

Policy on Stewardship Code

Document Control

S. No.	Type of Information	Document Data
1.	Document Title	Policy on Stewardship Code
2.	Base Document	Guidelines on Stewardship Code for Insurers in India issued by IRDAI vide Ref No. IRDA/F&A/GDL/CMP/059/03/2017 on March 20, 2017
3.	Governing Guideline/Policy	Guidelines on Stewardship Code for Insurers in India issued by IRDAI vide Ref No. IRDA/F&A/GDL/CMP/059/03/2017 on March 20, 2017. "Guidelines on Stewardship Code for Insurers in India" of 2 February 2020
4.	Policy Owner	Head – Investments
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Document Approvers

S. No.	Approver	Approved Through / Nominee	Nominee Contact
1.	Board of Directors	Investment Committee	N. A.

Document Change History

Version No.	Nature of Change	Date Approved
1.0	First time creation	19 th January 2018
2.0	Review – Oversight and review of the Policy is entrusted to the Audit Committee	30 th October 2018
3.0	Annual Review	23 rd October 2019
4.0	Review pursuant to IRDAI circular dated 7 th February 2020	22 nd May 2020
5.0	Review pursuant to IRDAI letter dated 24.02.2021	07 th May 2021

Introduction

Insurance Companies are significant institutional investors in listed companies and a large part of these investments is held as custodians of policyholders. Insurance Regulatory and Development Authority of India (IRDAI) vide circular number IRDA/F&A/GDL/CMP/059/03/2017 dated 20th March 2017 has issued guidelines on Stewardship Code for insurers in India (“Guidelines”) and circular number IRDA/F&A/GDL/CPM/045/02/2020 dated 7th February 2020 issued the Revised Guidelines on Stewardship Code for Insurers in India (“Revised Guidelines”).

Stewardship Code is in the form of set of principles, which the insurers would require to adopt for their implementation.

Stewardship Principles

NAVI General Insurance Limited (“NAVI GI”) has framed this Stewardship Policy based on IRDAI Guidelines and the Revised Guidelines, and any further guidance issued by the IRDAI from time to time.

1. Principle 1 - Discharge of Stewardship responsibilities and Public disclosure.

NAVI GI will monitor and engage with companies on matters such as strategy, performance, risk, capital structure, and corporate governance of the investee companies. At present, NAVI GI does not intend to use the services of external service providers such as institutional advisors for discharging the Stewardship responsibilities.

In the event that Navi GI engages services of external agencies for the purpose of undertaking investments, like investment advisors, consulting firms, survey firms, etc. However, investment remains the core function of Navi GI and the ultimate decision regarding the engagement/intervention in the activities of the investee company will rest with Navi GI.

Such external advisors may be engaged to provide inputs, information and advice to Navi GI in relation the investment in the investee company, and to arrive at voting decisions in relation to the resolutions of investee companies. The nature of services provided by such external advisors may *inter alia*, include market survey data, industry wide analysis, business valuation, etc. The advice provided by such investment advisors, consulting firms, survey firms, etc will be reviewed and approved by the investment team before the same is adopted/implemented/acted upon. Approval of the Investment Committee will be obtained where required. The ultimate stewardship responsibilities as set out under this Stewardship Policy shall be discharged by Navi GI.

2. Principle 2 - Managing conflicts of interest

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 the NAVI GI (including its employee, officer or director) conflict with the interests or benefits of its policyholders or the investee company. Some of the key instances are as under –

- Potential conflicts involving business relationships of Navi GI versus policyholder interest
- Conflicts involving shareholder/promoter/affiliates/director/key employee(s) interests versus policyholder relationships

NAVI GI will make its best efforts to avoid such conflicts and ensure that any conflicts of interest are resolved in the best interests of its Policyholders. The entire process shall be ensured of arm's length principle and shall follow detailed processes of approvals at highest levels.

The investment team shall endeavor to resolve all conflicts of interest keeping in mind the overall interest of the policyholders. In resolving any conflict of interest that arises, the long-term interests of policyholders will be kept in mind. For resolving a conflict of interest, the investment team may:

- **Ban on future investment:** The Investment Committee of Navi GI may also decide to ban future investments completely in relation to an investee company, where such investment is deemed to be against policyholder interests and where the Investment Committee is of the view that it will not be possible to adequately resolve future conflicts of interest. In such case, decision may also be taken to liquidate the investment (if required).
- **Referral to Investment Committee:** In the event of an actual/ potential conflict of interest, the investment team may consult with the Investment Committee to decide whether to vote or abstain from voting and also the manner of voting (if required) in relation to the resolution of the relevant investee company. The Investment Committee may refer an issue to the Audit Committee, if deemed necessary and appropriate.
- **Segregation of functions:** To avoid any potential conflict of interest involving business relationships, Navi GI will ensure clear segregation of voting functions pursuant to this Stewardship Policy and the client relations /sales functions.
- **Recusal in case of conflict of interest:** Where a conflict of interest situation arises in relation to a director/key employee of Navi GI, the person having the actual/ potential conflict of interest may be asked to recuse himself/herself from participating in the voting process.
- **Specific Records:** Minutes of decisions taken by the Investment Committee and/or Audit Committee to address any conflict of interest arising under this clause will be separately maintained.
- The Investment Committee shall address an actual/potential conflict of interest on a case-by-case basis.

