



CLASSIFICATION: INTERNAL

# BHARTI AXA GENERAL INSURANCE

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## STEWARDSHIP POLICY

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April 2020

Version 4.0

## **PREAMBLE**

The Stewardship and Voting policy (“the policy”) is formulated as per the ‘Stewardship Principles’ as specified by the Insurance Regulatory and Development Authority of India. This document sets out the approach by Bharti AXA General Insurance Company Limited to responsible ownership, with regard to the guidelines set out in the Stewardship Code (the “Code”). This document outlines how Bharti Axa General Insurance implements its approach with respect to each of the core principles presented in the Policy..

Stewardship aims to promote the long-term success of investee companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits both investee/investor companies and promotes informed decisions by the parties, improves the return on investments of insurers which ultimately benefits the Policyholder and enhances the quality of capital markets.

## **LEGAL FRAMEWORK**

Insurance Regulatory and Development Authority of India (“IRDAI”) issued Guidelines on Stewardship Code for Insurers in India *vide* Circular No. IRDA/F&A/GDL/CMP/059/03/2017 dated 20<sup>th</sup> March 2017 which provided set of principles which insurers required to adopt. The Guidelines required insurers to formulate a policy which governed the conduct of insurers with regard to Stewardship of investee companies and disclosures thereto. Based on experience in implementation, compliance by insurers and recent developments, the IRDAI thereafter issued a revised guidance on stewardship code stated as Revised Guidelines on Stewardship Code for Insurers in India *vide* Ref No.: IRDA/F&A/GDL/CMP/045/02/2020 dated 7th February 2020. In accordance with the principles indicated in the revised guidelines, insurers are required to review and update their existing stewardship policy, obtain Board approval for implementation of the policy and disclose the Board approved policy on its website alongside the public disclosures, within thirty (30) days of Board approval.

## SCOPE OF APPLICATION

This policy shall come into force from the date of its approval by the Board of Directors of Bharti Axa General Insurance. This policy applies to the cases where Bharti Axa General Insurance has invested in shares (both equity and preferential shares), debentures and bonds and loans to Investee Company. The policy shall be applicable for investments which fulfill the below mentioned criteria:

- Where Bharti Axa General Insurance's exposure in the investee company is 1% and above of paid-up capital of investee company.
- Where debt + equity exposure in Investee Company is more than 1% of the AUM of Bharti AXA general Insurance

## PRINCIPLES GOVERNING STEWARDSHIP RESPONSIBILITIES

### 1. Key Stewardship Responsibilities

#### 1.1 Primary Stewardship Responsibilities: Bharti Axa General Insurance shall:

- ✔ Take into consideration, in the investment process, investee companies' policies and practices on environmental, social and governance matters
- ✔ Take into account the corporate governance practices of investee companies, when undertaking buy and sell decisions;
- ✔ Enhance shareholder/investor value through productive engagement with investee companies;
- ✔ Vote and engage with investee companies in a manner consistent with the best interests of its shareholders/investors;
- ✔ Influence the development of corporate governance standards and corporate responsibility;
- ✔ Communicate environmental, social and governance principles and policy guidelines to investee companies;
- ✔ Maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

#### 1.2 Discharge of Stewardship Responsibilities: Bharti Axa General Insurance shall discharge its stewardship responsibilities through:

- ✔ Voting on shareholders' resolutions, with a view to enhance value creation for the shareholders/investors and the investee companies; Bharti Axa General Insurance has appointed Institutional Investor Advisory Services ("Agency") as proxy advisors to advise and assist in voting;
- ✔ Bharti Axa General Insurance shall use the services of external agencies (such as custodians/ banks etc.)

Wherever deemed fit to discharge the duties on behalf of Bharti Axa General Insurance. Bharti Axa General Insurance shall use its own discretion while using the services of the external agencies so as to ensure that Stewardship responsibilities are exercised diligently at all times. The final onus and responsibility shall be that of Bharti Axa General Insurance;

- ✦ Advocating for responsible corporate governance practices, as a driver of value creation; and
- ✦ Intervening on material environmental, social and governance opportunities or risks in the investee companies.

