



# AVIVA

**AVIVA LIFE INSURANCE COMPANY INDIA LIMITED**

**STEWARDSHIP & VOTING POLICY**

**Owner: CIO**

## Version Control

Ver. No	Approval date	Approved by
1	12-Aug-17	Board of Directors
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6	10-May-24	Board of Directors
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**“This Policy is as per applicable extant regulations/laws.”**

## **1 Introduction**

Aviva Life Insurance Company India Limited (Aviva Life) as a part of its investment activities (Policyholders as well as Shareholders Fund) invests in equity/preference shares and various debt instruments issued by companies (Investee Company). Aviva Life has a fiduciary responsibility to its Policyholders and shareholders wherein Aviva Life is expected to exercise due diligence and fairness in both evaluation of the investment in investee company as to the return generating potential as well as business strategy, business performance, corporate governance, capital allocation, distribution of profits etc. Accordingly, as an institutional investor, Aviva Life's investment team is expected to monitor and engage with the investee companies on the above key issues in order to ensure that the best interests of the underlying investors (policyholders and shareholders) are protected. The investment team is also expected to exercise their diligence on the key business decisions where the shareholders' approval is sought by the operating management of these investee companies. The approvals are typically required through voting on the resolutions being circulated at Annual General Meetings (AGM) and Extra-ordinary General Meetings (EGM) of Investee Companies. These voting rights have to be exercised in our role as the custodians of policyholders' investments. This document sets out the principles and the policies to be followed by the investment function while engaging 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 Aviva Life. The policy contains the principles that form the basis of Stewardship responsibilities of Aviva Life. The Stewardship Code of Aviva Life is a part of its broader Corporate Governance policy and includes the following principles:

1. Formulate & publicly disclose policy on "Discharge of Stewardship Responsibilities";
2. Formulate & publicly disclose policy on "Managing Conflicts of Interest"
3. Monitor investee companies;
4. Policy on intervention in their Investee companies;
5. Formulate & disclose policy on collaboration with other institutional investors, where required, to preserve the interests of the policyholders
6. Policy on voting and disclosure of voting activity; and
7. Report periodically on Stewardship activities.

## **2 Authority, ownership & effective date**

The Board of directors of Aviva Life shall approve this policy. The policy will be reviewed annually and any changes in the policy will also be approved by the Board of Directors and will be effective only post the approval of the changes. This Policy will be effective from the date of its approval by the Board of Directors of Aviva Life. The Board shall ensure that there is effective oversight on the insurer's stewardship activities and the Audit Committee of the Board shall exercise the same.

## **3 Disclosure**

This policy, as amended from time to time will be disclosed on the website of the Aviva Life. Aviva Life will also file a report to IRDAI on an annual basis, duly certified by the CEO and the Compliance Officer, as prescribed by IRDAI.

## **4 The stewardship code**

### **4.1 Discharge of stewardship responsibilities**

The Board of Directors will designate the Investment Committee as the responsible body for monitoring implementation of the Stewardship policy. The Investment Committee will specify in the voting policy a threshold level at which the risk levels and the associated monitoring activities get prescribed. The Investment Committee will review and amend the threshold level based on experience. The investment team will be responsible for routine 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 approval from the Voting Committee with respect to the engagement with and intervention in the investee companies. On escalated matters, the Voting committee will seek guidance from the Investment Committee. An appropriate operating framework / guideline shall be put in place for such monitoring on an ongoing basis. Aviva Life may engage the services of any external service providers (Institutional advisors) to support the Investment Committee / Investment team in discharging its stewardship responsibilities. In case the services of an external agency is engaged, scope of services must be clearly laid down. Active monitoring of Investee Companies is an integral part of the Investing. As part of this monitoring process as may be deemed appropriate in a given situation, Aviva Life shall make best effort to achieve Stewardship by engaging with the Investee Company: Aviva Life's investment team may 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. While use of such external and third-party services would aid the decision-making process, the ultimate responsibility of discharging the stewardship policy shall remain with Aviva life

#### **4.2 Managing Conflicts of Interest**

The voting on investee company resolutions may at times create a conflict of interest between the interests of shareholders of Aviva Life and the interests of Aviva Life's policyholders. Some of the key instances are as under –

- The investee company is a customer of Aviva Life or its promoters
- The investee company is a business partner (distributor, vendor etc) to Aviva Life or its promoters
- Key managerial personnel of Aviva Life may have— personal interests 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, affiliates entities 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.

