

**UNIVERSAL SOMPO GENERAL INSURANCE COMPANY LIMITED**

**STEWARDSHIP POLICY**

**Version History**

<b>Document Title</b>						<b>Stewardship Policy</b>					
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1.0	Revised and Approved by BOD in the meeting dated July 28, 2017			
	CIO	IC	July'17	The document created as mandated by IRDAI guidelines on Stewardship Code.
2.0	Revised and Approved by BOD in the meeting dated February 04, 2020			
	CIO	IC	February' 2020	As per the guiding principles as advised by IRDAI, added frequency

				for review of the Stewardship Policy.
3.0	Revised and Approved by BOD in the meeting dated May 11, 2021			
	CIO	IC	May' 2021	As per the "Revised Guidelines on Stewardship Code for Insurers in India" by IRDAI, added norms for SLB and Compliance & Reporting
4.0	Reviewed and approved by 88 <sup>th</sup> BOD in the meeting dated 28 <sup>th</sup> March 2022			
	CIO	IC	March 2022	As per the Stewardship Code policy should be reviewed annually No amendments suggested
5.0	Reviewed and approved by 93 <sup>rd</sup> BOD in the meeting dated 3 <sup>rd</sup> February 2023			
	CIO	IC	February 2023	As per the Stewardship Code policy should be reviewed annually No amendments suggested
6.0	Reviewed and approved by 97 <sup>th</sup> BOD in the meeting dated 6 <sup>th</sup> February 2024			
	CIO	IC	February 2023	As per the Stewardship Code policy should be reviewed annually No amendments suggested

### Summary of Changes (Up to the last updated version)

Sl. No.	Clause No. and Particular	Highlights of changes	Impact of change	Reason for Change
1	Page 9 - Clause "Insurer should have a clear policy on voting and disclosure of voting activity" - Paragraph 6	Addition of Clause - "USGIC shall follow the norms prescribed by IRDAI for Stock Lending and Borrowing (SLB) vide circular no. IRDAI/F&I/INV/CIR/134/2013 dated July 12, 2013."	The norms prescribed shall be followed as per the circular. However, USGI does not envisage undertaking Stock Lending and Borrowing (SLB)	As per the "Revised Guidelines on Stewardship Code for Insurers in India" by IRDAI

2	Page 10 - Clause "Compliance & Reporting requirements" – Paragraph 1	Addition of Clause – “The Audit Committee shall oversee the effective implementation of the Stewardship activities of the Company.”	No change as the same was being followed by USGI.	As per the “Revised Guidelines on Stewardship Code for Insurers in India” by IRDAI
3	Name of the Committee changed	Sub-committee of Investment Committee (SIC) name changed to Management Committee for Investment (MCI)	MCI replaces the old SIC	As per Investment Committee recommendation in its 48 <sup>th</sup> meeting on December 9 <sup>th</sup> 2020

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## 1. Introduction

Insurance companies are significant institutional investors in listed companies and the investments are held by them as custodians of policyholders. As a part of the investment function, the investment function of the Company shall monitor and at times engage with the investee companies on various issues ranging from business performance, future strategy, corporate governance and other issues.

This Policy shall set out the principles and the norms to be followed by the investment function regarding the engagement with the management of the investee companies, voting on resolutions pertaining to the investee companies and disclosures relating thereto, in line with the IRDAI (Corporate Governance for Insurers) Regulations, 2024 read with Master Circular on Corporate Governance 2024 (“specified Regulations and master circular”).

Therefore, in light of the above stated goal of the Company and IRDAI Regulations, this stewardship policy shall be formulated.

## 2. Definition

Following terms for the purpose of this policy shall carry the meaning as mentioned below:

2.1	“Authority” or “IRDAI”:	Authority or IRDAI shall mean the Insurance Regulatory and Development Authority of India established under sub-section 1 of Section 3 of the IRDA Act 1999.
2.2	“Board”:	Board shall mean the Board of Directors of Universal Sompo General Insurance Company Limited.
2.3	“Company”:	Company shall mean Universal Sompo General Insurance Company Limited.
2.4	“Group”:	Group shall have the same meaning as defined under Regulation 1(4), Part I of Schedule III of IRDAI (Actuarial, Finance and Investment) Regulations, 2024.
2.5	“Investment Committee.”	Investment Committee shall mean the Investment Committee constituted in accordance with IRDAI (Corporate Governance for Insurers) Regulations, 2024 and IRDAI Master Circular on Corporate Governance for Insurers, 2024.

