The Company may consider intervening in matters below the thresholds, if in the reasonable opinion of the EIC, the issue involved may adversely impact the overall corporate governance or the Company's investment.

The escalation matrix followed by the company for intervention is as follows:

1. Communication: The Investment team shall communicate to the investee company's management about any concerns of the Company including steps to be taken to mitigate such concerns. If the matter comes to voting, the Company shall exercise its voting rights.
2. Engagement: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the Company within a reasonable timeframe, the Company shall take all reasonable steps to engage with the management of the investee company to resolve the Company's concerns.
3. Collaboration: The Company shall also consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary.

4. **Escalation:** In case there is no progress despite the first three steps, the Company shall escalate the matter to the EIC. If the EIC decides to escalate, 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 general meeting of the investee company.

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

The Company is willing to act collectively with other investors where it is in the interests of the Policyholders to do so and only when the situation warrants the same.

The Company shall collaborate with other investors, professional associations, regulators, and any other entities as the Company may deem fit to solicit views.

The act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert.

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

An active and informed voting policy is an integral part of our investment philosophy and does not automatically support the proposals of the Board of the investee companies. The procedures for voting in resolutions of investee companies shall be approved by the EIC. The Company shall keep in mind the interests of the Policyholders while exercising voting decisions.

The Company shall mandatorily undertake active participation and voting on resolutions/proposals of the investee companies in accordance with threshold given below:

Size of the AUM (₹ trillion)	Compulsory voting required, if the Company holding of the paid up capital of investee company (in percentage) is
Up to 2.5	3% and above
Above 2.5	5% and above

In other cases, Company may voluntarily participate and vote if the resolutions/proposals are considered significant and have an impact on the investments of the Company.

The key areas that the Company seeks to vote on will be related to corporate governance and matters related to future prospects of the investee companies including Director appointments and compensation, corporate restructuring and related party transactions. The Company may also consider additional factors, including recommendations made by any proxy advisory firms while voting.

The Company shall maintain a record of its voting on investee company resolutions. The same shall be presented to the EIC, The Audit Committee and the BIC.

The Company may lend securities in compliance with applicable regulations. The Company shall consider lent quantities in the calculation of threshold limit for undertaking active participation and voting on resolutions/proposals. The Company may recall lent securities, if in the opinion of Chief Investment Officer lent quantities will have material impact on the voting outcome.

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

The Company shall provide each quarter its voting MIS in the prescribed format and annually provide a report on the discharge of its stewardship responsibilities as part of public disclosures. The Company shall also annually report its compliance status with the Stewardship Principles to the IRDAI.