Aviva Life will manage conflicts of interest by requiring members of the Voting / Investment Committee / Board of Directors and other personnel involved in implementing the stewardship code to:

- The legal/secretarial function will interface with the KMPs to Identify and disclose any conflicts of interest to the Audit Committee,
- Avoid conflicts of interest where possible by abstaining from voting decision

Once the conflict of interest has been appropriately disclosed, the CEO will take the required decisions. In case the conflict of interest pertains to the CEO, the appropriate decision will be taken by the Investment Committee. Such instances shall also be referred to the Audit Committee for its opinion and guidance. Records of such disclosures and minutes of decisions taken thereafter shall be maintained. As a principle, in any case involving a conflict of interest, the voting decisions of Aviva Life will be determined keeping interests of the policyholders paramount.

#### **4.3 Monitoring of Investee Companies**

The primary responsibility of monitoring the investee companies rests with investment team of Aviva Life. The monitoring involves both financial (quarterly results, annual reports, expansion plans etc.) and non-financial activities (strategy, capital allocation, management evaluation, remuneration to top management, independence of the Board of Directors, corporate governance issues including remuneration, Board diversity, independent directors and related party transactions, ESG (environment, social and governance) risks etc). Financial monitoring

is in a way part of the investment decision making process of buy or sell while non-financial monitoring is a part of qualitative assessment of management action and intent. Monitoring essentially involves using all publicly available information, interactions with the management / attending general meetings of investee companies, reliance on third party research and industry news flows to monitor these companies. The investment team would endeavor to meet every company at least once a year (in person or through a call) to get a business update. There may be instances where investee company does not meet investors as a part of their own investor interaction policy. In such cases, financial reports of investee company as well as any other publicly available information will be monitored and reviewed. Monitoring the Investee Company's actions at times will involve circumstances that are privy only to the company management and to that extent lack of adequate publicly available information may not help in identifying/addressing potential risks.

Aviva Life will not usually seek to nominate its representative on the Board of an 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 to the Board of Aviva Life regarding nomination of members on the Board of investee company. Whenever Aviva Life holding is above 5% of an investee company's paid-up capital, the CIO will cause a report be prepared and presented before the investment committee along with the recommendations of the Voting committee on the proposed stand on seeking representation.

During monitoring and interaction with the investee companies, if the investment team comes in possession of any 'unpublished price sensitive information', it would be dealt with in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 2015.

#### **4.4 Intervention in the Investee companies**

At times, certain actions of the investee companies may create concerns on account of insufficient disclosures, regulatory announcements, business performance, governance, capital allocation, business strategy etc. Aviva Life will evaluate these instances and post evaluation may decide to intervene in any case where it believes a need for intervention has arisen to protect value of its investment and discharging its responsibility to policyholders. The objective of the intervention and 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 Aviva Life. Such an intervention will be made even if the investments are held in funds where a passive investment strategy is followed. Recommendation to IC for intervention will be made by the Voting Committee.

##### **Step 1: Interaction**

On any investee company action that necessitates further inquiry, Aviva 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 investee company's personnel designated to interact with investors and in confidence. Depending upon the adequacy of the response from the management, the investment team will either be satisfied about the action or may seek follow-up action from the investee company. In the cases of follow up action, Aviva Life will re-engage with the management to get updates on course of action plan to get satisfactory response. A time-bound plan to modify the action should be discussed and agreed upon with the Investee Company.

##### **Step 2: Escalation**

In cases where the management of the investee company fails to take necessary steps, to modify and correct the actions, the investment team will report the subject matter to the Investment Committee of Aviva Life for further decision regarding escalation to the Board of Directors of the investee company. The Investment Committee may choose to engage with Board of directors of the investee company without involving the management of the investee company in order to escalate the matter for a resolution on the issues and concerns. In these cases, Aviva Life will not compulsorily exit its investment in the investee company. The

decision to purchase more equity or sell (full or partial) of the investment in the investee company shall be made by the Investment Committee.

### **Step 3: Reporting to Regulatory Authorities**

The escalation with the Board of the investee company will usually lead to a resolution of the issues raised. However, in cases where there is a lack of any response or failure to provide satisfactory response on the issues, the Investment Committee after seeking approval from Board of Directors of Aviva Life, may decide to report to the relevant regulatory authority or any Government agency in cases. These cases are expected to be either a matter of fraudulent actions or matters of public interest.

### **4.5 Collaboration with other Institutional Investors**

Aviva Life will need to coordinate with other shareholders to create a collective forum, directly or through the insurance council, for engaging with investee company management and Board of Directors. Aviva Life's investment team may consult with other investors and collaborate with them on specific matters. These will be judged on a case-by-case basis based on the circumstances involved.