## 3. Applicability

This shall be applicable to and govern investment and all investment related activities and functions of the Company.

Stewardship activities shall include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.

## 4. Objectives

This policy shall have the following general goals:

- 4.1 The development and implementation of a comprehensive stewardship policy that clearly defines the responsibilities of the Company and procedures for discharging its fiduciary duties.
- 4.2 The policy shall be approved by the Board and publicly disclosed on the website of the Company.
- 4.3 The policy shall explicitly state how the company shall fulfil its stewardship responsibilities in order to enhance and protect the value for ultimate beneficiaries or clients.
- 4.4 The policy shall clearly stipulate that ultimate stewardship responsibilities that shall be discharged by the company itself and that the investment team receives proper training to understand the fiduciary duty to vote and the potential impact of voting decisions on shareholding value.
- 4.5 The Company shall insure that voting decisions are made in the best interest of policyholders.
- 4.6 The stewardship policy shall be reviewed and updated periodically, with all updates publicly disclosed on the website of the Company.
- 4.7 The company shall maintain transparency by disclosing its general policies and procedures for discharging stewardship responsibilities with respect to shares held in its portfolio.

## **5. Conflicts of interest**

- 5.1 This Policy shall attempt to cover the aspects of identifying and managing conflicts of interest. The Company shall take all reasonable steps to put the interests of their client or beneficiary first.
- 5.2 The Company (if participated) shall vote proxies in accordance with the recommendations of Chief Investment Officer as authorized by Investment Committee and the Board, in case if any transaction which gives rise to conflict of interest (personal / family) actual/ potential, the same shall be executed as per recommendation of Management committee for Investment based on the principles set out in this Policy.
- 5.3 In the event, a proposal gives rise to material conflict of interest, for example, a significant material relationship with a company, its affiliate or management, or in case of investee companies being associates of the Company or for any other reason which could influence the vote, Investment in such entities shall be as per IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024 and such matter shall be referred to the Investment Committee and Audit committee and the action shall be in accordance to recommendation of Investment committee and Audit Committee.
- 5.4 The Company may put in place Blanket ban on Investments in certain cases where conflict of interest is significant or inevitable as per the discretion of the Company. Further, the Company shall make sure that transactions or cases giving rise to conflicts of interest shall be presented before the Audit Committee.
- 5.5 Person involved in sale function with investee company shall not be directly engage in voting activity of the same company. In case of a transaction wherein a person has an actual / potential conflict of interest shall recuse himself/ herself from the decision making.
- 5.6 The Company shall maintain the records of decisions taken to address such conflicts.

## **6. Monitoring of Investee Companies**

- 6.1 The investment team at the Company shall take into account the investments made in the investee company and, accordingly, regularly keep track of Strategy and performance of the Company, Industry level monitoring and its impact on investee company, leadership effectiveness, succession planning, corporate governance, and related aspects, risk including

Environmental, Social, and Governance (ESG), shareholders/bond holders rights and their grievances etc., where we have invested in, this can be done by regular interaction with management of the company as well as meeting with other stake holders of the company which includes customers, industry trade groups etc.

- 6.2 The company may nominate its representative on the Board of an investee company however, considering the size of Assets Under Management (AUM) of the Company, presently, we do not envisage nomination(s) on the Board of Investee Companies.
- 6.3 Companies where larger investments are made shall involve higher levels of monitoring vis-a-vis companies where amount invested is insignificant from the point of view of its assets under management (AUM).
- 6.4 Areas of Monitoring shall, inter-alia include:
  - 6.4.1 Company strategy and performance - operational and financial.
  - 6.4.2 Industry level monitoring and possible impact on the investee companies.
  - 6.4.3 Quality of company management and Board, leadership.
  - 6.4.4 Corporate governance including remuneration, structure of the Board (including Board diversity and independent directors) and related party transactions.
  - 6.4.5 Risks including Environmental, Social and Governance (ESG) risks. Shareholder rights and their grievances.
- 6.4 SEBI (Prohibition of Insider Trading) Regulation 2015 as amended from time to time shall be complied with in adherence to Model Code of Conduct of the Company.

