

FUTURE GENERALI INDIA INSURANCE COMPANY LIMITED

STEWARDSHIP POLICY

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Document History

Date of Release	Version No.	Remarks
August 11, 2017	1	New Document
November 02, 2018	2	Changes pursuant to the IRDAI notice on Compliance with the Stewardship code and for better clarity
June 4, 2020	3	Changes to incorporate the revised guidelines on stewardship code issued by IRDAI in Feb 2020.
May 12, 2021	4	Annual review of the Policy

Background

Future Generali India Insurance Company Limited (FG Non-Life) as a part of its regular business activities invests in equity & Debt securities issued by companies (Investee Company). FG Non-Life is expected to monitor and engage with the investee companies on issues like strategy, business performance and corporate governance etc. Also, FG Non-Life is expected to exercise the voting rights attached with these investments in the best interest of the policyholders. In this backdrop, Insurance Regulatory Development Authority of India (IRDAI) vide reference no. IRDA/F&A/GDL/CMP/059/03/2017 dated 20th March 2017 has issued Guidelines on Stewardship Code for Insurers in India (Guidelines). Further the IRDAI has issued revised guidelines vide reference no. IRDAI/F&A/GDL/CMP/045/02/2020 dated 7th February 2020.

Description

This document sets out the principles and the policies to be followed by FG Non-Life regarding the engagement with the management of the investee companies, voting on resolutions pertaining to the investee companies and disclosures relating thereto. This policy as approved by the Board of Directors will be referred to as the 'Stewardship Policy' for FG Non-Life and will be effective from 1st June 2020. The policy will be reviewed and updated periodically, and updated policy will be approved by the Board of Directors.

This policy, as amended from time to time will be disclosed on the website of the company along with other public disclosures. Any change or modification to the policy will also be disclosed at the time of updating the policy on the website. The company will file a status report to IRDAI on an annual basis, indicating the compliance with the principles laid down in this policy. Non-compliance, if any, will also be reported along with the reasons / justifications for the same.

Key Principles

Discharging Stewardship Responsibilities

The Investment Committee shall be responsible for monitoring implementation of the Stewardship Policy duly approved by the Board. The threshold level beyond which the exposure to the investee company will be deemed to be meaningful is **1.0% of outstanding paid-up share capital of the investee company**. This threshold level will help in determining the level of engagement and intervention with the investee company. The Investment Committee can amend the threshold level based on experience and any such amendment shall be disclosed.

The investment team of FG Non-Life headed by the Chief of Investments (CoI) will be responsible for ongoing monitoring of the investee companies and will also be responsible for engaging with the managements of the investee companies. Investment mid-office team will duly inform the Investment front office team about notices/communication received from investee companies regarding voting or any other engagement. The investment team will seek guidance, when required, from the Investment Committee with respect to the engagement and intervention with the investee companies. FG Non-Life will train all the personnel involved in implementation of the stewardship policy on periodic basis as deemed necessary.

The Investment Committee shall recommend to the Board whether it intends to use the services of any external service providers to support the Investment team in discharging its stewardship responsibilities. In case the Investment team engages an external agency scope of services that it proposes to avail shall be properly defined. Though core function of investment cannot be outsourced, 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.

While the Company may avail the services of external agencies, such as Institutional advisors, the ultimate discharge of stewardship responsibilities lies with the Company

Managing Conflicts of Interest

The voting on investee company resolutions may entail some instances of a conflict of interest between the interests of shareholders of FG Non-Life and the FG Non-Life policyholders' interests. Some of the key instances are as under -

- The investee company is a customer of FG Non-Life
- The investee company is a promoter group company
- The investee company is a partner in some aspect of FG Non-Life's business
- Key Management Person of FG Non-Life may have personal interests that conflict with their responsibility to act in the best interests of the Company. For the purpose of this Policy, the definition of Key Management Persons of FG Non-Life shall be per IRDAI Guidelines for Corporate Governance for insurers in India”.

