

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 20th 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. 20th, to discharge its stewardship responsibilities.

Principle 1

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

Insurance Companies are significant investors in the securities markets and act as investors on behalf of the policyholders. As a result of this, we have fiduciary responsibility to manage/monitor Investee companies affairs so that the policyholders' interests are always protected.

Our Stewardship responsibility would also include the regular monitoring and engaging with Investee Companies on various matters such as Operating/ Financial performance as well as corporate governance issues.

We would achieve this by having regular 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), debentures and bonds, loans to the investee company.

As we have investment exposure to very large number of companies & exposure level is very small, we will engage with all the investee companies where the exposure is more than 3% of investee companies' Equity Shares. The threshold level will be 5% in case of debentures.

In respect of companies where the investments are lower than the threshold level, the engagement shall be on a case-to-case basis.

Principle 2

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

Our company is a leading Public Sector Insurance company having a large number of leading corporate in our Clientele, which may lead to situation creating conflicts of interest.

Conflicts of interest may arise in certain situations where 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.

Our company will make its best efforts to avoid such conflict. Further we will try to resolve such conflicts of interest keeping in view the best interests of our Policyholders.

Principle 3

Insurers should monitor their investee companies.

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 continuously.

We will try to make such arrangements that we do get the notices of all corporate governance related matters through electronic format in addition to the communication sent by the investee companies.

This will help us monitor the investee company in an efficient manner. There will be no threshold limit applicable for such monitoring purpose.

The Management of our company may decide on a case-to-case basis to have nominations on the Board of an investee company in consultation with other public sector insurance Companies.

Principle 4

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

With reference to principle number 3, we will endeavor to monitor our investee companies continuously regarding the corporate governance practices.

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.

With reference to principle no 4, 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.

Our investment in the investee companies gives us the right to cast our vote in the various management resolutions.

We will exercise our voting rights judiciously as per the voting policy.

Voting Policy

We would vote on the resolution of the investee companies where our holding is more than threshold level.

Where our investment is less than the threshold level, we will decide to vote on a case-to-case basis.

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.

We may use the services of institutional advisors; seek the recommendations/analysis of a research firm before we take any decision..

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.

We may also send our Authorized representative to attend the meeting for better participation in discussion with the management of the investee companies.

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.

Principle 7

Insurers should report periodically on their stewardship activities.

In line with guidelines, the Stewardship Policy will be disclosed on the website of our company after it is approved by the Board.

Any subsequent changes / modification in the policy will be disclosed on the website after the same is approved by the Board.

Wherever we take vote on the resolutions in respect of investee companies, such decisions along with the rationale would be disclosed publicly on our website alongside the public disclosures.

A Report will also be filed to the Authority on an annual basis.