## **7 Intervention in Investee Companies**

- 7.4 The Company shall review all proposals, even though that may be considered to be routine matters. Since, the Company shall endeavour to effectively manage its investment process and corporate governance responsibilities, in all cases each vote, and proposal shall be considered based on the relevant facts and circumstances.
- 7.5 In the interest of policyholders following activities shall be monitored while exercising stewardship responsibilities:
  - 7.5.1 Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, anti-takeover provisions, and related party transactions.
  - 7.5.2 Changes to capital structure, including increases and decreases of capital and preferred stock issuances, Company strategy and performance – operational and financial performance.
  - 7.5.3 Shareholders/Bond holders’ rights and their grievances
  - 7.5.4 Industry level monitoring and possible impact on the investee companies
  - 7.5.5 Stock option plans and other management compensation issues.
  - 7.5.6 Environmental, Social and Corporate Governance issues.
  - 7.5.7 Quality of company management and Board, leadership, appointment and removal of Directors.
  - 7.5.8 Regular assessment of the outcomes of intervention by the insurer.
  - 7.5.9 Any other issue that may affect the interest of the shareholders/Bond holders in general and interest of the policyholders in particular.



- 7.6 The engagement with management is a fundamental part of investment approach. Engagement approach of the Company shall be tailored to individual companies and specific issues in concerns. Effective engagement with companies shall rely on trust and credible approach as well as the exercising of our authority as a shareholder (or bondholder) to achieve constructive outcome to benefit of the policyholders.
- 7.7 Further, the intervention mechanism may include meetings / discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the Boards, collaboration with other investors and voting against decisions.
- 7.8 Various levels of intervention and circumstances in which escalation is required may be identified and disclosed in the stewardship policy. This may also include interaction with the companies through the insurance councils in case of any industry level issues. Investment Committee shall consider and decide which mechanism has to be opted and escalation of matters in specified cases if required.
- 7.9 On occasions where engagement activity is unsuccessful and we believe that this shall remain so, we may escalate the issue for example by writing to or meeting with the chairperson or vote against directors, who we believe are not providing appropriate oversight, or collaborate on further engagement with like-minded investors. In some instances, we may make our views public. Each instance of escalation shall be discretion of SIC.

## 8 Collaboration with other Institutional Investors

In the event where need for collaboration with likeminded investors is required, we shall actively collaborate with other investors to meet certain specified common objectives or to improve the quality of the markets where we invest the money of policyholders. These engagements are conducted via collaborative platforms such as industry trade groups and associations like GI council etc.

## 9 Voting and Disclosure of Voting Activity

The threshold, as defined by IRDAI, for mandatorily undertaking active participation and voting on resolutions/proposals of the investee companies is as under:

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

The Company, if participated in voting process shall follow below-mentioned process:

- 9.4 the Company through its authorized Officials and/ or authorized representatives of Custodian of the insurer shall submit voting instructions for General Meetings, although the Company may not vote (i.e., abstain from voting, FOR or AGAINST) for certain proposals of the Investee Companies.
- 9.5 The Company may generally cast/ recommend FOR or AGAINST vote for a resolution for any of the following proposals: Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions; Changes

to capital structure, including increases and decreases of capital and preferred stock issuances; Stock option plans and other management compensation issues; Environmental, Social and Corporate Governance responsibility issues; Appointment and Removal of Directors; Any other issue that may affect the interest of the shareholders / bondholders in general and interest of the policyholders in particular.

