



HDFC Standard Life Insurance Company Limited

Stewardship Policy Ver1.0

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1.0 Introduction

HDFC Standard Life Insurance Company Limited (HDFC Life) as a part of its regular business activities invests in equity securities issued by companies (Investee Company). As a part of this activity, the investment team is expected to monitor and engage with the investee companies on issues like strategy, business performance, corporate governance and other related issues in order that the best interest of the policy holders' are protected. The investment team is also expected to exercise the voting rights attached with these investments that are held as custodians of policyholders' savings. This document sets out the principles and the policies to be followed by the investment function regarding the engagement with the management of the investee companies, voting on resolutions pertaining to the investee companies and disclosures relating thereto.

This policy will be referred to as the 'Stewardship Policy' for HDFC Life.

2.0 Effective Date

This Policy will be effective from the date of its approval by the Board of Directors of the company.

Any material changes in the policy will also be approved by the Board of Directors and will be effective only post the approval of the changes.

3.0 Disclosure

This policy, as amended from time to time, will be disclosed on the website of the company along with other public disclosures. Any change or modification to the policy will also be disclosed at the time of updating the policy on the website.

The company will also file a status report to IRDAI on an annual basis, indicating the compliance with the principles laid down in this policy. Non-compliance, if any, will also need to be reported along with the reasons / justifications for the same.

4.0 Key Principles

- Oversight of Stewardship activities of HDFC Life shall be undertaken by the Investment Committee ('the Committee'), constituted as per the Guidelines issued by IRDAI for Corporate Governance for insurers in India. The Investment Committee shall be responsible for monitoring implementation of the Stewardship Code duly approved by the Board.
- The Investment Committee will set a threshold level beyond which the exposure to the investee company will be deemed to be 'meaningful'. The threshold level will help in determining the level of engagement and intervention with the investee company. The Investment Committee can amend the threshold level based on experience.
- The investment team of HDFC Life will be responsible for ongoing monitoring of the investee companies and will also be responsible for engaging with the managements of the investee companies. The investment team will seek guidance and approvals from the Investment Committee with respect to the engagement and intervention with the investee companies. An appropriate operating framework / guidelines shall be put in place for such monitoring on ongoing basis.
- As a policy HDFC Life 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 HDFC Life. Once such approval is received, HDFC Life 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 HDFC Life for its nominee directors.
- The Committee shall recommend to the Board whether it intends to use the services of any external service providers to support the Investment Committee / Investment team in discharging its stewardship responsibilities. In case the Investment Committee engages an external agency scope of services that it proposes to avail must be specified.

5.0 Managing Conflicts of Interest

HDFC Life is part of a large and diversified financial services group with many affiliates and related companies. The voting for company resolutions may entail some instances of a conflict of interest between the interests of shareholders of HDFC Life and the policyholders' interests. Some of the key instances are as under -

- The investee company is a customer of HDFC Life or its group companies or affiliates

- The investee company is a partner in some aspect of HDFC Life's business
- Any of HDFC Life's group companies or affiliates is a supplier or partner in some aspect of the investee company's business
- Key managerial personnel of HDFC Life may have personal interests that conflict with their responsibility to act in the best interests of the Company. Personal interests include direct interests as well as those of family, friends, or other organizations a person may be involved with. A conflict of interest may be actual, potential or perceived and may be financial or non-financial.

HDFC Life will manage conflicts of interest by requiring Investment Committee members and other personnel involved in implementing the stewardship code to:

- Avoid conflicts of interest where possible
- Identify and disclose any conflicts of interest
- Carefully manage any conflicts of interest, and
- Follow this policy and respond to any breaches.

Once the conflict of interest has been appropriately disclosed, the Investment Committee (excluding the member disclosing conflict of interest) will take the required decisions.

As a rule, in all cases of conflicts of interests the voting decisions of HDFC Life will be based on the best interests of the policyholders.

