



## **STEWARDSHIP POLICY**

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## INTRODUCTION

**Shriram General Insurance Co. Ltd** (referred as SGI in the Policy) being a custodian of policyholders fund, establishes Stewardship of the funds as its responsibility to protect the interest of policyholders.

This policy has come in effect as compliance to “*Guidelines on Stewardship Code for Insurer*” with Ref No.: IRDA/F&A/GDL/CMP/059/03/2017 issued by Insurance Regulatory Authority of India (referred as Authority throughout the policy) dated 20<sup>th</sup> March 2017.

Insurance companies are significant institutional investors in listed companies and investments are held by them as custodian of policyholders. So, the insurance companies should play an active role in the general meetings of investee companies and engage with greater level to improve their governance. Therefore, Authority has decided to implement a code for stewardship for the insurers.

The code broadly requires the insurer to have a policy as regards their conduct at general meeting of the investee companies and disclosures relating thereto.

***Stewardship policy*** can be defined as a policy which lays down the responsibilities and measures to be taken in relation to protect interest of policyholders, as a custodian of the investments (carried from the policyholder’s fund). This policy must be read and understood together with the points laid down in investment policy of the insurer.

This policy is formulated as per the ‘Stewardship Principles’ as specified by the authority governing the insurer. The policy also lays down the responsibilities, public disclosure requirement, ways to monitor investee companies, clarity about level of intervention in investee companies, management of collaboration with other institutional investors, independence of voting and reporting of stewardship activities.

A committee of the Board entrusted with the compliance with corporate governance code shall exercise monitoring of stewardship as well.

## 2. POLICY STATEMENT

Shriram General Insurance ‘Stewardship policy’ states and establishes that:

- a) Insurer being significant institution investors in listed companies and custodian of policyholder’s fund, shall make sure that the

investee company has sound performance, strategy, management and corporate governance.

- b) This policy applies to the cases where insurer has invested in shares (both equity and preferential shares), debentures and bonds, loans to the investee company. Investment in mutual funds, ETFs and government securities (govt. bonds) are not covered in this policy.
- c) Insurer is required to regularly monitor the performance of the investee company.
- d) The leadership effectiveness in the investee company must also be assessed on regular interval and need to be reported to appropriate authority if required.
- e) If the investee company shows any sign of merger or takeover, the case must be studied and important points must be brought to notice.
- f) Any action or event that may lead to any loss to Investee Company and subsequently having diverse effect on the investments must be communicated.
- g) Insurer must ensure that the investee company has effective corporate governance in place.
- h) In accordance with Principal 3:

Insurer may wish to get its representative nominated on the board of investee company if investment is considerable such that insurer may exercise effective control over the investee company (i.e. in case of investment in equity more than or equal to 10% of the paid up capital and free reserves of investee company, in case of debentures or bonds or loans more than or equal to 10% of equity capital, free reserves and debentures / bonds (incl. CP) of the investee company).

- i) Insurer must have system of regular assessment of the outcome of intervention in the investee company over regular time intervals. Such time interval must be as may be decided by committee.
- j) In accordance with Principal 1:

The policy divides the level of intervention on 3 levels which are based on the level of investment in the investee company:

- Level 1-

Equity: Less than 5% of paid up capital and free reserves of Investee Company –

Debt: Less than 5% of paid up capital, free reserves, loans, debenture or bonds (including CP) of Investee Company.

The authorized person /s by committee may attend and communicate in general meetings of investee Company

- Level 2-

Equity: More than 5 % but Less than 10% of paid up capital and free reserves of Investee Company –

Debt: More than 5% but less than 10% of paid up capital, free reserves, loans, debenture or bonds (including CP) of Investee Company.

The authorized person may attend and communicate to the management and in general meetings of the investee company

- Level 3-

Equity: More than or equal to 10% of paid up capital and free reserves of investee company–

Debt: More than or equal to 10% of paid up capital, free reserves, loans, debenture or bonds (including CP) of investee company.

The authorized person may attend general meetings and communicate to the management of the investee company. The Company may ask for its nominee in the Board of the investee Company.

The Company does not intend to use services of external service providers such as institutional advisors.

k) In accordance with Principal 4:

The policy also states that in cases where matter is communicated to the investee company but response of Investee Company is

dissatisfactory and such case is escalated further, insurer may suspend investing in the same company.

The matters in which suspension of further investment can be undertaken are:

- Risk related to a finance decision of investee company
- Performance related issues

l) In accordance with Principal 5:

The insurer must collaborate with other institutional investors if such collaboration is required to communicate the management of Investee Company with majority or to pass a resolution in the meeting.

m) In accordance with Principal 2:

The insurer has the duty and responsibility to always keep the interest of policyholders first in the case of conflict of interest.