FG Non-Life will manage conflicts of interest by safeguarding the interest of policyholders in all circumstances. The interested party will recuse himself / herself from such decision making in case of conflict of interest. Any matter of potential conflict of interest will be referred to the Audit committee and the minutes of the decision taken to address the conflict of interest shall be maintained.

Monitoring of Investee Companies

The Audit Committee will oversee the stewardship activities of the Company. A report on the voting activities of the Company will be presented to the Audit Committee annually. The Company will use publicly available information, management meetings, secondary research and industry information to monitor these companies. Investment team will try to have at least one meeting a year with the management of the investee companies. However, in those cases where management of an investee company is not accessible, or investment team believes that there is no incremental information provided by the management, monitoring will be done through other sources. Monitoring will include but need not be restricted to strategy and business outlook, financial performance, management evaluation and corporate governance issues, capital structure and key risk areas. All investee companies will be monitored equally irrespective of the quantum of investment in order to protect the interest of the policy holders. However, voting will be done only if the exposure is more than 1.0% of the outstanding paid up share capital of investee company.

As a policy FG Non-Life will not seek to nominate its representative on the Board of an investee company based on its investments in the investee company, unless such investment is strategic in nature and / or the Investment Committee decides that a nominee is warranted.

While fulfilling the responsibility, FG Non-Life will comply with SEBI (Prohibition of Insider Trading) Regulation 2015 as amended time to time.

The situations which may trigger communication of insider information and the procedure to be followed to ensure compliance with SEBI (Prohibition of Insider Trading) Regulations 2015 are as follows:

1. Holding in a Promoter group company
We follow SEBI Regulations fully even now in this regard while buying or selling shares. The extant Regulations will always be followed and complied with.
2. In cases wherein FGIL has a seat on the Board of an Investee Company
We will follow extant SEBI Regulations fully at all times in this regard.

Active intervention in the Investee companies

Concerns may arise with respect to the investee companies from time to time mainly on account of poor financial performance, insufficient disclosures, non-compliance to regulations, performance parameters, governance issues, leadership issues, litigations, environmental, social and governance risks (ESG) and corporate plans/ strategy. FG Non-Life may intervene on case-by-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility. Active intervention will be undertaken by Investment Team if the investment in the company is above the defined threshold level. However, the Investment Team can decide to intervene in companies where the investment is below the defined threshold level, depending on the seriousness of the issue. In case the investment is already earmarked for divestment or post planned divestment holding will be below the defined threshold level, intervention may not be considered. A regular assessment of the outcomes of intervention by the insurer shall be conducted and presented to the Investment Committee.

In case of active intervention, initially, FG Non-Life as a shareholder will seek to engage with the company's management to discuss the concerns and apprehensions and actions to mitigate the concerns. If there is no response from the management or there is any lack of follow-up action as promised despite the passage of a reasonable period of time (One Month), FG Non-Life may re-engage with the management to reiterate the conclusions or the plans of action decided at the prior meetings. A time bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon. In case there is no progress despite these steps, the matter will be discussed at the Investment Committee of FG Non-Life for further escalation to the Board of Directors of the investee company. If the Investment Committee decides to escalate, the communication to the Board of the investee company should elaborate on the concerns, the past requests for engagement with the management of the company, the past discussions and the agreed course of actions.

The Investment committee shall decide the mechanism opted for the intervention and escalation of matters in specified cases. Voting decisions in the normal course of events should be approved by the Investment Sub Committee. In case of any escalations, the matter maybe referred to the Investment Committee. In all cases of engagement with the management and / or the Board of Directors of the investee company, all communications and discussions are to be conducted in private and confidential manner. The objective of the interactions is to play a constructive role in enhancing the value of the investment in the equity of the investee companies to benefit the policyholders of FG Non-Life.

