

Model Stewardship Code

Tata AIA Life Insurance Company Ltd (TALIC) has adopted the model Stewardship Code as recommended by IRDA. Stewardship aims to promote the long-term success of investee companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits investee companies, insurers/Insurer/ Asset Managers, investors and enhances the quality of capital markets.

TALIC has adopted this Stewardship Code pursuant to the approval of the Board of Directors and is effective from August 8, 2017.

1. Key Stewardship Responsibilities

Primary Stewardship Responsibilities: The investment team at TALIC is expected to take into consideration, in the investment process, investee companies' policies. It is also expected to take into account the corporate governance practices of investee companies, when undertaking buy and sell decisions. It will enhance policyholder/shareholder/investor value through productive engagement with investee companies. It will vote and engage with investee companies in a manner consistent with the best interests of its policyholders/shareholders/investors. It will also influence the development of corporate governance standards and corporate responsibility.

It will be accountable to policyholders/shareholders/investors within the parameters of professional confidentiality and regulatory regime; and maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

- 1.1. Discharge of Stewardship Responsibilities: The investment team at TALIC will discharge its stewardship responsibilities through voting on shareholders' resolutions, with a view to enhance value creation for the policyholders/shareholders/investors at large and the investee companies and advocating for responsible corporate governance practices, as a driver of value creation. It will also intervene on material environmental, social and governance opportunities or risks in the investee companies.
- 1.2. Responsibility for oversight of the stewardship activities: The investment committee at TALIC will ensure that there is an effective oversight of the stewardship activities. The compliance officer will be designated as the "Stewardship Officer". The Stewardship Officer will be responsible for compliance with this Stewardship Code and shall be under the supervision of the Committee. We propose this oversight at frequent intervals with a minimum requirement of once a year.
- 1.3. Disclosure of Stewardship Code: This Stewardship Code and amendment thereto, will be disclosed on the website of TALIC. Any amendment or modification to this Stewardship Code shall be disclosed on the website.

- 1.4. Disclosure of Stewardship Activities: TALIC will also disclose the requisite compliance and non-compliance with the Stewardship Code and Stewardship Principles, as required by IRDA on an annual basis.

2. Managing conflict of interest

The term “conflict of interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. A conflict of interest exists where the interests or benefits of TALIC (including its investment team or access person(s) and directors) conflict with the interests or benefits of its policyholder/shareholder/investor or the investee company.

- 2.1. Avoid conflict of interest: The employees, officers and directors of TALIC will undertake reasonable steps to avoid actual or potential conflict of interest situations. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, employees, officers and directors shall consult with the Stewardship Officer.
- 2.2. Identifying conflict of interest: While dealing with investee companies, TALIC may be faced with a conflict of interest, inter alia, in the following instances, where:
 - a) TALIC and the investee company are part of same group; or
 - b) the investee company is partner or holds an interest, in the overall business or is a distributor for TALIC;
 - c) a nominee of TALIC has been appointed as a director or a key managerial person of the investee company;
 - d) a director or Access Person(s) of TALIC has a personal interest in the investee company;
 - e) Members of Investment team at TALIC having affiliations/relatives at board/key managerial positions in investee companies may have conflict of interest with the policyholder/shareholder/investors of the investee company.
- 2.3. Manner of managing conflict of interest:
 - a) All instances of conflict of interest, as identified above, would be dealt with special care to ensure that the voting is in the interest of the ultimate policyholder/shareholder/investor of the investee company.
 - b) Rationale for voting on shareholder resolutions shall be recorded in the internal records of TALIC.
 - c) A potential conflict of interest in relation to an investee company shall be reasonably highlighted in the internal compliance system.
 - d) Directors of TALIC will record their outside appointments to Boards of companies with the Stewardship Officer on a quarterly basis.
 - e) Business level conflicts, if any, shall be resolved on a case to case basis by the Stewardship Officer, after factoring the relevant considerations.
 - f) Conflicts identified in accordance with the policy, including potential conflicts must be recorded in the internal records, for the purposes of

reporting to the board of directors of TALIC. Any breach of TALIC's conflicts management framework shall be recorded and reported to the board.

3. Monitoring of Investee Companies

3.1. TALIC shall monitor all investee companies, irrespective of the level of investment in the companies.

3.2. As a policy TALIC will not seek to nominate its representative on the Board of an investee company based on its investments in the investee company, unless such investment is strategic in nature and / or the Investment Committee decides that a nominee is warranted. The Investment Committee, in that case, will recommend nomination of members on the Board of Investee Company, to the Board of TALIC. Once such approval is received, TALIC will take up with the investee company, for nomination of its representative to be inducted as a director on the Board of the investee company. The person so nominated will follow the code of conduct prescribed by TALIC for its nominee directors.

