Stewardship Policy

March 2020

Version Control:

Version	Reviewer	Approver	Approval date	Reason for review
1.0	Chief Finance Officer (CFO)	Board	July, 2017	New Document
2.0	CFO	Board	March, 2018	Annual Review
3.0	CFO	Board	March, 2019	Annual Review and adoption of Single Policy Framework
4.0	CFO	Board	May, 2020	Annual Review and changes in accordance with Revised Guidelines on Stewardship Code issued by IRDAI

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1. Introduction

1.1 Background

SBI Life Insurance Company Limited (hereinafter referred to as "the Company") aims to achieve the Investment Objective of being able to meet the reasonable expectations of the policyholders taking into account the safety of their funds with optimum return.

Insurance Regulatory and Development Authority of India (IRDAI) vide circular IRDAI/F&A/GDL/CMP/059/03/2017 dated March 20, 2017, has set out code in the form of principles, which insurers need to adopt.

IRDAI vide circular IRDAI/F&A/GDL/CPM/045/02/2020 dated February 07, 2020, has issued Revised Guidelines on Stewardship Code for Insurers in India, which require the insurers to review and update their existing stewardship policy.

1.2 Objective

The Company recognises its stewardship responsibilities and regularly reviews the activities of the Fund Managers. This Policy sets out principles indicated in Revised Guidelines on Stewardship Code for Insurers in India issued by IRDAI and constitutes the Disclosure and Reporting requirements under these rules.

1.3 Applicability

This policy is applicable to Investment Team.

1.4 Review and approval of the policy

The policy shall be reviewed by Investment Mid Office and shall be approved by the Board of Directors at least annually or as and when required.

Any subsequent change / modification to the stewardship policy shall be specifically disclosed at the time of updating the policy document on the website.

2. Policy Requirements

Stewardship Principles: Insurance companies constitute a significant portion of the overall Domestic Institutional Investments and act in capacity of custodian of policyholder's money, to manage these investments well, it is required to regularly monitor and engage with the investee companies so as to improve governance at a greater level. The principles of the Code are set out below:

2.1 Discharge of stewardship responsibilities

Stewardship activities include monitoring and engaging with investee companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration; and so encompasses more than the exercise of votes in investee companies at general meetings. It is also integral to the selection of investments as well as the on-going engagement, monitoring and communication with investee companies.

- Investment team takes responsibility for monitoring and engaging with the companies they invest in, taking into consideration matters such as strategy, risk, capital structure, corporate culture and governance.
- Engagement will include investment team holding meetings with the management of companies in which they actively invest and those which are under consideration as appropriate.
- The investment team shall intervene in those investee companies where investment exceeds 3% of the paid up equity capital the investee company. However, the Investment team can decide to intervene in companies where the investment is below threshold level, depending on the seriousness of the issue.
- The stewardship activities will be overseen by the Audit Committee.

Though core function of investment cannot be outsourced, professional advices to arrive at voting decisions and research reports like Market survey data, Industry wide analysis, Business valuation, etc. may be sought from external agencies. The services of external service providers such as institutional advisors may be used however, the ultimate decisions on voting or action shall be taken by the Investment team.

2.2 Managing Conflicts of Interest

This principle aims at identifying and managing conflicts of interest so as to take all reasonable steps to put the interest of policyholders first. While dealing with the investee company, there can be instances where a potential conflict of interest may be identified between the interests of shareholders & key managerial personnel of the Company and policyholders’ interest.

Possible scenarios:

The given below are some of the scenarios:

- The investee company is a customer of the Company or its group companies or its affiliates.
- The investee company is associated with or rendering of services to the Company.
- Key managerial personnel of the Company may have personal interests that conflict with their responsibility to put the interest of policyholder first.

Procedures to resolve conflicts:

The Company may follow the following illustrative procedures to resolve conflicts:

- Blanket bans on investments.
- Requiring Investment committee members and other personnel involved in implementing the stewardship code to avoid conflict of interest wherever possible. Where a conflict is identified, the matter will be referred to Audit Committee. The conflict will be discussed and a final decision will be made ensuring that the decision serves the interests of policyholder.
- Clear segregation of voting function and client relations / sales function.
- Maintenance of records of minutes of decisions taken to address such conflicts.

2.3 Monitoring the investee companies

This principle aim to monitor investee companies in respect of their performance, leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important.

The Company may have 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).

As part of this monitoring process, Investment team shall:

- Regularly monitor the investee companies by analysing public disclosures, annual reports, quarterly financial performance, etc.

