

I. Background

Insurance Regulatory Development Authority of India (IRDAI) vide reference no. IRDA/F&A/GDL/CMP/059/03/2017 has issued Guidelines on Stewardship Code for Insurers in India (Guidelines) on 22nd March, 2017. The IRDAI has also issued revised guidelines vide reference no. IRDAI/F&A/GDL/CPM/045/02/2020 dated 7 February, 2020.

II. Objective

- i. IRDAI through these Guidelines has advised insurers to put in place, with the approval of the Board, a policy to discharge stewardship responsibilities with an aim to enhance and protect the value for the ultimate beneficiary or client.
- ii. Acko Life Insurance Limited (ALIL) currently invests in fixed income/debt securities only and therefore the scope of the policy is restricted to the rights as investor in the fixed income instruments. For Equity investments, whenever it is approved by the Board, the Policy shall be made applicable.

III. Key Principles of the Policy

The Guidelines contains the principles that form the basis of all Stewardship Responsibilities. ALIL believes that these Principles are essential to ensure the long-term performance of assets managed by ALIL. In general, ALIL does not have the intention to participate directly or indirectly in the management of the Investee Companies, but it will use its influence as the representative of the shareholders amongst others by exercising its voting rights in accordance with the best interests of its policyholders.

Principles 1 - Publicly disclose its Code on how it will discharge their Stewardship Responsibilities.

- ALIL shall closely monitor the Investee Companies in which it actively invests policyholders' funds. This includes analyzing public disclosures and taking relevant opportunities to meet with management, other executive staff and the non-executive directors as appropriate.
- This helps to keep abreast of the Investee Company's performance, developments that drive shareholder value and to determine when it is appropriate to enter in a dialogue with the management team or its board of directors.
- As part of this monitoring process, ALIL shall focus on Stewardship by:
 - a. Satisfying that the Investee Company's management and governance structures are effective.
 - b. Assessing the Investee Company's strategy, performance, governance or remuneration and the quality of reporting.
- ALIL's Fund Managers shall use both in-house and third-party research to assist in their assessment of an Investee Company and as a source of different perspectives as well as staying close to industry developments and the approach of competitors, shall try always to ensure that they have as broad a view as possible.

- ALIL shall also participate in activities like managing conflicts of interest, training of personnel, intervention in investee companies and collaboration with other institutional investors.

In the event the ALIL uses the services of institutional advisors, the ultimate Stewardship Responsibilities shall be discharged by ALIL.

Principles 2 - Managing Conflicts of Interest.

ALIL shall undertake reasonable steps to avoid actual or potential conflict of interest scenarios / situations and ensure that the same are resolved in the best interests of policyholders.

ALIL may face with a conflict of interest situation, while dealing with the investee companies, which may be in the form of following scenarios:

- a) Investee company is parent company or any group company of ALIL.
- b) Personal interests of key managerial personnel or directors of ALIL, or where the nominee of the company has been appointed as director of investee company and
- c) Investee Company is an entity participating in the distribution of insurance products of ALIL.

The Board of Directors, and Key Managerial Persons shall avoid conflict of interest wherever possible and shall disclose any conflict-of-interest situation, if arises.

To manage conflict of interest, following procedures shall be followed:

- a) A conflict of interest in relation to an investee company shall be highlighted to Investment Committee (IC) and get recorded.
- b) Investment team shall be responsible for voting on resolutions and will be guided by the voting policy for all resolutions. Rationale for voting will be recorded.
- c) ALIL may opt to abstain from voting if ALIL and the investee company are part of the same group, unless ALIL records rationale for voting on such resolutions.
- d) Employees of the investment team shall comply with the Code of Conduct for Prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations.

IC may, if it deems fit, refer any matter to the Audit Committee for managing conflict of interest.

Principles 3 - Monitoring of Investee Companies.

- The Investment Team, as part of its day-to-day activities, shall be responsible for regular monitoring of all investee companies irrespective of the extent of exposure.

- The Investment Team shall monitor the investee companies in respect of their strategy and performance - operational and financial, Industry level monitoring and possible impact on the investee companies, Quality of company management and Board, leadership, Corporate governance including remuneration, structure of the Board (including Board diversity and independent directors) and related party transactions, Risks including Environmental, Social and Governance (ESG) risks., Shareholder rights and their grievances.
- ALIL shall participate through nominations on the Board of the Investee Companies to ensure active involvement and shall indicate in its Stewardship Statement, its willingness to do so and the mechanism by which this could be done.
- The Investment team as part of its monitoring process may use:
 - 1) publicly available information (press releases, quarterly and annual company reports),
 - 2) broker research or other third-party research reports on investee companies and industries and
 - 3) management meetings. The Investment Team may use other sources where access to the management of investee company is limited or ineffective.