Collaboration with other Institutional Investors

In select cases, the nature of the engagement with the investee company management or the issues involved in resolutions that need to be voted upon by shareholders may have an impact on all institutional shareholders of the investee company. In some cases, collaboration with other investors may be the most effective manner to engage with the investee companies. Collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value.

FG Non-Life may choose to engage with the investee company through consultations with the other institutional investors, with those whose interests are aligned with FG Non-Life, in order to have a wider group of investors representing a larger proportion of shareholders to engage with the company. FG may also represent the matter through Insurance council if the matter pertains to industry level issue. Investment Committee may be consulted for level of engagement and Company's actions in this regard.

Voting and disclosure of voting activity

In general, the matters coming up for voting by shareholders of the investee companies are corporate governance matters, change in capital structure, compensation & benefits, corporate social responsibilities and appointment of board of directors etc. The investment team shall review all voting proposals routine as well as non-routine items. Voting activity will be undertaken if the investment in the company is above the defined threshold level. IRDAI has made it mandatory for the insurer to vote if the below mentioned threshold is hit.

Size of AUM of Insurer (Rs. Cr.)	Compulsory voting required, if the insurer's holding of the paid-up capital of investee company (in percentage) is
Upto 2,50,000	3% and above
Above 2,50,000	5% and above

For FG Non-Life, the threshold level has been kept at 1% of paid up capital and accordingly Voting will be mandatorily done only if the exposure is more than 1.0% of the outstanding paid up share capital of investee company. However, the Investment Team may vote in companies where the investment is below the defined threshold level, depending on the seriousness of the issue.

In those cases, where voting activity is required to be carried out, the voting decision will be taken by Investment Sub Committee. The role of the Investment Sub Committee is to carry out a supervisory/monitoring role over the operations of the Investment. The Investment Sub Committee consists of Chief Executive Officer, Chief Financial Officer, Chief of Investments, Chief Risk Officer and Appointed Actuary. As a rule, in all cases the voting decisions of FG Non-Life will be based on the best interests of the policyholders. In case of escalations, the Investment Committee will guide the Investment team on the matter. Audit committee shall monitor oversight on voting mechanism. Relevant disclosures will be made at quarterly intervals regarding the voting activity in the investee company where FG Non-Life has voted on resolution/proposals. The same shall be part of the public disclosure on the website.

Stock lending and recalling activities, if any, shall be as per guidelines in Investment Policy as approved by Board. Any stock lending and recalling activity undertaken shall be disclosed along with voting history of FG Non-Life.

Public Disclosures

At an annual frequency, FG Non-Life will disclose all the activities undertaken by the investment team, regarding implementing this stewardship policy and discharging its responsibilities, on its website, as part of public disclosures. The disclosures will also include the votes cast by FG Non-Life at all the resolutions put forth by the investee companies for shareholders' approval.

Investment Mid/Back office Team shall be responsible for preparing the data/information required for public disclosures required under this Policy and send it to Marketing function for disclosing in the Company's website

Further the Mid/Back office team shall also provide a periodic report to the ultimate beneficiaries (policyholders) on how the Company has discharged their responsibilities, in a suitable format, as part of public disclosures.

Compliance and Reporting:

The compliance with the aforesaid principles does not imply management of the affairs of a company or preclude a decision to sell a holding when this is considered in the best interest of policyholders or beneficiaries, 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.

The Company shall comply with all the principles given in the guidelines and submit an Annual Certificate of Compliance approved by the Board to the Authority in the specified format duly certified by CEO and Compliance Officer on or before 30th June every year.

Review

The Stewardship Policy will be reviewed periodically by the Board of Directors. The Investment Team would be responsible for tracking market developments, initiating suitable modifications in the Stewardship Policy and seeking approval for such amendments from the Investment Committee/ Audit Committee / Board of Directors. The Legal & Compliance team (including Secretarial Team shall notify the investment team on various regulatory provisions under stewardship activities. The Secretarial team shall facilitate the Investment team in obtaining Committee/Board approvals as per the Guidelines on Stewardship Code.