



Edelweiss Tokio Life Insurance Company Limited

STEWARDSHIP CODE AND VOTING RIGHTS POLICY

(Date of approval by the Board of Directors: June 23, 2020)

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Objective of the Stewardship Code

This Code is created in accordance with the Guidelines on Stewardship Code for Insurers in India (**'Guidelines'**) issued by Insurance Regulatory and Development Authority of India (**'the Authority' / 'IRDAI'**) vide circular ref. IRDA/F&A/GDL/CMP/059/03/2017 dated 20 March 2017 and was further revised on 7 February 2020 vide circular ref. IRDAI/F&A/GDLiCPM I Msl 0212020

From the stance of a long-term perspective, Edelweiss Tokio Life Insurance Company Limited (**'the Insurer'**) recognises that securing and enhancing investment profits while controlling risk is essential to fulfill its obligation to its policyholders. Therefore, the Insurer's fundamental concept for investment is to yield stable returns over the long-term keeping in view market realities and Investee Company's corporate value.

The Insurer has a fiduciary responsibility to act in the best interest of the policyholders and Insurance Funds (**'the Funds'**). This responsibility should not only be limited to making an assessment of the Investee Company at the time of making investment. Such responsibility should even include ongoing monitoring and engaging with Investee Companies on matters such as strategy, performance, risk, capital structure, corporate governance including culture, exercising voting rights towards the securities in which the Funds have invested. This can be achieved by regular interaction with the Investee Company, participating in investor calls, exercising voting rights at the general meetings of the Investee Companies or through postal ballots.

This Code aims to stipulate matters concerning the efforts of the Insurer to fulfill its Stewardship Responsibilities in line with the Stewardship Principles and to act appropriately as a responsible institutional investor. The Insurer believes that effective

stewardship benefits investee companies, insurers, insurer, asset managers, investors and enhances the quality of capital markets.

The Code contains the Principles that form the basis of Stewardship Responsibilities. These Principles are essential to ensure the long-term performance of Investments managed by the Insurer. The Insurer will execute its Stewardship Responsibilities with the same level of care and skill as it manages the Funds. In general, the Insurer 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.

The Code includes the following Principles:

1. Publicly disclose its Code on how it will discharge its Stewardship Responsibilities
2. Have a robust policy on managing conflicts of interest in relation to stewardship, and this policy should be publicly disclosed
3. Monitor its Investee Companies
4. Clear guidelines on intervention in its Investee companies
5. Collaboration with other institutional investors, where required, to preserve the interests of the policyholders
6. Have a clear policy on voting and disclosure of voting activity; and
7. Report periodically on Stewardship and voting activities.

The Code sets out the following Principles:

Principle 1 - Stewardship Responsibilities

Active monitoring of Investee Companies is an integral part of the Investing approach and strategy of the Insurer. The Investment Team shall monitor the Investee Companies. The Insurer manages various asset classes and has various investment capabilities. As sustainability is an important part of the investment philosophy of the Insurer, environmental, social and corporate governance factors are taken into account while managing the Investment Portfolio. On a periodic basis, portfolio managers select investments for which engagement may improve the investment case or can mitigate investment risk based related to governance and/or sustainability issues.

The Insurer shall closely monitor the Investee Companies in which it actively invests the Funds. This includes analysing public disclosures and taking relevant opportunities to meet with management, other executive staff and also the non-executive directors as appropriate. The insurer shall also participate in the activities like managing conflicts of interest, training of personnel, intervention in investee companies and collaboration with other institutional investors. 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 into a dialogue with the management team or its board of directors. As part of this monitoring process as may be deemed appropriate in a given situation, the Insurer shall make best effort to achieve Stewardship by engaging with the Investee Company:

- a. To reasonably satisfy the Investee Company's management and governance structures are effective;

- b. Assessing the Investee Company's strategy, performance, governance and the quality of reporting.

The Insurer's Fund Managers 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.

General matters that could come up for voting, either at the general meetings of the Investee Company/(ies) or through postal ballots include the following:

- a. Corporate Governance matters including changes in the state of incorporation, merger/acquisition, and other corporate restructuring and anti-takeover provisions.
- b. Changes to capital structure, including increases and decreases of capital and preferred stock issuances, buy back, dividend etc.
- c. Appointment, remuneration, retirement and removal of Directors.
- d. Stock option plans and other management compensation issues.
- e. Changes to the Memorandum and Article of Association of the Investee Company.
- f. Social and Corporate Responsibility issues.
- g. Appointment and remuneration of Statutory Auditors.
- h. Transactions with Related Party(ies).
- i. Other Corporate Governance matters; and
- j. Other issues affecting the interest of the Shareholders.

The Insurer may use the services of institutional advisors; however the ultimate Stewardship Responsibilities shall be discharged by the Insurer.