- Hold meetings with the management of companies in which they invest when it is appropriate and useful to do so
- Evaluate investee company's strategy and performance - operational and financial
- Monitor industry of investee companies and possible impact on the investee companies
- Satisfy itself with the quality of the investee company's management, board and leadership; and Corporate governance including remuneration, structure of the Board (including Board diversity and independent directors) and related party transactions
- Assess the investee company's performance, leadership effectiveness, succession planning, corporate governance reporting and other parameters
- Evaluate risks including Environmental, Social and Governance (ESG) risks
- Observe investee company's shareholder rights and their grievances
- Attend the general meetings of investee companies in which it has a holding if it is felt appropriate to do so.

In addition to the above process, investment team shall identify situations which may trigger communication of insider information and the procedures adopted to ensure SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended time to time are complied with in such cases.

2.4 Intervention in the investee companies

The Company may intervene on act/omission/concerns of Investee Company, on case to case basis, to protect the value of investment.

The level of intervention with investee companies' management will varies, depending on a number of factors, including; the size of the investment in the company, the size of the company, its location and its business activities.

The fund manager's decision to intervene is a result of a number of factors, include but not limited to, poor financial performance of the company, corporate governance related practices, remuneration, strategy, Environmental, Social and Governance (ESG) risks, leadership issues and litigations.

Those companies in whom a significant investment is held and in which the fund manager intends to maintain a holding for the long-term are considered high priority engagements, together with those where a reasonable probability is believed that the investee company's management team will enter into constructive dialogue with us.

Communicate - 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. The company may also interact with the companies through the insurance councils in case of any industry level issues.

Discussions - If concerns regarding an investee company's approach or decisions arise, initial discussions would, if appropriate, take place on a confidential basis with a view to resolve the issue constructively and where possible as part of the fund manager's ongoing dialogue.

Escalation - If dissatisfied with the response of the investee company, the Company post discussion with Investment Sub-Committee may escalate the matter to the Board of Directors of the Investee Company, collaborate with other investors and vote against the decisions.

2.5 Collaboration with other institutional investors

The Company may choose to engage with the investee company through consultations with other institutional investors as for the issues that require larger engagement with the investee company.

In circumstances where the Company's approach to engage with management of investee company is not achieving the required level of discussion or success or where policyholders' interests is at risk to a sufficient degree, the Company may act in conjunction with other investors. For such situations, other investors or formal or informal groups, as appropriate, may be consulted.

The decision to collaborate on company specific matters will be judged on a case by case basis and only when we believe collaborative actions would be an effective means by which investors can exercise appropriate influence.

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

2.6 Voting and disclosure of voting activity

The voting is done by exercising own independent judgement, acting in the best interest of policyholders. The Company has the Board approved voting policy in place. Audit Committee will monitor oversight on voting mechanism.

The Company will mandatorily undertake active participation and vote on resolutions /proposals of the investee companies if the holding of the company is 3% and above in the paid up capital of investee company. In other cases, Company may voluntarily participate and vote if such resolutions/proposals are considered significant and may have impact on value of investments of the insurer.

The Company will disclose the voting activities undertaken on the website of the company as a part of Public disclosures on quarterly basis as per the Format given in Annexure A.

The approach to securities lending and borrowing will be same as of equity.

2.7 Periodically Report on the stewardship activities

In addition to the regular fulfilment of their stewardship activities, the Company will disclose all the activities undertaken & responsibilities discharged in regard to implementation of stewardship policy. This information is available on the website as part of public disclosure on quarterly basis.

In case of non-adherence to the policy, the same shall be reported to the Audit Committee and Board of Directors and necessary action may be taken in this regard.

The insurer require to submit 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 June 30, every year.

3. Reporting

Respective department is responsible for reporting as per applicable regulations. The reporting should be as per the format / template prescribed in applicable regulation, if available, else as per the format / template prescribed internally.

4. Record keeping

All documents shall be preserved for a period as specified in the applicable regulations and as per Board approved Record Maintenance and Document Retention Policy.

5. Appendices

5.1 Detailed Version control sheet

Change in version no.	Section no.	Erstwhile section	New/Modified section	Reason for change
1.0	Across complete document	Across complete document	Across complete document	New Document
2.0	Across complete document	Across complete document	Across complete document	Annual Review
3.0	Across complete document	Across complete document	Across complete document	Annual Review and Realignment of policy (Adoption of Single Policy Framework)
4.0	Across complete document	Across complete document	Across complete document	Annual Review and changes in accordance with Revised Guidelines on Stewardship Code issued by IRDAI

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	Chief Executive Officer
(Name and Signature)	(Name and Signature)