

ANNEXURE-D

IFFCO TOKIO GENERAL INSURANCE COMPANY LIMITED

Stewardship Policy

Revision- 1
January -2019

1. Introduction

Insurance Companies are significant institutional investors in listed companies and a large part of these investments is held as custodians of policyholders. Insurance Regulatory and Development Authority of India (IRDAI) vide circular number IRDA/F&A/GDL/CMP/059/03/2017 dated 20th March 2017 has issued guidelines on Stewardship Code for insurers in India. Stewardship Code is in the form of set of principles, which the insurers would require to adopt for their implementation.

The above referred IRDAI guidelines require every insurer to formulate a Board approved Stewardship Policy broadly with regard to conduct at general meetings of the investee companies and disclosure relating thereto with objective of ensuring good corporate governance to protect the interest of the policyholders.

Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance including culture and remuneration.

2. Objective

The objective of the Stewardship Policy of the company is to protect the interest of the policyholders and shareholders by way of playing an active role in the general meetings of investee companies and engage with their management at a greater level to improve the governance which will result in informed decisions by the parties and ultimately improve the return on investments of ITGI.

The Stewardship Policy of ITGI is to be read in conjunction with the “Standard Operating Procedure for Investments” and “Investment Policy” of the Company.

3. ITGI Approach to Stewardship

The investment portfolio of the company is largely in debt segment (including Sovereign Debt) and the exposure to the Equity segment is miniscule as compared to the total assets under management. With a diversified portfolio, the equity investment in a single investee company may not be significant and accordingly stewardship activities have been scaled down without compromising on stewardship code principles and monitoring of financial performance. The level of intervention and engagement with the investee company is stepped up on increase in equity exposure to achieve the medium to long term benefits of stewardship activities.

4. Level of Engagement / Intervention

The level of engagement / intervention in the activities of Investee Company will be based on the ITGI's exposure (both debt and equity) in that company which is given below. While no threshold limit is applicable for monitoring the financial performance of investee companies, the level of other stewardship responsibilities will be stepped up gradually with the increase in equity holding in the investee company.

A. Investment in Debt Instruments (non-convertible debentures / bonds) with no investment in equity or equity related instruments:

- To participate in the matters affecting the rights of the company as the holder of debt instrument wherever appropriate
- To participate in the matters relating to merger/restructuring/amalgamation etc. of the investee company in order to safeguard the interest of ITGI's investment.
- To initiate talks with the investee company or fellow debt instrument holders to decide the way forward upon occurrence of an event e.g. frequent downgrades of credit rating which may result into non-payment of interest and /or principal.
- To consider exiting from the investment wherever appropriate to safeguard the amount invested.

B. Investment in Equity Capital with voting rights below 1% and / or the investment is up to 0.5% of total investment assets:

- To monitor the financial performance on periodical basis in order to protect the value of investments.
- To consider exiting from the investment wherever appropriate to safeguard the amount invested.

C. Investment in Equity Capital with voting rights equal to or more than 1% but less than 5% and / or the investment is more than 0.5% but up to 1% of total investment assets:

- To participate and vote for or against in all the matters which are not ordinary business items.
- To closely monitor the financial performance and financial strength of the company in case of an event like frequent downgrades in credit rating, likelihood of non-payment of interest/redemption, reduction in the market value of investments below the cost of acquisition.

- To consider exiting from the investment wherever appropriate to safeguard the amount invested.

D. Investment in Equity Capital with voting rights equal to or more than 5% but less than 10% and / or the investment is more than 1% but up to 2% of total investment assets:

In addition to the points mentioned in Point C

- To nominate a representative to participate in meetings and communicate ITGI's concern on any particular issue wherever appropriate
- To participate in the matters relating to restructuring/merger/amalgamation etc. of the investee company by voting for or against as appropriate.
- To closely monitor the activities of the investee company and on best efforts basis, monitor performance of Investee Company for discharging other stewardship responsibilities.