Principles 4 - Intervention in Investee Companies.

- The need for intervention in any investee company may trigger from insufficient disclosures, non-compliances to regulations, performance parameters falling short of expectations, financial statements and audit report, poor financial performance of the company, corporate governance related practices, remuneration, strategy, Environmental, Social and Governance (ESG) risks, leadership issues and litigations.
- ALIL may intervene on case to case basis where, it is of the view that its intervention is required to protect value of its investment (which is sufficiently material) and effectively discharge its stewardship responsibilities. In most cases, need for intervention may not arise if proper disclosures are made. However, in cases where the Investment Team is not satisfied with the level of disclosures or not convinced with the explanation offered by the investee company in its communication to shareholders, it shall intervene as per the Policy.
- Decision for intervention shall be made by the IC and/or severity of impact of investee company's action on future growth prospects and value of ALIL's investment.
- Procedure for intervention entails the following steps:
 - a) The Investment Team shall define the major issues for intervention and prepare an intervention memo. The intervention shall start by seeking engagement with the investee company either through telephone or in writing.

- b) Intervention with the investee company shall be done in a confidential manner. Each team member shall be sensitized to the fact that such an intervention may be deemed as price sensitive and any leakage may cause damage to the efforts of ALIL as well as result in regulatory breach.
- c) If the investee company is not accessible, the same will be recorded.
- d) If the response of investee company is dissatisfactory, ALIL may interact with the investee company through the life insurance council in case of any industry level issues and escalate the matter further or decide to divest the holding.
- e) ALIL shall create a system to record such interventions and their outcomes, whether done orally or through written communication.

Principles 5 - Collaboration with Other Institutional Investors.

- Collective engagement shall be required at times of significant corporate or wider economic stress, or when actions of the investee company pose significant risk to shareholders' value or the issue is related to a policy matter which may impact the entire industry. In such cases, collaboration with other institutional investors shall be the most effective manner to engage with the investee company to achieve desired results in a cost-effective and efficient manner.
- In such matters, ALIL shall collaborate with other institutional investors in order to exercise appropriate influence. ALIL may take assistance of the appointed proxy advisory firm for the same.

Principles 6 - Voting and Disclosure of Voting Activity.

- All resolutions shall be considered separately, and decisions to be made in accordance with the Proxy Voting Policy (will be made available on the website of ALIL) in exercise of the independent judgment of ALIL. The decisions shall be aimed at promoting the overall growth of investee companies, thereby enhancing the value for their investors.
- ALIL shall mandatorily undertake voting activity, if holding of the paid-up capital of the investee company is 3% and above. This limit will increase to 5% when the ALIL's AUM cross Rs. 2,50,000 crores.
- The disclosures shall form part of Public Disclosures on the ALIL's website and shall be made as per the prescribed format(Annexure A) and timelines. Audit Committee shall monitor oversight on voting mechanism.

- Stock lending and recalling lent stock, if any, shall be managed as per internal guidelines for the purpose of exercising voting rights where appropriate and in the best interest of policyholders. Since ALIL do not have exposure to equity holding, the internal guidelines shall be formulated as and when it starts investment in equities.

Principles 7 - Reporting of Stewardship and Voting activities

ALIL shall:

- a) host the Stewardship Code on its website and ensure that any modification to the Code is disclosed on the website.
- b) provide a periodic report of the discharge of its Stewardship Responsibilities, as a part of the 'Public Disclosures' on its website, for the benefit of its ultimate beneficiaries i.e. policyholders.
- c) submit Annual Report on the status of compliance to IRDAI in the format prescribed under the Guidelines (Annexure B), on or before June 30th every year, i.e., within 90 days from the end of the financial year-end.

IV. Reporting

The Board shall ensure that there is effective oversight on ALIL's Stewardship activities. The Audit Committee of the Board shall exercise oversight of the same.

V. Compliance

ALIL shall submit an Annual Certificate of Compliance with regard to the status of Stewardship Code principles, approved by the Board, to the Authority, duly certified by the Chief Executive Officer and the Compliance Officer on or before 30th June every year.

VI. Review of the Code

The Audit Committee and the Board shall review this Policy annually or earlier, if required.

Disclosure of voting activities in general meetings of investee companies in which the ALIL have actively participated and voted:

Name of 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
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Place

Signature of Compliance Officer

Date

Name:

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)
