

## New India Assurance Co Ltd Stewardship Policy

### **Background:**

Insurance Regulatory Development Authority of India (IRDAI) vide its regulation (Ref no). IRDA/F&A/GDL/CMP/059/03/2017 has issued Guidelines on Stewardship Code for Insurers in India (Guidelines) on 20<sup>th</sup> March, 2017.

IRDAI has recommended a stewardship Code for the insurers with an aim to enhance and protect the value for the policyholders.

Insurance companies are significant institutional investors in listed companies and the investments are held by them as custodians of policyholders. IRDAI believes that the Corporate Governance at the companies where the insurance companies have invested is also important. Thus the Insurer has a fiduciary duty to act in the best interest of the Policyholders and Insurance Funds.

IRDAI feels that insurance companies should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance. It has decided to implement a code for stewardship for the insurers.

All insurers have to put in place a policy, based on the principles spelt out in the stewardship code within 6 months from the date of issue of these guidelines i.e. 20<sup>th</sup>, to discharge its stewardship responsibilities.

**The IRDAI has notified on 7th Feb,2020 the revised guidelines on which stewardship policy is to be adopted in accordance with that the revised policy has given below:**

### **Principle 1**

*Insurers should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it.*

The Company has fiduciary responsibility to ensure that the value of its ultimate beneficiaries is protected. As the funds invested are in variety of investment companies it is essential to monitor such investee companies so that the value for ultimate beneficiaries of these is enhanced

In most of the cases, the investments as a percentage of paid up capital of the investee company is very small. This may not have the desired impact/influence either on the Company or the investee company. Therefore it is prudent to monitor such investee companies where the investment in equity (measured at fair value) is

more than 1% of the AUM (measured at fair value) of the company or where the company's holding of the Paid-up capital of the investee company (in percentage) is 3% and above, as on Previous March.

Our Stewardship responsibility would also include the monitoring and engaging with Investee Companies on various matters such as Operating/ Financial performance as well as corporate governance issues so as to ensure that the value of our policyholders is enhanced.

We would achieve this by having interaction with the Investee Companies and participating in the various meetings/ polls held by investee companies regarding its business affairs.

This policy shall cover our Investments in equity Shares, preferential shares.

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

The professional advices to arrive at voting decisions and research reports like Market survey data, Industry wide analysis, Business valuation, etc. may be sought from external agencies. However in such cases the ultimate stewardship responsibilities shall be discharged by the Company.

The policy will be approved by the Board of the Company. The policy will be reviewed and updated annually and the policy will be publicly disclosed on the company's website.

## **Principle 2**

*Insurers should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.*

Conflicts of interest may arise in certain situations where the proposal of the Investee Company is detrimental to the value of policyholders and our company could have business relations with the investee company

- The Investee Company is our client.
- The Investee Company is engaged in distribution of our insurance products.
- The investee company is our associate/Subsidiary company.
- The investee company is another PSU.

In case of such Conflict, we will try to resolve such conflicts of interest keeping in view the best interests of our Policyholders. We will also ensure that:

- Such cases are referred to the CIO.
- Clear segregation of voting function and client relations / sales functions.
- Person to recuse from decision making in case the person is having any actual / potential conflict of interest in the transaction.
- Maintenance of records of minutes of decisions taken to address such conflicts.

### **Principle 3**

*Insurers should monitor their investee companies.*

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

As a part of prudent investments policy, our investment team constantly monitors the investee companies in respect of their performance, value creation and other parameters.

We may appoint our senior officials on the Board of our Investee Companies if such opportunities are presented to us. The decision in this regard will be taken by CMD/Board.

Aspects covered in the stewardship policy with regard to monitoring shall address the following:

1. This shall apply to the companies as identified in the Principle 1 above.
2. Areas of monitoring which shall, inter-alia, include:
  - a. Company strategy and performance - operational and financial.
  - b. Industry level monitoring and possible impact on the investee companies.
  - c. Quality of company management and Board, leadership.
  - d. Corporate governance including remuneration, structure of the Board (including Board diversity and independent directors) and related party transactions.
  - e. Risks including Environmental, Social and Governance (ESG) risks.
  - f. Shareholder rights and their grievances.

Identification of situations which may trigger communication of insider information and the procedures adopted to ensure SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended time to time are complied with in such cases.

### **Principle 4**

*Insurers should have a clear policy on intervention in their investee companies.*

Should we feel that any such proposal by management of Investee Company is not in the interest of shareholders or policyholder of our company, we will try to raise our concerns to the management of the investee company.

We may seek clarification from the investee companies, should there be insufficient information/disclosure or non-compliance to regulations or any adverse impact of shareholder value etc.

We may call upon the management of the investee company for discussion.

We may nominate the official to attend the meetings of shareholders so that such concerns can be raised and brought to the attention of management as well as other shareholders.

Our company may decide to intervene on case-to-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility.

### **Principle 5**

*Insurers should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed.*

For issues that require larger engagement with the investee company, we may choose to act collectively with other institutional investors in order to safeguard the interests of their investors. If it is felt that our company should take a joint action along with other institutional investors, it will engage with other shareholders to discuss such matters.

Our company may also discuss with other intuitional investors to create a consensus amongst shareholders on a particular issue.

The decision to take such joint action will be judged on a case-to-case basis by the Investment team with input from the Chief Investment Officer.

### **Principle 6**

*Insurers should have a clear policy on voting and disclosure of voting activity.*

It is mandated that all the investee companies where the company's holding of the Paid up capital of the investee company (in percentage) is 3% and above. The companies as identified in the Principle 1 of this policy will be monitored as per this stewardship policy. The voting activity in such companies may be on case to case basis. The Voting activity will be guided by the Stewardship guidelines prescribed by IRDAI.

As of now we are not engaged in the Stock lending & Borrowing activities. The stewardship Policy will encompass the Company's approach to stock lending and recalling lent stock in case such activities are undertaken.

We will exercise our own independent judgment as regards voting decisions on resolutions. Such decisions would be aimed at promoting the overall growth of the investee companies and, in turn, enhance the value of their investors.

We believe that any management proposal that will add the value to the investee company should be in interest of its shareholders. We may support resolutions that empower the Board of the Investee Company's to function in the best interests of their shareholders.

Should we feel that the any proposal / Corporate Governance practice is not in the best interest of the company or may diminish the value for the shareholder, we shall vote against it.

We may abstain from voting on such resolutions, where we do not have sufficient information or unable to have a clear stance.

We may also abstain from voting if there is any conflict of interest.

Whenever we will vote on the proposal, we shall specifically review the same with respect to voting on such proposals in the best interest of the policyholders.

Companies Act, 2013 has made it mandatory for all listed companies to provide E-voting platform to shareholders. We will prefer to vote on the resolutions through e-voting process.

The list of Authorized Representative will be revised as & when required so as to ensure that we have sufficient officials available to attend the meetings.

We may also use the services of the custodian to carry out e-voting.

We will make the necessary Disclosure regarding the voting activity in the investee companies in which we have actively participated and voted on resolutions/proposals.

## **Principle 7**

*Insurers should report periodically on their stewardship activities.*

The disclosures will form part of Public Disclosures on website and to be made on quarterly basis as per the timelines prescribed for quarterly public disclosures on website, in the given format at Annexure A.

We shall also submit the Compliance report in the form of an Annual Certificate of Compliance approved by the Board to the Authority as per Annexure B duly certified by CEO and Compliance Officer on or before 30th June every year.

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