### 1.3 Responsibility for oversight of the stewardship activities:

- ✦ The Board Investment Committee ("Committee") shall ensure that there is an effective oversight of the stewardship activities;
- ✦ The Local Management Investment Committee (LMIC) shall be responsible for compliance with this Stewardship Code and shall be under the supervision of the Committee.

- 1.4** Disclosure of Stewardship Code: This Stewardship Code and amendment thereto, should be approved by the Board of Directors and should be disclosed on the website of Bharti Axa General Insurance within 30 days of approval by the Board, alongside the public disclosures. Any subsequent amendment or modification to this Policy should be specifically disclosed at the time of updating the Policy on the website.
- 1.5** Disclosure of Stewardship and Voting Activities: Bharti Axa General Insurance shall also disclose regarding the voting activity in the investee companies in which Bharti Axa General Insurance have actively participated and voted on resolutions / proposals.

These disclosures will form part of the Public Disclosures on website on quarterly basis in accordance with timelines prescribed for quarterly public disclosures on website, in the prescribed format as set out in Annexure A in this Policy.

## **2. Training of Personnel in relation to compliance with the Code:**

- 2.1 Bharti Axa General Insurance will organize programmes for employee training and development so as to ensure continued and effective compliance with the Policy

### 3. Managing conflicts of interest in relation to stewardship

3.1 The term “conflict of interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. A conflict of interest exists where the interests or benefits of Bharti Axa General Insurance (including its employee, officer or director) conflict with the interests or benefits of its policyholder/shareholder.

3.2 As per provisions of “Code of Conduct for prevention of Insider Trading” of the Company, all covered employees shall submit a securities statement with details of the securities of listed companies and unlisted companies held by him/her (including the securities held by his/her immediate relative). All employees shall also be governed by Bharti Axa General Insurance’s Conflict of Interest Policy.

3.3. Avoid conflict of interest: The employees, officers and directors of Bharti Axa General Insurance shall undertake reasonable steps to avoid actual or potential conflict of interest situations. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, employees, officers and directors shall report such conflicts to the LMIC for appropriate action.

3.4 Identifying conflict of interest: While dealing with investee companies, Bharti Axa General Insurance may be faced with a conflict of interest, inter alia, in the following instances, where:

- Bharti Axa General Insurance and the investee company are part of same group or
- The investee company is also a client of Bharti Axa General Insurance or its group
- companies or affiliates; Bharti Axa General Insurance is a lender to the investee
- company;
- The investee company is partner or holds an interest, in the overall business or is a distributor for Bharti Axa General Insurance’s other group companies;
- Any of the group companies or affiliates of Bharti Axa General Insurance is a supplier or partner of the investee company;
- A nominee of Bharti Axa General Insurance has been appointed as a director or a key managerial person of the investee company;
- A director or a key managerial person of Bharti Axa General Insurance has a personal interest in the investee company;
- Bharti Axa General Insurance (including its employee, officer or director) is likely to make a financial gain, or avoid a loss, at the expense of a shareholder/investor or the investee company

### 3.5 Manner of managing conflict of interest:

- All who are directly/indirectly involved in decision making have a responsibility of recusing himself/herself from decision making in case of having actual / potential conflict of interest in the transaction. Such persons shall make a statement about his/her interest to LMIC and Compliance Officer, as soon as a situation of conflict arises.
- A potential conflict of interest in relation to an investee company shall be reasonably highlighted to the LMIC and Compliance Officer who may further decide to refer unresolved conflicts to the Audit Committee;
- LMIC and Compliance Officer may pass blanket bans on investment in certain cases;
- Rationale for voting on each shareholder resolution shall be recorded in the internal records of Bharti Axa General Insurance;
- Employees, officers and directors of Bharti Axa General Insurance will record their outside appointments/professional engagement with the Company. ;