### **4.6 Voting and disclosure of voting activity**

The Investment Committee will specify and set a threshold level in the "Voting policy" at which voting gets prescribed. The Investment Committee will review and amend the threshold level based on experience. The decisions regarding the actual voting will be taken by Voting committee comprising of the CIO, the CFO, and the General Counsel or in case where their office is vacated, any person discharging their role for interim. The investment team of Aviva Life will be responsible for recommending their views on the resolutions to the Voting Committee. The Voting committee will not be bound by the recommendations of the investment team and may decide to have an independent view on the resolutions concerned. Aviva Life may seek the views of institutional advisory firm(s) but the decision will be that of the company. Subject to applicable laws, if Aviva Life lends stocks and if there is a voting action coming up in the lent stock during the lent period, where Aviva Life intends to vote, lent stocks will be called back.

### **4.7 Disclosures of Stewardship Activity**

Aviva Life will disclose all the voting and stewardship activities undertaken, in discharge of the fiduciary responsibilities to policyholders as a part of this stewardship policy. This disclosure will be made quarterly on Aviva Life's website, as part of public disclosure and as per the timelines prescribed for public disclosures. Such disclosures will be made in the format prescribed in Annexure 8 to the IRDAI Master Circular on Corporate Governance for Insurers, 2024.

### **4.8 Training of Personnel for Stewardship Activities**

Aviva Life shall encourage and impart internal/external training as required to the investment team to enable them to discharge stewardship responsibility. The frequency of such training will be led by specific issues which have come to light during company analysis, global or domestic case studies, any new developments/guideline in the manner stewardship activities are conducted as per Aviva stewardship policy or IRDAI guidelines.

## **Voting Policy**

### **1. Coverage**

The policy will be applicable to all our rights obtained with reference to investments made by Aviva Life in equity/debt of any company. It is noted that voting rights will generally arise from our equity holding but there could be instances where debt holders' approvals are sought by the companies. Examples are when debenture covenants/charges are proposed to be modified.

Generally, Aviva Life invests in companies which have acceptable/effective corporate governance. Accordingly, a decision to invest is generally an endorsement of sound management practices of the investee company. We also look for effective boards that can safeguard shareholder's interests, set the course for the company's values and standards and have the right skills and experience to take the company's strategy forward.

Aviva Life would endeavor to vote on resolutions/proposals of investee companies where its holding is 1% or more of the investee company's paid-up capital or where the exposure is 1% or more of its total equity investments. As per the IRDAI Master Circular on Corporate Governance, Aviva Life shall mandatorily vote on resolutions/ proposals of investee companies where Aviva Life holds 3% or more of the investee company's paid-up capital. On resolutions relating to Aviva Life's debt holdings, it will be endeavored to vote on resolutions where the exposure is 1% or more of Aviva Life's total debt investments. This does not preclude Aviva Life from voting on other resolutions.

### **2. Voting Principle and Philosophy**

Aviva Life will exercise its discretion after giving due consideration to various factors such as:

- Best interest of Aviva Life's policyholders
- Protect shareholder value over longer term
- Best interest of minority shareholders

In cases where investments are in group companies or where the investee Companies are the policyholders of Aviva Life, the voting decisions should demonstrate our commitment to the best interests of our policyholders / other minority shareholders are upheld and such decisions have been taken without any conflict of interest. At times, abstaining may also be an option to meet the above objectives. Aviva Life may seek and consider the opinions of third-party service providers on proxy voting advisory/corporate governance.

Aviva Life will generally follow the voting policy as detailed above, however, if the relevant facts and circumstances so warrant, it may act differently to protect the interests of its Policyholders.

### **3. Authority and Responsibility**

Primary responsibility for oversight of our policy lies with the Investment committee at Aviva Life. For day-to-day operation of this policy, IC delegates the responsibility of

- Communication of the ballots and ensuring casting of ballot to the CFO
- Making recommendations to the Voting committee on proposals to the CIO. The Voting committee shall consist of the CIO, CFO, and the General Counsel. The final decision has to be unanimously agreed to between the members. In case of lack of unanimity, the matter will be referred to the CEO and his/her views will be final.
- Audit Committee will have oversight on voting mechanism

### **4. Reporting and Review**

The CFO shall present a quarterly report of resolutions from companies where Aviva Life has/had voting rights, the voting decision taken and its rationale before the Investment committee and the Audit Committee. The voting guidelines and the actual exercise of votes will be reviewed periodically by the Investment committee.