Principle 2 - Conflicts of interest

The Insurer is an affiliate of a large, diverse financial services organisation with many companies, which may lead to situations creating conflicts of interest. Conflicts of interest may arise in certain situations which can have significant exposure, such as:

- a. The Investee Company is an associate of the Insurer.
- b. The Investee Company is an institutional client of the Insurer.
- c. The Insurer is a lender to the Investee Company.
- d. The Investee Company is a partner or holds an interest, in the overall business or is a distributor for the Insurer.
- e. A nominee of the Insurer has been appointed as a director or a key managerial person of the Investee Company.
- f. The Insurer and the Investee Company are part of same group (fellow subsidiary).
- g. A director or a key managerial person of the Insurer has a personal interest in the Investee Company.

The Investment and Audit Committees of the Board of Directors will periodically monitor all investments, identify all possible scenarios of likely Conflicts of interest, address corrective measures and how the matters will be handled when the interest of clients, policyholders or beneficiaries diverge from each other.

The Insurer will make its best efforts to avoid such conflicts and ensure that any conflicts of interest are resolved in the best interests of its policyholders.

Procedure for handling Conflicts of Interest: In order to manage/avoid the above conflicts of interest, the Insurer could undertake the following steps:

- a. Blanket bans on investments
- b. Reference to Audit Committee for their consideration
- c. Segregation of Voting function and Client Relations function
- d. Client relations/sales functions should not be involved in voting decision making function.
- e. Mandated recusal from decision making by persons having actual/potential conflicts of interest
- f. Recording of rationale behind a new investment decision/each shareholder resolution. The Insurer may consider abstaining from voting when the Insurer and the Investee Company are part of the same group, unless the Insurer records rationale for voting on such resolutions.
- g. Maintenance of Minutes on decision taken to address Conflicts of interest
- h. Insurer's investment team to comply with the Code for Prevention of Insider Trading of the Insurer.

In cases where investments are in group companies of the Insurer or where the Investee Companies has substantial investments in the Insurer's Funds, the Insurer shall specifically review all voting proposals, routine as well as non-routine, and take decisions with respect to voting on such proposals in the best interest of the policyholders. The Insurer may also decide to abstain from such voting, if it deems fit to do so, in the best interest of the Policyholders or if there is a conflict of interest.

The Insurer will vote in the exclusive interest of the policyholders, without taking into consideration the interest of the businesses of its promoter group companies. The strict separation of the Insurers' investment management activities from other activities within its promoter group companies prevents access of the Insurer to insider and unpublished price sensitive information for which use and/or disclosure of such information could generate conflicts of interest.

The Insurer supports resolutions that promote the functioning of the Investee Company's Board in the best interests of their shareholders, resolutions that change the state of incorporation, merger etc. which are in the shareholders' value. Issues, including those business issues specific to the Investee Company or those raised by shareholders of the Investee Company would be addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value. The Insurer reserves the right to vote against any resolution that goes against the interest of its Policyholders and Shareholders. The Insurer in such other matters may decide to abstain from voting if it has insufficient information or there is conflict of interest or the Insurer does not have a clear stance on the proposal.

The decision regarding voting for a particular resolution, i.e. whether the Insurer will vote for/against or abstain, will be taken by the Equity Fund Manager/s, in consultation with the CIO-Equity / Debt. The Fund Manager may also seek the analysis and recommendations of a research firm or other competent authority or individual to aid

such decision(s).

Principle 3 - Monitoring of Investee Companies

The Insurer should endeavor to engage with the boards and management of investee companies with the objective of maximising long-term shareholder value and monitors this as part of their ongoing oversight of the Investee Company's investment activity. Due to the constantly evolving nature of Investee Company's practices and other circumstances, it is important to note that it may not be possible to identify or address pre-emptively all material or potential risks, although best endeavors will be exercised. The Insurer's investment team monitors risk across their assigned sectors leveraging data and research from various sources, as well as a database that tracks data on year over year engagements. These tools enable the Insurer to identify outliers pertaining to its key areas of focus including remuneration, independent and effective boards, environmental and operational risks and shareholder rights.

Guiding principles on monitoring of Investee Companies:

- a. Level of monitoring: Insurer shall ensure a higher level of monitoring where the Insurer's exposure is high as a % of Insurer's AUM vis-à-vis monitoring companies with insignificant % of AUM
- b. Areas of monitoring Investee Companies shall include inter alia the following:
 - i. Company strategy and performance - operational and financial.
 - ii. Industry level monitoring and possible impact on the investee companies.
 - iii. Quality of Leadership, Company Management and Board.
 - iv. Corporate Governance including remuneration, structure of the Board (including Board diversity and independent directors) and related party transactions
 - v. Shareholder rights and their grievances
 - vi. Corporate Governance and Related Party Transactions
 - vii. Environmental, Social and Governance risks

The Insurer may 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.