- ↗ Bharti Axa General Insurance may consider abstaining from voting when Bharti Axa General Insurance and the investee company are part of the same group, unless Bharti Axa General Insurance records rationale for voting on such resolutions;
- ↗ Business level conflicts shall be resolved on a case to case basis by the Investment Team in consultation with the LMIC wherever required, after factoring the relevant considerations.
- ↗ All reports of minutes of decision taken to address such conflicts would be maintained as per Company's Record Retention Policy.

#### **4. Monitoring of Investee companies**

##### **4.1 Manner of Monitoring**

- ↗ Bharti Axa General Insurance shall adopt different levels of monitoring in different investee companies which will be in line with the internal framework of the Company.
- ↗ Bharti Axa General Insurance will comply with Insider Trading code with respect to identification of situations which may trigger communication of insider information in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended time to time.
- ↗ The Investment Team shall be responsible for the supervision of the monitoring of the investee companies' strategy and performance (operational and financial) industry level monitoring and possible impact on investee companies, quality of company management and Board and leadership effectiveness, succession planning, corporate governance including remuneration, structure of the Board, related party transactions, reporting, . Risks including cultural, social, governance and environmental (ESG risks) Shareholder rights and grievances and other parameters it may consider important;
- ↗ Investment Team may use publicly available information, sell side research and industry information and shall engage with the investee companies' to monitor their performance;
- ↗ Investment Team shall endeavor to attend meetings/ calls/ webcasts which Bharti Axa General Insurance deems fit on the basis of agenda for companies which fall within the threshold level. Investment Team shall also endeavor to participate through other mechanism which will provide for higher participant/engagement conducted by the management of the investee company to which it is invited.



## 5. Engagement strategies and principles with investee companies

5.1 Bharti Axa General Insurance shall intervene if, in its opinion any act/omission of the investee company is considered material on a case to case basis, including but not limited to poor financial performance of the investee company, corporate governance related principles such as insufficient disclosures, inequitable treatment of shareholders remuneration, related party transactions strategy, corporate plans/ strategy, CSR, Environmental , Social and Governance (ESG) risks, leadership issues, litigation or any other related matters.

5.2 Intervention by Bharti Axa General Insurance: The decision for intervention shall be based on the following broad parameters:

- ✦ Bharti Axa General Insurance shall not generally intervene if the threshold is below the prescribed level or investment is already earmarked for divestment;
- ✦ Bharti Axa General Insurance may consider intervening in matters below the thresholds, if in reasonable opinion, the issue involved may adversely impact the overall corporate governance atmosphere or Bharti Axa General Insurance's investment or it is not in the best interest of its policyholders

5.3 Bharti Axa General Insurance intervention and escalation policy is as follows:

- ✦ **Engagement:** Bharti Axa General Insurance shall take all reasonable steps to engage with the investee company's management to resolve any concerns of Bharti Axa General Insurance including steps to be taken to mitigate such concerns.
- ✦ **Re-engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by Bharti Axa General Insurance within a reasonable timeframe, Bharti Axa General Insurance shall take all reasonable steps to re-engage with the management to resolve Bharti Axa General Insurance's concerns.
- ✦ **Escalation:** In case there is no progress despite the first two steps, Bharti Axa General Insurance may decide to engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. Bharti Axa General Insurance may also consider discussing the issues at the general meeting of the investee company (either called by the investee company or requisitioned by Bharti Axa General Insurance or collaborate with other investors and vote against the decisions. Bharti Axa General Insurance may also interact with the investee companies through the general insurance councils in case of any industry level issues. Bharti Axa General Insurance shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting as a 'person acting in concert' with other shareholders
- ✦ **Reporting to the Regulators:** If there is no response or action taken by the investee company despite the first three steps. Bharti Axa General Insurance may approach the relevant authorities [or can consider recourse to other legal actions].5.4 In case Bharti Axa General Insurance's intervention is not successful (either fully or partially), it will not automatically result in Bharti Axa General Insurance being

required to exit its investment in the investee company. The decision to purchase more equity or sell all or part of Bharti Axa General Insurance's investment in the investee company shall be made by the Investment Team, which may consider the outcome of the intervention as an input in its decision-making process.