3.3. Manner of Monitoring:

a) The Investment team at TALIC will be responsible for the supervision of the monitoring of the investee companies' business strategy, performance, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance performance, cultural, social and environmental matters.

b) TALIC may use publicly available information, sell side research and industry information and shall engage with the investee companies through investor analyst calls / meetings at least once in a year, to monitor the investee companies. While an effort would be made to ensure at least one interaction (call / meeting) with the management of the investee companies in a year, there might be instances where the management of the company is not accessible or where the investment team believes that there is no incremental information to be obtained from the management. In such cases, monitoring could be through other external sources, on a best effort basis.

3.4. While dealing with the investee company, TALIC shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.

3.5. Identify the responsibilities of the investee companies:

TALIC shall review the investee companies' business strategy, performance, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance, cultural, social and environmental matters.

TALIC encourages investee companies to imbibe good governance practices.

An indicative list of expected responsibilities of the investee companies would include:

- a) having an effective and balanced board with relevant experience, and appropriate skill and diversity;
- b) accepting responsibility for the impact of their activities and endeavours on community and environment and to achieve best practice standards in the management and reduction of such impact;
- c) setting out a clear policy on capital requirements and capital allocation;
- d) adopting internationally recognised labour rights and providing safe and healthy working conditions;
- e) demonstrating a commitment to best practice / standards of business ethics;
- f) having a publicly available whistleblower mechanism that enables stakeholders (including employees, directors, officers, vendors, and shareholders) to raise matters of concern anonymously with an adequate protection mechanism;
- g) having effective procedures in place to ensure that critical issues that may have potential or actual adverse effect on the investee company's financial position, reputation and risk profile, may be escalated to the board's attention in an efficient and timely manner;
- h) adopting principles of full disclosure of relevant and useful information, subject to issues of commercial interests.

4. Active Intervention in the Investee Company

- a) Applicability: TALIC shall intervene in the acts/omissions of an investee company, in which it holds at least 1% (determined based on investment holdings on a trailing quarterly basis) of the share capital of the investee company or an absolute amount of Rs 500 cr, whichever is lower.
- b) TALIC can also intervene if, in its opinion, any act/omission of the investee company is considered material on a case to case basis, including but not limited to insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans/ strategy, CSR and environment, or any other related matters.

4.1. Intervention by TALIC: The decision for intervention shall be decided by the Stewardship Officer based on the following broad parameters:

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

4.2. TALIC's intervention and escalation policy is as follows:

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

In all cases of engagement with the management and / or the Board of Directors of the investee company, all communications and discussions will be conducted in private and confidential manner. The objective of the interactions is to play a constructive role in enhancing the value of the investment in the equity of the investee companies to benefit the policyholders of TALIC.

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

5. Collaboration with other Institutional Investors

- 5.1. TALIC will consider collective engagement with other shareholders / institutional investors / advisors / proxy advisory firms, on a case to case basis, and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. TALIC may approach, or may be approached by, other institutional investors to provide a joint representation to the investee companies to address specific concerns.
- 5.2. TALIC can also, where permitted, collaborate with other shareholders, professional associations such as Life Insurance Council, General Insurance Council of India, Association of Mutual Funds in India, General Insurers' Public Sector Association; regulators such as IRDA, Pension Fund Regulatory and Development Authority, SEBI, and other policy makers to solicit views.

- 5.3. An illustrative list of matters which require collaborative engagement may include appointment or removal of directors, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders, and related party transactions.
- 5.4. TALIC shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting as a 'person acting in concert' with other shareholders.

6. Voting and disclosure of voting activity

- 6.1 TALIC's investment team will exercise the voting rights and vote on all shareholder resolutions of all investee companies, subject to investment threshold limit of **1%** (determined based on investment holdings on a trailing quarterly basis) of the share capital of the investee company or an absolute amount of Rs 500 cr, whichever is lower.
- 6.2 Voting decisions shall be made in accordance with TALIC's voting policy, which is available on the website.
- 6.3 TALIC shall also consider several factors, including recommendations made by proxy advisory firms, while voting. TALIC shall vote against resolutions which,
 - a) are not consistent with TALIC's voting policy, or
 - b) are not in its investors'/shareholders'/clients' best interests.
- 6.4 TALIC will record and disclose specific rationale supporting its voting decision (for, against or abstain) with respect to each vote it has exercised.
- 6.5 TALIC shall disclose all voting activity on an annual basis on its website for the benefit of its policy holders.
- 6.6 TALIC currently has no approval / intention to engage in stock lending. Any modification with regards to this, will be intimated and incorporated as part of modifications to this Stewardship policy.

7. Reporting of Stewardship Activities

- 7.1. TALIC shall issue a report detailing the compliances or non-compliance (with justification of any non-compliance) with the Stewardship Principles and the requirements set out in this Stewardship Code, any intervention undertaken, collaboration undertaken and cumulative voting activity for the last financial year within 30 working days of the ending of the year. The report shall be made public and made available to on TALIC's website.
- 7.2. TALIC will also report its compliance status with the Stewardship Principles in the format issued by the IRDA.