3. Principle 3 – Training of Personnel

Navi GI will ensure that adequate training with respect to compliances stipulated under this Stewardship Policy is imparted to its personnel and employees who are engaged in the investment function of Navi GI, in any manner.

A training session to the relevant employees will be conducted on a yearly basis outlining the guidelines and measures that are required to be kept in mind for fulfilling the stewardship responsibilities of Navi GI. The training of any new director / employee who is a relevant member of the investment team or a member of the Investment Committee, will be conducted within 30 days of his / her joining.

4. Principle 4 - Monitoring of Investee Companies

NAVI GI will be responsible for monitoring performance of all the investee companies. NAVI GI shall undertake a credit analysis by using publicly available information, sell side research, credit rating agencies and industry information.

Levels of Monitoring:

- The investment team will monitor all the companies in which Navi GI has invested.
- The investment team will use publicly available information on company strategy and performance and industry information to monitor these companies.
- While endeavor would be to ensure at least one meeting with such investee companies in a year, there can be investee companies where the management is not accessible or not accessible at appropriate levels or cases where the investment team believes that there is no incremental information which is being provided by the management. In such cases, it is possible that the monitoring is through other sources.

Areas of Monitoring:

- Monitoring will include but need not be restricted to company strategy and performance and industry information, management evaluation, corporate governance issues, capital structure, related party transactions and key risk areas.
- Monitoring on areas like succession planning, remuneration, Environmental, Social and Governance (ESG) risks, and shareholder rights and their grievances will be on a best effort basis.
- The investment team will use publicly available information on company strategy and performance and industry information to monitor these companies.

Insider Trading:

While monitoring and dealing with the investee companies, the employees of Navi GI may gain access to unpublished price sensitive information. With regard to such

information employees of Navi GI will be required to comply with the procedure set out under to ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.

5. Principle 5 - Intervention with Investee Companies

Since there are no equity investments, intervention with the investee companies will not be applicable.

Depending upon the nature of the issue, decision for intervention, if required may be taken by Investment Committee and any required escalation of an issue shall be taken to the required and appropriate authority. Concerns may arise with respect to the investee companies from time to time mainly on account of insufficient disclosure of information, poor financial performance of the company, remuneration, ESG risks, leadership issues, litigations, inequitable treatment of shareholders, governance issues, related party transactions, corporate plans/ strategy, or any other related matters, which impacts the value or liquidity of Navi GI's investment.

The decision to intervene may be taken by the Investment Committee:

- (a) in relation to an investee company in which Navi GI has invested [₹15 crores] and holds more than [3%] of the share capital of the investee company, whichever is higher; and
- (b) where in the investment team's opinion the issue is material*, and involves, including but not limited to, insufficient disclosure of information, poor financial performance of the company, remuneration, ESG risks, leadership issues, litigations, inequitable treatment of shareholders, governance issues, related party transactions, corporate plans/ strategy, or any other related matters;

**Materiality of an issue shall be determined by the investment team on a case-by-case basis.*

The Investment Committee may revise the limit of above threshold levels for engagement / intervention in the activities of the investee company wherever appropriate. Navi GI may consider intervening in relation to issues below the earmarked thresholds, if in the reasonable opinion of the Investment Committee, intervention is required to protect the value or liquidity of its investment, the reputation of Navi GI, and discharging its stewardship responsibility.

In exceptional cases, NAVI GI shall devise an exit plan for the investments as per the best interest of the stake holders.

6. Principle 6 - Collaboration with institutional investors

Collective engagement with other institutional investors is most effective manner to engage with the investee companies. Any collaboration with other institutional

investors to engage with any investee company shall be applicable only if the NAVI GI has any investment exposure to equity shares of the said investee company.

7. Principle 7 - Voting and disclosure of voting policy

NAVI GI aims to use its voting right as part of its engagement policy and will vote accordingly in the best interest of the policyholders & shareholders. The investment team shall review all voting proposals for routine as well as non-routine items. Voting activity will be undertaken if the investment in the company is above the defined threshold level for voting. However, the investment team may vote in investee companies where the investment is below the defined threshold level, depending on the seriousness of the issue.

The Audit Committee of Navi GI will monitor voting activities.

Any voting as per debt holders right shall be undertaken with proper compliance which will be limited to Navi GI's investments in debt and fixed income securities.

NAVI GI will undertake active participation and voting on any resolution/proposals of investee companies as per debt holder rights.

Stock lending and recalling activities, if any, shall be as per guidelines in Investment Policy as approved by Navi GI's Board.

The voting will be mandatory on resolutions/proposals of the investee companies under the following circumstances:

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

In other instances, Navi GI may voluntarily participate and vote if such resolutions/proposals are considered significant and may have an impact on the value of investments of Navi GI.

8. Principle 8 - Reporting of Stewardship rights

NAVI GI will update the policyholders of its activities undertaken for the fulfillment of stewardship responsibilities as part of public disclosure on quarterly basis according to the Guidelines and Revised Guidelines issued by IRDAI and as amended from time to time.

This Stewardship Policy would be reviewed by Audit Committee periodically or as and when there are changes in Investment Philosophy of Navi GI.

9. Principle 9 – Disclosure and Reporting

- The Board through the Audit Committee shall ensure that there is effective oversight on the Navi GI's stewardship activities and compliance with the codes.
- The Stewardship Policy shall be updated on the Navi GI's website and will be fully complied with the code and regulatory compliance.

Annexure A

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 B

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

Name of the Insurer: _____

Date: _____

Period of Report (FY): _____

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)