

Stewardship Policy

Introduction

Bajaj Allianz General Insurance Company Ltd (hereafter “BAGIC”) has significant investments in companies. As a part of the investment activity, the Investment Team monitors and engages with investee companies on various issues viz. business strategy, performance, governance, etc.

This document sets out the principles and the policies to be followed 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 BAGIC.

BAGIC would be expected to exercise the voting rights in investee companies.

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

In line with the regulatory guideline, this Stewardship policy seeks to identify and define the stewardship responsibilities that the insurer wishes to undertake and how it intends to fulfill the same to enhance the wealth of its policyholders and other Stakeholders.

Effective date

This Stewardship Policy, as amended, will be effective from the date of approval thereof by the Board of Directors.

Objectives

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

Applicability of Policy

All listed equity investments of the company

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 are defined below:

Board Investment Committee:

The Investment Committee of the Company shall recommend to the Board the stewardship framework of the Company in terms of this policy, including mechanism

to be opted for intervention in investee companies and escalation of matters in specified cases as stated in this policy.

Board Audit Committee:

The Audit Committee of the Company shall have effective oversight on the Insurer's stewardship activities including oversight on the Voting mechanism and review any conflict of interest in the Company fulfilling its Stewardship obligations.

The Investment team which comprises of the Investment front office and mid/back office operations:

a. Investments front office

The Investment team 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 office/operations

The Investment mid office/operations team shall ensure that due records of voting activities are maintained and ensure all reporting is in line with the Stewardship Policy.

Stewardship principles and related policies and procedures

Guiding principle: BAGIC is of the view that the investee companies should be at full liberty to deal with matters of strategy, performance, risk, capital structure and corporate governance, including culture and remuneration as long as environmental, social and corporate governance principles are embedded in the company's decisions and it is not prejudicial to the interest of BAGIC or its policyholders and shareholders. In the case of divergence of interest

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

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

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 BAGIC shall be undertaken by the Investment Team within the guidelines set out by the Investment Committee.
- In line with the IRDAI's stewardship guidelines, exposure beyond the threshold level of 3% of the equity share capital of the investee company will be considered as "material. The threshold level will help in determining the level of engagement and intervention with the investee company. Further, where the holding is less than 3% but where there are reported issues of governance, the Company shall consider such investments as material on specific issues or for specific periods.
- BAGIC shall look to engage with its investee companies on a regular basis, where the exposure is material as defined above. Interaction with all investee companies would be on a best effort basis.
- As per the regulatory guidelines, the Stewardship function would not be outsourced. No consultant may be engaged by BAGIC without specific approval of the Investment Committee. The ultimate stewardship responsibility remains with BAGIC.
- BAGIC shall disclose the Voting Report on its website, on a quarterly basis, as required by regulation.

Principle 2

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

Conflict of interest situation may arise in case of following situations:

- i. if the investee company is part of the same promoter group of the company
- ii. The investee company/ group company of the investee company is a business partner contributing 10% or more of its gross written premium

The following shall be considered when an issue of conflict arises

- a) BAGIC will always seek to ensure that it acts in the best interests of its relevant stakeholders while executing its voting and/or engagement obligations in terms of this Stewardship Policy,
- b) The transaction which is the subject matter of the resolution is in compliance with applicable regulations and is at arms' length based on available disclosures
- c) In the event of any resolution that is not at arms' length or lacks sufficient disclosures to make appropriate judgment on existence of conflict of interest,

the same may be disclosed to the audit committee if it is so recommended by the Executive Investment Committee

- d) Blanket ban for a certain period on investment in certain cases of potential conflict may be considered by the Board Audit committee on the recommendation of the EIC.

Principle 3

Insurers should monitor their investee companies.

- Investment team will be responsible for monitoring all the companies in which BAGIC has invested.
- BAGIC 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, board resolutions, appointment of directors, remuneration, etc.
- Areas of monitoring may inter alia include the following:
 - 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 transaction.
 - e) Risks including Environmental, Social and Governance (ESG) risks.
 - f) Shareholder rights and their grievances.

However, the primary objective of BAGIC shall be to protect and grow the wealth of the relevant stakeholders.

Level of monitoring will take cognizance of the size of investment particularly with reference to the compulsory engagement basis the threshold prescribed in this policy.

Principle 4

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

- BAGIC will look to intervene in investee company, on a best effort basis.
- Intervention could comprise of interaction with the management viz. Meetings, Conference calls, etc. If not satisfied with the outcome of the meeting, BAGIC 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

- BAGIC, as a manager of its funds, is responsible for discharging its obligations in the best interests of the Policyholders, and, in the case of Shareholders' 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, BAGIC would not be disclosing such interactions.

Principle 6

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

BAGIC has a voting policy as per Annexure A, investment team will be responsible to voting resolutions as per voting policy.

BAGIC may choose to vote for or against any proposed resolution or abstain from voting on any resolution. In deciding this, BAGIC may consider ordinary business, special business and items requiring special resolutions as different categories requiring different levels of diligence. BAGIC would compulsorily vote, if BAGIC is holding at least 3% in the Equity Share Capital (ESC) of the investee company.

Voting policy is disclosed on BAGIC's website. Compliance of the voting policy shall be reviewed by the Audit Committee on annual basis.

All voting activities will be disclosed on the website of the Company on quarterly basis as a part of public disclosures.

Principle 7

Insurers should report periodically on their stewardship activities.

- BAGIC will disclose stewardship activities including voting actions on Company website on quarterly basis.
- Voting disclosure would be as per the following format:

Meeting date	Investee Company Name	Type of meeting (AGM/ EGM)	Proposal of Management / Shareholders	Description of proposal	Management recommendation	Vote (For / Against / Abstain)	Reason supporting the vote decision
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Compliance and reporting:

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

BAGIC will report its status of compliance with the Stewardship Principles in the format issued by the IRDAI, as required by its guidelines on stewardship.

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 and / or shareholders as the case may be. Procedure to be 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 BAGIC votes 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 the custodian requesting it to carry out the same.
5. Back office shall maintain record of voting at various meetings of investee companies
6. Mid office will monitor compliance and analyze the voting patterns etc.

The Board of Directors, vide resolution dated 13 October 2017, has appointed, the Chairman, Managing Director & Chief Executive Officer and Chief Investment Officer, as authorized representatives of the Company to attend and vote (including by e-voting or postal ballot or through proxy) at meetings of the members or debenture holders or any class thereof of any companies / associations / institutions / bodies, of which the Company is a member or debenture holder.

Finance Team (Mid Office / Back Office) would be responsible for executing the voting resolutions on behalf of the Chairman, Managing Director, Chief Executive Officer and Chief Investment Officer.

Version II

Approved by the Board of Directors on 15 May 2020