Managing Conflicts of Interest:

The voting for company resolutions may entail some instances of a conflict of interest between the interests of shareholders of SGI and the policyholders' interests.

Some of the key instances are as under –

- The investee company is a customer of SGI
- The investee company is a promoter group company
- The investee company is a partner in some aspect of SGI's business
- Key managerial personnel of SGI may have personal interests that conflict with their responsibility to act in the best interests of the Company.

SGI will manage conflicts of interest by safeguarding the interest of policyholders in all circumstances.

n) In accordance with Principal 7:

The insurer should also provide a periodic report to their ultimate beneficiaries (policyholders) of how they have discharged their

responsibilities, in a format which is easy to understand, as a part of public disclosures.

### **3. POLICY SCOPE**

This policy covers the following areas:

- a) The policy shall be implemented in close co-ordination with the investment policy as well as IRDAI guidelines issued in this regard.
- b) Taking part in the general meeting of the investee companies.
- c) Defining of threshold limit to empower the insurer to involve in meetings of the investee company.
- d) Defining extent to which insurer can intervene in the business and policies of the investee company.
- e) Public disclosure of the policy
- f) Handling the situations where conflict of interest arises in discharging responsibilities
- g) Confidentiality of the meetings held with the investee company to resolve the issue constructively
- h) Measures to be taken if dissatisfied with the response of the investee company
- i) Assessment of the outcome of intervention by the insurer
- j) Collaboration and extent of engagement with other institutional investors in the investee companies
- k) Insurer's approach towards stock lending and recalling lent stock.
- l) Voting decision beneficial for the investment or not detrimental to investment in the investee company.

### **4. COMMITTEE ENTRUSTED WITH COMPLIANCE**

The Board of Insurer shall ensure that there is effective oversight on the insurer's stewardship activities and a committee of the Board entrusted with the compliance with corporate governance code shall exercise the same.

**Audit committee** (referred as committee in the policy) of Shriram General Insurance is entitled with the responsibility of compliance of corporate governance code, so same shall be responsible to keep an oversight on the stewardship related decisions and activities.

The committee is comprised of:

- |                                    |                                   |
|------------------------------------|-----------------------------------|
| a) Mr. G. Anantharaman             | : Chairman of the Audit Committee |
| b) Mr. Stephanus Phillipus Mostert | : Director                        |
| c) Mr. Vipen Kapur                 | : Director                        |

The committee shall work in co-operation with Compliance Officer, Chief Investment officer and Chief Executive officer of the insurer. The committee will also monitor the activities in respect of Stewardship compliance and also a feedback shall be given by the committee on the compliance of the Stewardship code.

Audit Committee will monitor oversight on voting mechanism.

SGI shall mandatorily undertake active participation and voting on resolutions/proposals of the investee companies under the following circumstances:

<b>Size of the AUM (Rs. Cr.)</b>	<b>Compulsory voting required, if the SGI's holding of the paid-up capital of investee company (in percentage) is</b>
Upto 2,50,000	3% and above
Above 2,50,000	5% and above

In other cases, SGI may voluntarily participate and vote if such resolutions/proposals are considered significant and may have an impact on the value of investments of SGI.

## **5. MONITORING AND REPORTING**

Audit Committee shall meet periodically to monitor the compliance of Stewardship Policy.

Members of the Audit Committee may invite the persons (director, compliance officer or chief investment officer or any other person) as may be considered important to discuss subject matter.

The committee may also decide the threshold limit of investment to define the level of intervention in the investee company which must be in writing and signed by authorized person / persons.

The policy should be disclosed on the website within 30 days of approval by the Board by all insurers, alongside the public disclosures. Any change/ modification to the policy on stewardship should be specifically disclosed at the time of updating the policy document on the website.

The reporting to Authority of Stewardship compliance shall be done in accordance with the guideline as issued by Authority from time to time. A report for this purpose shall be annually furnished to the Authority in **Annexure A** (as per Guidelines on Stewardship code by IRDAI).

## Annexure A

### Format for annual reporting of compliance status of stewardship code to the Authority

Name of Insurer: \_\_\_\_\_

Period of Report (FY): \_\_\_\_\_

Status of Compliance with Stewardship Principles

<b>Sr No.</b>	<b>Particulars of Principles of Stewardship Code</b>	<b>Status (Deviation, Partly complied, Not complied)</b>	<b>Reason/ Justification for deviation or non-compliance</b>

Compliance Officer  
(Name and Signature)