- 9.6 The Company may usually vote in favour of company proposals reflecting its investment philosophy and process, although this does not preclude from voting against the Management on specific occasions wherein the Investment team may be of the opinion that the proposal is not likely to enhance economic value or cause indeterminate and unnecessary expense to shareholders.
- 9.7 However, there may be situations in which the Company may be unable to vote a proxy, or may choose not to vote a proxy, such as where:
- 9.7.1 Proxy ballot was not received from the Custodian of the Insurer,
- 9.7.2 A meeting notice was received too late;
- 9.7.3 There are fees imposed upon the exercise of a vote and it is determined that such fees outweigh the benefit of voting;
- 9.7.4 There are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if the Company votes a proxy or where the Company is prohibited from voting by applicable law or other regulatory or market requirements, including but not limited to, effective Powers of Attorney;
- 9.7.5 The company held shares on the record date but has sold them prior to the meeting date;
- 9.7.6 Proxy voting service is not offered by the Custodian of the insurer in the market; etc.
- 9.8 The Company shall generally oppose anti-takeover proposals as well as any moves which adversely affect the voting rights of existing shareholders and to limit shareholders' right. The Company do not generally favour shares with restricted or differential voting rights. Exceptionally, the Company may also decide to abstain where the Company have insufficient information or where the Company wish to give a cautionary message to a Company.
- 9.9 If the Company engages in stock/security lending, recalling of stock lent for voting purpose shall be considered depending on the seriousness/ significance of the agenda item of the investee company.
- 9.10 The decision to participate in voting process shall be taken in accordance with the recommendation of Chief Investment Officer and under the oversight of the Audit Committee.
- 9.11 Audit Committee shall also maintain an overall oversight on voting mechanism.
- 9.12 The Company shall disclose its voting activity in investee companies where it has actively participated and voted on resolutions or proposals. These disclosures shall be included as part of the Public Disclosures on the website of the Company and made on a quarterly basis, adhering to the prescribed timelines for quarterly public disclosures, in the format specified in Annexure A

It may be noted that the Company shall attempt to participate in voting, however, the Company may not be able to participate in all the voting (including proxy voting) opportunities. This is primarily due to volume and complexity of voting process but may also be due to certain inherent inefficiencies in the process that are outside the control of the Company.

#### 9.13 Relying on Service Providers

- 9.13.1 The Company in exercising its proxy voting may rely upon the research or recommendations of one or more third party service providers.
- 9.13.2 Custodian of the Company through their authorized representatives may also participate in proxy voting on behalf of the Company.

## 10 Reporting requirements of Stewardship Activities

- 10.1 The company shall ensure that, in addition to regular fulfilment of stewardship activities, a periodic report is provided to ultimate beneficiaries (policyholders) detailing the discharge of responsibilities. This report shall be included as part of public disclosures and presented in an easily comprehensible format.
- 10.2 The company shall ensure that compliance with the aforementioned principles does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when deemed in the best interest of clients or beneficiaries.
- 10.3 The company shall ensure that the Board provides effective oversight of the stewardship activities of the Company, with the Audit Committee of the Board exercising the same.
- 10.4 The company shall ensure compliance with all principles outlined in this circular and submit an Annual Certificate of Compliance to the Authority, approved by the Board and duly certified by the CEO and Compliance Officer, on or before June 30<sup>th</sup> of each year in the format specified in Annexure B.
- 10.5 The company shall ensure that the format for the aforementioned certificate adheres to the specifications provided in the Master Circular on Submission of Returns.

## 11 Use of External Services

Company may use/engage the services of external agencies like proxy advisors /professional advisors to arrive at voting decisions and research reports like market survey data, industry wide analysis, business valuation, etc. However, the ultimate decision making and participation in the activities of investee companies shall lie with the company.

## 12 Training Personnel

While the guidelines and principles on stewardship code as prescribed by the regulator provides for basic guidance in the discharge of stewardship activities, the company may explore agencies specializing in imparting training on Stewardship activities so as to train its personnel to proactively discharge the stewardship activities.

## 13 Retention of Records

The Mid office team shall be responsible for maintaining the following records:

- 13.1 Voting Policy and Procedures;
- 13.2 Proxy Statements;
- 13.3 Records of votes cast and abstentions;
- 13.4 Any records prepared by the Adviser that were material to a proxy voting decision; and
- 13.5 Minutes of Management committee for Investment, Audit Committee and Investment Committee

The records shall be kept i.e. electronic or hard copies on internal / third party service servers of the service provider.

#### **14 Review of the Policy**

14.1 The Investment Committee and the Board shall review this Policy:

14.1.1 at least once every financial year, or

14.1.2 as and when the Investment Committee considers it appropriate, or

14.1.3 as and when the underlying laws governing the Policy undergo any change.

**Annexure A: Disclosure of voting activities in general meetings of investee companies**

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

**Annexure B: Annual Certificate of Compliance with regard to status of Stewardship Code principles**

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

Date: \_\_\_\_

Period of Reporting: \_\_\_\_

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)