

IFFCO TOKIO GENERAL INSURANCE COMPANY LIMITED

Stewardship Policy

May 2020

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. IRDAI has revised these guidelines vide Circular IRDAI/F&A/GDL/CPM/045/020/2020 Dated 7th February 2020.

The revised 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 IFFCO Tokio General Insurance Company Ltd. (ITGI / 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 benefiting all stakeholders.

3. ITGI's 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. The Company shall consider providing periodic training to its personnel in order to effectively discharge the stewardship responsibilities wherever appropriate.

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 3% 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 3% but less than 10% and / or the investment is more than 1% but up to 5% of total investment assets:

In addition to the points mentioned in Point C

- To actively participate and vote on all resolutions
- 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 5% of total investment assets:

In addition to the points mentioned in Point C & D

- If the Board / Investment Committee 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 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 the investee company on regular basis to discharge the stewardship responsibilities.

The Audit 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. Investment in these companies may give rise to situations of apparent conflict between the interest of shareholders and policy holders of ITGI.

The actual or potential conflict is addressed through disclosing the same to the Investment Committee which will take the necessary decision that may include: -

- Blanket bans on investment in certain cases
- Referring such matters to the Audit Committee.
- Clear segregation of voting function and client relations / sales function
- Policy for persons to rescue from decision making in case of the person having any actual / potential conflict of interest in the transaction.
- Maintenance of records of minutes of decision taken to address the conflict.

The voting decision of the Company will be in the best interest of the stakeholders keeping the interest of policyholders first.

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, industry information, and analyst call for the purpose of monitoring.

The level of monitoring of different investee companies may differ based on the size of investment as a proportion of the Company's total assets under management and may include:

- Investee company's strategy and performance – operational and financial.
- Industry level monitoring and possible impact on the investee companies.
- Quality of company management and Board, leadership.
- Corporate Governance including remuneration, structure of the Board (including Board diversity and independent directors) and related party transactions.
- Risks including Environmental, Social and Governance (ESG) risks.
- Shareholders rights and their grievances.

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.

When during monitoring process any insider information is obtained, the person in possession of the information must not act or cause others to act on the information. The person in possession of such information shall disclose the same to his superior who shall decide to increase review of proprietary trades and restrict trading until the information is made public. The Company shall ensure that SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended time to time are complied with in such cases.

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. Circumstances for intervention may include poor financial performance, corporate governance related practices, remuneration, strategy, Environmental, Social and Governance (ESG) risks, leadership issues and litigations. 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 consider to escalate the concern to the board of the investee company, collaboration with other investors and voting against decisions. For, industry level issues, Council may be approached to initiate discussion with the management of investee company.

Various levels of interventions and escalations shall be considered by the Investment Committee on recommendation of the investment department.

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 and shareholders.

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.

9. Use of External Services

The Company may intend to avail the services of external agencies like advisors etc. to arrive at voting decisions and research reports like Market survey data, Industry analysis, Business valuation 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 voting decisions are aimed at promoting the overall growth of the investee company to enhance the value of all stakeholders. 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 stakeholders. The Audit Committee will monitor oversight on voting mechanism.

The Company shall mandatorily undertake active participation and voting on resolutions / proposals of the investee company where the Company's holding of the paid up capital of investee company is equal to or more than 3%.

The Company currently is not engaged in stock lending activities however if the same is undertaken later, the lent stock may be recalled to vote on all significant / material resolutions based on the threshold level mentioned in this policy.

The Company shall disclose voting activity in the investee companies wherever it has actively participated and voted on resolutions / proposals. Such disclosures will form part of Public Disclosures on website and have to be made on quarterly basis as per the timelines prescribed for quarterly public disclosures in the format given in Annexure –A.

11. Report to Policyholders

The Company will update its activities undertaken for the fulfillment of stewardship responsibilities (other than voting which is governed by clause 10 of this policy) as part of public disclosure wherever appropriate.

12. Compliance & Reporting

- Audit Committee of the Company shall be responsible to keep an oversight on the stewardship related activities.
- Members of the Audit Committee may invite the Company's official as may be considered important to discuss subject matter.
- Any change / modification in the Stewardship Policy will be approved by the Audit Committee and recommended to the Board for its approval and will be specifically disclosed on the Company's website.

The company shall submit an Annual Certificate of Compliance approved by the Board to IRDAI as per Annexure B duly certified by CEO and Compliance Officer on or before 30th June every year.

Annexure A

Disclosure of voting activities in general meetings of investee companies in which the insurers have actively participated and voted:

Name of the Insurer: _____

Period of Reporting: _____

Meeting Date	Investee Company Name	Type of Meeting (AGM / EGM)	Proposal of Management/ Shareholders	Description of the proposal	Management Recommendation	Vote (For / Against / Abstain)	Reason supporting the vote decision

Place:

Signature of Compliance Officer

Date:

Name:

Annexure B

Annual Certificate of Compliance with regard to status of Stewardship Code principles

Name of the Insurer: _____

Date: _____

Period of Report (FY): _____

We hereby certify that the guidelines given on Stewardship Code for Insurers in India by Insurance Regulatory and Development Authority of India are duly followed and all the principles detailed in the guidelines are duly complied with.

Compliance Officer
(Name and Signature)

Chief Executive Officer
(Name and Signature)