6.0 Monitoring of Investee Companies

- Investment team will be responsible for monitoring all the companies in which HDFC Life invests in. There will be no threshold limit applicable for monitoring purposes.
- The monitoring will use publicly available information, management meetings, sell side research and industry information to monitor these companies. While endeavor would be to ensure at least one meeting with the investee company in a year, there can be investee companies where the management is not accessible or not accessible at appropriate levels or cases where the investment team believes that there is no incremental information which is being provided by the management. In such cases, it is possible that the monitoring is through other sources.
- Monitoring will include but need not be restricted to strategy and business outlook, financial performance, management evaluation and corporate governance issues, capital structure and key risk areas. Monitoring on areas like succession planning, remuneration, environmental issues will be on a best effort basis.

7.0 Active intervention in the Investee companies

Concerns may arise with respect to the investee companies from time to time mainly on account of insufficient disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans/ strategy, CSR and environment and society related matters.

HDFC Life may intervene on case-by-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility.

Decision for intervention will be decided by Investment Team based on the following broad parameters -

- The investment in the company should be above the threshold level defined by the Investment Committee. However, the Investment Committee can decide to intervene in companies where the investment is below threshold level, depending on the seriousness of the issue.
- In case the investment is already earmarked for divestment or post planned divestment holding will be below threshold level, intervention may not be considered, unless there are other factors which warrants intervention.
- Seriousness of the issue at hand and if the matter has potential to vitiate overall corporate governance atmosphere. Such intervention will be in cases where one potentially harmful practice is being adopted by other corporates.

Step 1:Interaction

In such instances, HDFC Life as an active shareholder will seek to engage with the company's management to discuss the concerns and apprehensions and actions to mitigate the concerns. The interactions must be held with the company personnel authorised and empowered to act on the areas of concerns.

Step 2:Reiteration

If there is no response from the management or there is any lack of follow-up action as promised despite the passage of a reasonable period of time, HDFC Life may re-engage with the management to reiterate the conclusions or the plans of action decided at the prior meetings. A time bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon.

Step 3:Escalation

In case there is no progress despite the first two steps, the matter will be discussed at the Investment Committee of HDFC Life for further escalation to the Board of Directors of the investee company. If the Investment Committee decides to escalate, the communication to the Board of the investee company should elaborate on the concerns, the past requests for

engagement with the management of the company, the past discussions and the agreed course of actions.

Step 4: Reporting to regulators/authorities

Only in exceptional cases, where the concerns relate to matters of public interest or public laws, if there is no response or no action taken by the investee company despite the escalations as mentioned earlier, The Investment Committee may decide to report to the relevant regulator, authority or any Government body as may be required.

In all cases of engagement with the management and / or the Board of Directors of the investee company, all communications and discussions are to 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 HDFC Life.

8.0 Collaboration with other Institutional Investors

- In select cases, the nature of the engagement with the investee company management or the issues involved in resolutions that need to be voted upon by shareholders, may have an impact on all institutional shareholders of the investee company.
- In some cases, collaboration with other investors may be the most effective manner to engage with the investee companies. Collaborative approach is not only cost effective, it is efficient and potent as well and is likely to deliver the desired results.
- Collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value.

HDFC Life may choose to engage with the investee company through consultations with the other institutional investors, with those whose interests are aligned with HDFC Life, in order to have a wider group of investors representing a larger proportion of shareholders to engage with the company. HDFC Life may also choose to involve industry associations or forums to engage with the investee company, if appropriate.

It is only when we believe collaborative action would be an effective means by which investors can exercise appropriate influence, we will willingly initiate action or support other investors' actions.

In taking collaborative action we would be cognizant of legal and regulatory requirements, including on market abuse, insider dealing and concerted party regulations

9.0 Voting and disclosure of voting activity

Reference may be made to the Voting policy approved by the Investment Committee of the Board of HDFC Life. This policy lays down the rules related to voting on the issues related to the investee companies.

10.0 Disclosures

At a quarterly frequency, HDFC Life will disclose all the activities undertaken by the investment team, as mandated by the Investment Committee, in regard to implementing this stewardship policy and discharging its responsibilities, on its website, as part of public disclosures. The disclosures will also include the votes cast by HDFC Life at all the resolutions put forth by the investee companies for shareholders' approval.

11.0 Operating framework for details

The Investment team shall put in place necessary operating framework / manual for detailing on how actions / decisions will be taken in respect of various activities mentioned above.