## **6. Collaboration with other Institutional Investors**

6.1 Bharti Axa General Insurance shall consider collective engagement with [other shareholders / institutional investors / advisors / proxy advisory firms] on a general basis and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. Bharti Axa General Insurance may approach, or may be approached by, other Asset Managers, including insurers, mutual funds, or other type of shareholders to provide a joint representation to the investee companies to address specific concerns.

6.2 Bharti Axa General Insurance shall also, where permitted, collaborate with other shareholders, professional associations such as [General Insurance Council of India, Life Insurance Council, Association of Mutual Funds in India, General Insurers' Public Sector Association, etc; regulators such as IRDAI, Pension Fund Regulatory and Development Authority, SEBI, and other policy makers to solicit views.

6.3 Bharti Axa General Insurance shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting as a 'person acting in concert' with other shareholders.

## **7. Voting and disclosure of Voting activity**

- 7.1 Bharti Axa General Insurance shall exercise their voting rights(vote/abstain) on all resolutions of investee companies which fall within the scope of application of this policy
- 7.2 Voting decisions shall be made in accordance with Bharti Axa General Insurance's internal framework and shall also consider several factors, including recommendations made by the Agency;
- 7.3 Bharti Axa General Insurance shall endeavor to attend general meetings of the investee companies (annual as well as any extra ordinary shareholders' meetings) wherever it deems fit on the basis of the agenda, and actively speak and respond to the matters being discussed at such meetings to the extent possible.
- 7.4 Bharti Axa General Insurance shall be required to record specific rationale supporting its voting decision (for, against or abstain) with respect to each non-routine vote proposal, and shall report the same to the Committee.
- 7.5 The Audit committee will monitor oversight on voting mechanism;
- 7.6 The voting activities of Bharti Axa General Insurance in the investee companies in which Bharti Axa General Insurance has actively participated and voted on resolutions / proposals should be disclosed in the format as prescribed under Annexure I in this Policy under public disclosure section of Bharti Axa General Insurance website as per timelines prescribed for quarterly public disclosures.

## **8 Compliance and Reporting**

It is clarified that compliance with these principles does not constitute an invitation to manage the affairs of an investee company or preclude a decision to buy or sell holdings of any of the investee companies when this is considered in the best interest of clients or beneficiaries.

The Audit committee and the Board of Directors of Bharti Axa General Insurance shall ensure that there is effective oversight on Bharti Axa General Insurance's stewardship activities. The Board Investment Committee shall be responsible to keep an oversight on the stewardship related decisions and activities and shall intimate the Audit committee and the Board of Directors the necessity to modify the Policy.

The Committee shall annually report to the Audit committee and the Board of Bharti Axa General Insurance activities undertaken under this policy in regards to implementing this Policy and discharging its responsibilities.. Bharti Axa General Insurance shall comply with all principles given in the revised guidelines and submit to the IRDAI an Annual Certificate of Compliance approved by the Board, in the format as prescribed under Annexure II in the Policy, duly certified by CEO and Compliance Officer on or before 30<sup>th</sup> June every year.

#### 9. Review of Policy -

Bharti Axa General Insurance shall review and update the Policy periodically i.e. at least once a year and within 30 days from Board approval the updated Policy should be disclosed alongside public disclosures on website specifically disclosing the change/modification to the Policy at the time of updating the Policy on the website.

## ANNEXURE I

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 II**

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

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

Date: \_\_\_\_\_

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

Status of Compliance with Stewardship Principles

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)