E. Investment in Equity Capital with voting rights equal to or more than 10% and / or the investment is more than 2% of total investment assets:

In addition to the points mentioned in Point C & D

- If the Board decides, to initiate discussion with the investee company in order to have a nominee director on the board of the investee company
- The nominee director so appointed will seek guidance and approval of the [Audit Committee investment committee](#) before voting for or against any item he is entitled to vote as a director in the Investee Company.
- The nominated director shall attend board and general meetings and communicate with the management of Investee Company on regular basis to discharge the stewardship responsibilities.

The [Audit Committee Investment Committee](#) may revise the limit of above threshold levels for engagement / intervention in the activities of the investee company wherever appropriate.

5. Conflict of Interest

The company belongs to IFFCO and Tokio Marine Group with many associate/ affiliate companies. This may at times give rise to situations of apparent conflict.

The following shall be adhered when an issue of conflict arises

- The transaction which is the subject matter of resolution is in compliance with the applicable regulations and is at arm's-length.
- The conflict is disclosed to the [Audit Committee Investment Committee](#)
- The voting decision is in the best interest of the stakeholders keeping the interest of policyholders first.
- Documentation of the process of resolving any identified material conflict of interest.

6. Monitoring Investee Companies

The investment team of the company will monitor the investee companies. The monitoring team will use information available in public domain, research reports and industry information for the purpose of monitoring. The company will engage / intervene in the activities of the investee companies based on the defined threshold levels. Due to the constantly evolving nature of investee company practices and other circumstances the monitoring on areas like remuneration, planning, succession, social and environmental matters will be on best efforts basis.

Wherever appropriate the company may take the decision of exiting from the investment due to lack of sound corporate governance or for other reasons detrimental to the interest of stakeholders.

7. Engagement Strategy

The Company will engage /intervene in the activities of the investment companies based on the defined threshold levels and on best efforts basis. The intervention may comprise interaction with the management viz meetings, call, video conference etc. If the issue is not resolved through these measures, the company may escalate the concern to the board of the investee company. Disclosure of interactions would not be compulsory being confidential in nature.

8. Collaboration with other institutional investors

Wherever appropriate the company would act collectively with other institutional investors for the matters which are not ordinary or routine to safeguard the interest of the policyholders in the case of policyholder's funds and shareholders in case of shareholder's funds.

The form of collective engagement includes forming of investor group strategy to decide future course of action, collective meetings, co-signing letters to the board of Investee Company etc. Such interactions, being highly confidential in nature, may affect the value of investments and, thereby policyholders detrimentally, would not be disclosed.

9. Use of External Services

The Company may intend to avail the services of external agencies like advisors etc. However, the ultimate decision regarding the engagement / intervention in the activities of the investee company will rest with the company.

10. Voting

The company considers voting activity as one of the key responsibilities and an essential tool for ensuring good corporate governance. The company aims to use its voting right as part of its engagement policy and will vote accordingly in the best interest of the policyholders. The company will have a list of persons authorized to attend and vote at meetings of investee companies on behalf of the company where personal attendance is to be ensured. The Company may choose to vote for or against any proposed business or may abstain from voting on any resolution based on the facts and circumstances as evident from the available information. The Investment Team will evaluate the business and cast the company's vote in a manner that is in the best interest of the policyholders.

11. Report to Policyholders

The company will update its activities undertaken for the fulfillment of stewardship responsibilities as part of public disclosure.

12. Monitoring & Reporting

- [Audit Committee](#) ~~Investment Committee~~ of the company shall be responsible to keep an oversight on the stewardship related decisions and activities.
- Members of the [Audit Committee](#) ~~Investment Committee~~ may invite the company's official as may be considered important to discuss subject matter.
- Any change/ modification to the policy on stewardship will be approved by [Audit Committee](#) ~~Investment Committee~~ and will be disclosed on the company's website.

The company will report the status of compliance with the Stewardship Policy in the format prescribed by IRDAI.
