



Stewardship Policy

Owned by: Investment Front Office

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1. Introduction

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, investors and enhances the quality of capital markets.

Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited ('Company') as a part of its regular business activities invests policyholder monies in equity securities issued by companies ('Investee Company'). As a part of this activity, the investment team will 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' and the Company are protected.

The Investment team will exercise the voting rights attached with investments that are held as custodians of policyholders' monies. This policy document sets out the principles to be followed by the Investment team 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' of the Company.

This Policy will be effective from the date of its approval by the Board of Directors of the Company. Any changes in the policy will also be approved by the Board of Directors and will be effective only post the approval of such changes.

This Stewardship Policy and any amendment thereto, shall be disclosed on the website of the Company. The company will also file a status report to IRDAI on an annual basis, indicating compliance with the principles laid down in this policy. Non-compliance, if any, will also be reported along with the reasons / justifications for the same.

2. Key Principles

Oversight of stewardship activities of the Company shall be undertaken by the Investment Committee ('the Committee'), as per the Guidelines issued by IRDAI. The Committee shall be responsible for monitoring implementation of the Stewardship Policy duly approved by the Board.

- The Committee will set a threshold level beyond which the exposure to the Investee Company will be deemed to be 'material'. The threshold level will help in determining the level of engagement and intervention with the Investee Company. The Committee can amend the threshold level based on experience.

- The Investment team 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 Committee with respect to intervention with the Investee Companies (if required) as per point 5 of this policy. An appropriate operating framework / guidelines shall be put in place for such monitoring on an ongoing basis.

- As a policy the Company 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 board of the Company decides that a nominee is warranted. The Committee, in that case, will recommend nomination of members on the Board of Investee Company, to the Board of the Company. Once such approval is received, the Company 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 the Company.

- The Company may use the services of external service providers such as institutional advisors. The scope of such services will purely be on advisory basis. However the ultimate responsibility of discharging stewardship responsibilities will remain with the Company.

3. Managing Conflicts of Interest

Canara HSBC Oriental Bank of Commerce Life Insurance Company is part of large and diversified financial services groups with many related companies. The voting for company resolutions may entail some instances of a conflict of interest between the interests of shareholders of the Company and the policyholders' interests.

Some of the key instances are as under -

- The Investee Company is a customer of the Company or its group companies or affiliates
- The Investee Company is a partner in some aspect of the Company's business
- Any of the Company's group companies or affiliates is a supplier or partner in some aspect of the Investee Company's business
- Employees of the Company involved in decision making responsibilities under this policy may have personal interests in the Investee Company that conflict with their responsibility to act in the best interests of the policyholders. 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 nonfinancial. All such employees will follow the Company's conflict of interest policy at all times.

The Company will manage conflicts of interest by requiring 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 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 the Company will be based on the best interests of the policyholders.

4. Monitoring of Investee Companies

Investment team will be responsible for monitoring all the companies the Company invests in.

The monitoring will be based on publicly available information, management meetings, sell side research and industry information. While endeavor would be to ensure at least one meeting with an 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 in areas like succession planning, remuneration, environmental issues will be on a best effort basis.

5. Active Intervention in the Investee Company

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, corporate social responsibility, environment and social matters.

The Company may intervene on a case-by-case basis if it feels that its intervention is required to protect value of its investment and for discharging its stewardship responsibility. Decision for intervention will be decided by the Committee based on the following broad parameters -

- The investment in the company should be above the threshold level defined by the Committee. However, the 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 (such as corporate governance, compliance issues etc.) which warrant 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.

The company will implement following set of broad steps for intervention, however depending on seriousness of the issue some of these can be expedited to timely protect policyholders.

Step 1: Interaction

In such instances, the Company 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 authorized 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, the Company 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 Committee for further escalation to the Board of Directors of the Investee Company. If the 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 an Investee Company despite the escalations as mentioned earlier, the Committee basis recommendation of Investment Team 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 an 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 the Company.

In case the Company's intervention is not successful (either fully or partially), it will not automatically result in the Company being required to exit its investment in the Investee Company. The investment team will take a decision based on then existing environment and expectations.

6. Collaboration with other Institutional Investors

- In select cases, the nature of the engagement with an Investee Company's 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 also efficient and potent and more 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 of investments.

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

It is only when Company will have reasons to believe that collaborative action would be an effective means by which investors can exercise appropriate influence, Company will willingly initiate action or support other investors' actions. In taking collaborative action the Company would be cognizant of legal and regulatory requirements, including on market abuse, insider dealing and concerted party regulations

7. Voting and disclosure of voting activity

7.1 Guiding Principles for voting

Every Shareholder (entitlement may differ for holding in DVR: differential voting rights shares) of the Company is entitled to attend and vote at a meeting by show of hand or/and by Poll or/and through online voting mechanism or/and postal ballot. The Investment team shall review all voting proposals routine as well as non routine items and shall ensure that non routine items like change in registered office from one state to another, merger and other corporate restructuring, changes in capital structure, stock options, appointment and removal of directors, etc. are examined in greater detail.

The Investment team may decide to vote (for or against), or to abstain from voting on proposals of the Investee Companies taking into account the possible implications of the voting or abstention and decisions shall be taken in the best interest of policy holders of the Company. Any conflicts of interest will be managed as per the requirements laid down in the Stewardship Policy.

7.2 Key Proposals for voting and Guiding Principles

In general the matters coming up for voting by shareholders of Investee Companies are on the following points:

a) Corporate Governance matters (including changes in the state of registered office, merger, acquisition, other corporate restructuring and anti-takeover proposals)

Principle: All proposals will be reviewed to verify if they are value accretive to the shareholders of an Investee Company and in the best interests of the policyholders of the Company.

b) Changes in Capital Structure

Principle: The proposals for approval to alter the capital structure of the Investee Company, such as introduction of a new class of share, change in face value etc. will generally be supported. However, each proposal shall be evaluated on a case-to-case basis, to determine whether the proposed changes are in the best interest of the shareholders of an Investee Company and the policyholders of the Company.

c) Compensation and Benefits (including proposals on stock options to Directors and Executives)

Principle: The Company will support such resolution that incentivizes the Investee Company management towards long-term shareholder value creation.

d) Social and Corporate Social Responsibilities

Principle: The Company will support measures that have a positive impact on the economy, society and the environment.

e) Board of Directors

Principle: The Company will support the Investee Company in following good corporate governance norms. A largely independent Board with members having the expertise and qualifications will be supported.

f) Other issues

i. Appointment and remuneration of Auditors

ii. Any other issues that may affect the interests as an Investee Company shareholders.

Principle: Auditors' independence, role, proposals relating to non audit relationship, non audit fees and rotation to be considered while voting for auditors.

7.3 Approvals

The Board of Directors of the Company will review if any changes to the Stewardship Policy are required. The Committee will have an oversight over the voting decisions of the company.

8. Reporting of Stewardship Activities

At a quarterly frequency, the Company will disclose all the activities undertaken by the investment team, as mandated by the Committee, in regard to implementing the Stewardship Policy and discharging its responsibilities, on its website, as part of public disclosures. The disclosures will also include information on voting by the Company at all the resolutions put forth by the Investee Companies for shareholders' approval.

9. 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.