Although not common, through its engagement with portfolio companies, the Insurer personnel may come across confidential information about the Investee Company that is not otherwise generally available to the public. The Insurer's personnel are subject to the Code for Prevention of Insider Trading in Securities of Edelweiss Financial Services Limited and Other Securities which are designed to prevent the misuse of such confidential information. Failure by the Insurer's personnel to comply with the abovementioned Code for Prevention of Insider Trading may result in sanctions that may include, without limitation, ban on personal trading, disgorgement of trading profits and personnel action, including termination of employment, where appropriate.

Principle 4 - Intervention in Investee Companies

As set out above, the level of contact the Fund Managers have with the Investee Companies' management varies, depending on a number of factors, including: the size of the investment

in the Investee Company, the size of the Investee Company, its location and its business activities. Fund Managers seek to understand the strategy, governance and overall operational and financial performance of the Investee Companies and their outlook for the future. The Insurer engages with Investee Companies through meetings and attendance at Investee Company meetings as well as telephone and electronic methods.

Occasionally, however, Fund Managers may conclude that a series of events or decisions on the part of an Investee Company's management or board, including those on broad corporate governance, leadership, (poor) financial performance of the Investee Company, corporate governance issues and practices, capital structure (pre-emption rights, share issuance and buybacks and general capital raisings), merger and acquisition activities, accounting and audit, operating and financial performance remuneration, litigations, stewardship, Environmental, Social and Governance risks have raised concerns significant enough to reduce the attractiveness of that investment. If concerns regarding an Investee Company's approach or decisions arise, initial discussions would, if appropriate, take place on a confidential basis and where possible as part of the fund manager's ongoing dialogue. The Insurer seeks to intervene as soon as practicable to avoid problems arising or becoming entrenched.

The concerns that the Fund Managers may raise from time to time are across a range of subjects that are integral to the long term value of Investee Companies, including strategy, issues relating to their board (including leadership, effectiveness, composition, succession planning and re-election), capital structure (pre-emption rights, share issuance and buybacks and general capital raisings), merger and acquisition activities, accounting and audit, operating and financial performance, risk management and broad governance issues. The Insurer's engagement is integral to its investment processes as it firmly believes that this is an important way to preserve value for policyholders.

Where Fund Managers' concerns have not been managed through the usual channels of communication, then the Fund Manager may seek to escalate the concerns. Mechanisms for intervention in Investee Companies could be by way of the following:

- i. Meeting the management for constructive resolution of the issue and in case of escalation thereof, members of the Board of the Investee Company and providing comments in an increasingly formal way.
- ii. Collaboration with other investors and voting against decisions
- iii. Interaction with other insurance companies through Insurance Council on industry-level

However, if a board of the Investee Company does not respond constructively and the Insurer has concerns about the Investee Company's strategy, performance, governance, remuneration or approach to risks, then the Insurer would consider how most appropriately to escalate its action, for example by:

- a. Expressing concerns through the Investee Company's advisers or to the Investee Company; or
- b. Indicating to the Investee Company's management that it is the Insurer's intention to vote against management; or
- c. Voting against management in a general meeting or by proxy.

In exceptional circumstances, the Insurer might be prepared to consider escalating matters still further, for example by:

- a. Making a public statement in advance of general meetings
- b. Submitting resolutions and speaking at general meetings
- c. Requisitioning, in some cases a proposal to change board membership.

The Fund Manager's decision to engage is a result of a number of factors. Those Investee Companies in whom the Insurer holds a significant investment and in which the Fund Manager intends to maintain a holding for the long-term are considered high priority engagements, together with those where the Insurer believes there is a reasonable probability that the Investee Company's management team will enter into constructive dialogue with the Insurer.

The Insurer will engage with other shareholders, either at its own or their instigation, to discuss any matters regarding an Investee Company. This may involve contact with the Investee Company and/or its advisers with the aim of obtaining information, influencing decisions or resolving issues.

Principle 5 - Collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors)

In circumstances where the Insurer's approach to engaging the management of Investee Company is not achieving the required level of discussion or success, or when shareholder value is at risk to a sufficient degree, the Insurer has no objection, in principle, to collective action with other investors. The Insurer may consult with other investors or with other formal or informal groups as appropriate. The decision to collaborate on Investee Company specific matters will be judged on a case by case basis by the Fund Manager with input from the Chief Investment Officer – Equity / Debt. The list below contains examples of the sorts of issues on which the Insurer might consider engaging collectively where other escalation routes have failed:

- a. Concerns over decisions relating to M&A activity or capital raising
- b. Issues with Investee Company leadership or board structure
- c. Concerns over strategy
- d. Concerns over capital structure
- e. Concerns over operating performance; or
- f. Where there is difficulty accessing information about, or gaining direct access to, Investee Companies.

