

**Bajaj Allianz
General Insurance Company Limited**

Stewardship Policy

Introduction

Bajaj Allianz General Insurance Company Limited (“the Company”) has investments in listed companies and large amounts of these investments are held as custodians of the Policyholders’ and Shareholders’ funds. As a part of the investment activity, the Investment Team monitors and engages with companies on various issues viz. business strategy, performance, governance, etc.

This document sets out the principles and the policies to be followed by the investment function regarding the engagement with the management of the investee companies, voting on resolutions pertaining to the investee companies and disclosures relating thereto. This document will be called the “Stewardship Policy” of the Company.

The investment team would be exercising the voting rights in the Company’s investee companies in the best interest of the Policyholders’ and Shareholders’ in their respective funds.

The Stewardship Policy sets out the principles and policy, in line with the IRDAI guidelines on the Stewardship code, for the Company to be followed by the Investment team regarding the monitoring & engagement with the management of investee companies.

Effective date

This Stewardship Policy will be effective from 1 August 2017.

Objectives

The objective of the Stewardship Policy is to facilitate the efforts of the Company in achieving its stated objective of meeting its obligations to the Shareholders and Policyholders.

Roles and Responsibilities

The Stewardship Policy is approved by the Board and shall be reviewed at least once in a year to incorporate changes, if any, as may be required. Any amendments to the Stewardship Policy shall be approved by the Board.

The roles and responsibilities in respect of implementation of the Stewardship Policy is defined below:

Board Investment Committee

The Investment Committee of the Company shall ensure that there is an effective oversight of the Company’s Stewardship activities and shall recommend changes to the Stewardship Policy to the Board.

The Investment team comprises of the Front Office, Mid-Office and Back Office.

a. Investments Front Office

The Front Office will be responsible for the overall implementation and execution of this Stewardship Policy. The team will be responsible for ongoing monitoring of the investee companies, engaging with the management of the investee

companies and identifying situations which require engagement / intervention in the investee companies and nature of intervention required.

b. Investment Mid & Back Office

The Mid & Back Office team shall ensure that due records of voting activities are maintained and ensure all reporting in line with the Stewardship Policy.

Stewardship principles and related policies and procedures

Listed below are the Stewardship principles prescribed under the IRDAI Stewardship Code and the related policies and processes the Company intends to follow to safeguard the interest of its Shareholders and Policyholders:

Principle 1

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

- 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.
- Stewardship activities of the Company shall be undertaken by the Investment Team within the guidelines set out by the Investment Committee.
- The Investment Committee will set a threshold level beyond which the exposure to the investee company will be deemed to be 'meaningful'. The threshold level will help in determining the level of engagement and intervention with the investee company. The Investment Committee can amend / change the threshold level from time to time. The Company's stewardship activities include monitoring and engaging with investee companies through interaction with management of investee companies and exercise vote for senior management appointment, remuneration, strategic decisions, appointment of auditors, etc.
- The Company shall look to engage with its investee companies on a regular basis, where the holding is more than the threshold level as defined by the Investment Committee. Interaction with all investee companies would be on a best effort basis.
- The Company shall disclose (a) compliance to the Stewardship Policy and (b) Voting Report on its website, on a half yearly basis.

Principle 2

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

The Company is part of a large and diversified group with many associate / affiliate companies. This may at times give rise to situations of apparent conflict.

The following shall be considered when an issue of conflict arises

- a) The transaction which is the subject matter of the resolution is in compliance with applicable regulations and is at arms' length.

- b) The voting decision is in the best interest of the stakeholders with the interest of policyholders being paramount.
- c) Any conflict is disclosed to the Investment Committee.

Principle 3

Insurers should monitor their investee companies.

- Investment team will be responsible for monitoring all the companies in which the Company has invested.
- The Company will strive to participate, depending on the threshold level as defined above and the nature of the resolutions proposed, in the voting of the resolutions of the investee company which would include but not be restricted to annual results, appointment of directors, remuneration, etc.
- Monitoring on areas like succession planning, remuneration, environmental issues will be done on best effort basis.
- The Company will engage with Investee Company as per threshold level as defined by Investment Committee.

Principle 4

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

- The Company will look to intervene in Investee Company, on a best effort basis.
- Intervention could comprise of interaction with the management viz. Meetings, Conference call, etc. If not satisfied with the outcome of the meeting, the Company may escalate the concern to the senior management or the Board of Directors of the investee company.
- Disclosure of interactions, if any, would not be compulsory due to confidential nature of the same.

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

- The Company, as a manager of policyholder funds, is responsible for discharging its obligations in the best interests of the Policyholders', and, in the case of Shareholder' funds, in the interest of the Shareholders. Where the issues are not ordinary or routine, the investment team may also look at engaging with the larger Shareholders' of the investee company in formulating a strategy on the same.
- As the nature of this interaction would be highly confidential and could affect the value of investments and, thereby Policyholders' detrimentally, the Company would not be disclosing such interactions.

Principle 6

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

The Company has a voting policy as per Annexure A. Investment team will be responsible to voting resolutions as per the Company's voting policy.

The Company may choose to vote for or against any proposed resolution or abstain from voting on any resolution. In deciding this, the Company may consider ordinary business, special business and items requiring special resolutions as different categories requiring different levels of diligence.

Voting policy would be disclosed on the Company's website.

All voting activities will be disclosed on the website of the Company on half yearly basis.

The Company also has a Security Lending and Borrowing Policy as per Annexure B, which would be disclosed on the Company's website.

Principle 7

Insurers should report periodically on their stewardship activities.

- The Company will disclose stewardship activities on website on half yearly basis.
- Voting Action would be disclosed at such frequency as may be laid down in the regulations.
- The Company will report the status of compliance with the Stewardship Principles in the format issued by IRDAI.

Annexure A

Voting Policy

Chief Investment Officer (CIO) /Fund Manager would recommend appropriate voting action in the AGM/EGM. The voting action would be a decision taken in the best interest of the policyholders. Procedure followed would be as follows:

1. Custodian will mail the details of the meeting (date, agenda etc) to all equity analysts, equity fund managers, CIO and back office personnel.
2. The responsibility of recommending whether we vote for or against a resolution will be that of the analyst tracking the stock. He/She will send in the recommendations well within the time limits to Fund Manager/CIO for approval.
3. Once approved, the equity analyst will send the instructions to back office.
4. Back office will send the necessary instructions to custodian requesting them to carry out our instruction.
5. Mid office will monitor compliance and analyze the voting patterns etc.
6. Mid/back office shall maintain record of voting at various meetings of investee companies.

Annexure B

Policy on Securities Lending and Borrowing

IRDAI issued final guideline for Securities Lending and Borrowing. Insurer is allowed to lend only up to 10% of the quantity in a security on a fund wise basis OR 1% of the Marketwise Participant Limit (Marketwise participant limit is 10% of the number of shares held by non-promoters in the security).

Stocks lent in SLB is not treated as creating encumbrance, charge, hypothecation or lien on such securities. Ownership remains with us and portfolio allocation is not disturbed. Lending fees against the stock is accounted for on an accrual basis.

We would have the provision to recall our lent stock in the case of corporate action, if we decide to sell the stock in the market. SLB does not restrict our portfolio views/action. We look to use SLB window for enhancing returns.

The Stewardship policy of the Company will apply to securities which have been lent

Approved by the Board of Directors on 14 July 2017