This does not represent an exhaustive list but a broad framework.

Principle 6 - Voting and Disclosure of Voting Activity

Philosophy of Voting Policy

'Voting Right' means the right of a shareholder to vote on matters of corporate policy and other resolutions in the Investee Company. The Insurer will undertake appropriate exercise of voting rights in accordance with its in-house rules. The exercise of voting rights will require

regular monitoring of financial performance, corporate governance matters, industry performance and subsequent consideration of the potential impact of a vote on the value of the securities of the Investee Company. In order to discharge its obligations under this Code, the Insurer will access and utilise research on management performance and corporate governance issues of the Investee Company(ies), drawn either from its in-house Fund Management team or from independent consultant/firm amongst others.

The Insurer is entitled to exercise the voting rights attached to the shares of the Investee Company. The shareholders do not necessarily need to be physically present at the site of the Investee Company's annual general meeting/extra-ordinary general meeting in order to exercise their right to vote. It is common for shareholders to voice their vote through an E-Voting system provided by entities such as Custodian (NSDL, CDSL, Karvy) or by appointing a proxy.

The Insurer is permitted to engage in securities lending activity. Securities lent may be recalled for voting purposes. In connection herewith, the Insurer will exercise adequate safeguards to address any conflicts of interest with regard to any individual investments made by the schemes of the Funds. This may imply that the Insurer may decide to refrain from exercising its voting rights if considered appropriate.

The Insurer shall mandatorily undertake active participation and voting on resolutions/proposals of the Investee Companies under the following circumstances:

- a. Where the insurer's AUM is upto Rs.2,50,000 crores and its holding in the Investee Company exceeds 3% of the paid-up capital of the Investee Company
- b. Where the Insurer's AUM exceeds Rs.2,50,000 crores and its holding in the Investee Company exceeds 5% of the paid-up capital of the Investee Company
- c. In other scenarios, insurers may voluntarily participate and vote if such resolutions/proposals are considered significant and may have an impact on the value of investments of the insurer.

The decision regarding voting for a particular resolution, i.e. whether the Insurer will vote for/against or abstain, will be taken by the Equity Fund Manager/s, in consultation with the CIO-Equity / Debt. The Fund Manager may also seek the analysis and recommendations of a research firm or other competent authority or individual to aid such decision(s).

Voting decisions can be based on professional advice for arriving at voting decisions and research reports like market survey data, industry-wide analysis, business valuation, etc. from external agencies

Voting Rights Procedure:

The decision of the Investment Team on voting for resolutions to be passed at general meetings or through postal ballot of the Investee Company shall be executed by the Insurer by casting votes through the e-voting facility provided by the Custodian. However, in case the e-voting facility is not offered by any Investee Company or the Insurer is not in a position to cast its vote through e-voting, any of the following personnel/representatives of the Insurer or an externally authorised agency would be delegated the responsibility for exercising the physical voting rights by the Managing Director or Chief Executive Officer (CEO) or Chief Investment Officer – Equity / Debt, if any:

- a. Representative of Edelweiss Tokio Life
- b. Representative of an externally authorised agency such as the Custodian.

The Audit Committee of the Board of the Insurer shall ensure monitoring of the voting decisions of the Insurer. A report on votes exercised by the Insurer and the rationale recorded for each voting decision will be placed before the Investment and Audit Committees of the Board of Directors of the Insurer from time to time to review that the Insurer has voted on important decisions that may affect the interest of investors and the rationale recorded for vote decision is prudent and adequate.

Although the Insurer will generally vote in accordance with the Voting Rights Procedure, there may be circumstances where the Insurer may believe it is in its best interests to vote differently than in the manner contemplated herein. Hence, the Insurer may deviate from the Voting Rights Procedure where it determines that the deviation is necessary to protect the interests of policyholders. All instances of deviation would be approved by any one of the following viz. MD, CEO or CIO – Equity / Debt of the Insurer and placed before the Investment Committee at its ensuing meeting.

The ultimate decision on the manner in which the Insurers’ representatives / proxies will vote rests with the Insurer.

The Insurer shall make quarterly disclosure (as per the timelines prescribed for quarterly public disclosures on website) regarding its voting activity in the Investee Company/(ies) in which it has actively participated and voted on resolutions/proposals. This Disclosure shall form part of the ‘Public Disclosures’ on the website of the Insurer in the prescribed format.

Principle 7 – Reporting, Disclosures and Review

Disclosures:

The Insurer will:

- a. host the Stewardship Code on its website and ensure that any updation/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 (policyholders)
- c. publish on a quarterly basis on its website of its participation and voting along with the ‘Public Disclosures’ in the prescribed format.

Reporting

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

Compliance

The Insurer 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.

Review of the Code

The Audit Committee and the Board will review this Code annually or earlier if required.
