



HDFC ERGO GENERAL INSURANCE COMPANY LIMITED

STEWARDSHIP CODE

Created by	Secretarial			
Concurred by	Investment			
Review Period	Annual			
Version	Version 1.0	Version 1.1	Version 1.2	Version 1.3
Approved by Board of Directors on	September 25, 2017	October 22, 2018	October 23, 2019	May 8, 2020
Effective From	September 21, 2017	October 22, 2018	October 23, 2019	May 8, 2020

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I. Introduction and Scope

The Company offers complete range of general insurance products ranging from Motor, Health, Travel, Home and Personal Accident in the retail space and customized products like Property, Marine and Liability Insurance in the corporate space and the premium so collected is used to service the claims, corporate expenses and the residual amount is invested from time to time. The Investment function complements the core business of the Company. The investments of the Company are made in accordance with IRDA (Investment) Regulations, 2016 and the Investment Policy as approved by the Board of Directors. The Investment Committee oversees the implementation of the Investment Policy. The Company's investment strategy reflects the coordination between Assets and Liabilities given the nature of business of the Company, while keeping in perspective the regulatory framework.

As part of its Investment Policy, the Company invests its funds in various types of securities including equity shares issued by various investee companies. The investment team led by the Chief Investment Officer is expected to monitor and engage with investee companies on issues like strategy, business performance, corporate governance and other related issues in order that the best interest of the policyholders' and shareholders are protected. These cast fiduciary responsibility on the Company to protect the interest of all stakeholders.

Whilst the Investment Policy of the Company governs the investment function, the Stewardship Code is a set of principles and guidelines to engage with the management of investee companies and exercising voting rights on shareholder resolutions of Investee companies.

The Insurance Regulatory and Development Authority of India ("IRDAI") on March 20, 2017 prescribed stewardship principles to be adopted and implemented by the insurers ("Stewardship Principles"). Insurers are required to adopt a Code based on the Stewardship Principles on or prior to September 21, 2017. Accordingly, this Stewardship Code was approved by the Board of Directors and shall be effective from September 21, 2017.

The IRDAI vide its circular no. IRDAI/F&A/GDL/CPM/045/02/2020 dated February 7, 2020 has prescribed revised guidelines on stewardship code. Accordingly, following is the revised Stewardship Code of the Company to be effective from May 8, 2020.



II. Definitions

“Company” means the HDFC ERGO General Insurance Company Limited.

“Act” means the Insurance Act, 1938

“Authority” or “IRDAI” means the Insurance Regulatory and Development Authority of India.

“Guidelines” means Revised Guidelines on Stewardship Code for Insurers in India.

“Investee Company” - the entity in which the Company invested its funds.

Words and expressions used and not defined in these Code but defined in the Regulations, the Insurance Regulatory and Development Authority Act, 1999, the Insurance Act, 1938, or in any of the Rules/Regulations/Guidelines made thereunder or in HDFC ERGO - Employees - Securities Dealing Code (HESDC), shall have the meanings respectively assigned to them in those Acts/Rules/Regulations/ Guidelines/Code.

III. Stewardship Principles

1. Key Stewardship Responsibilities

1.1. Primary Stewardship Responsibilities:

The Company shall:

- a) take into consideration, the corporate governance practices of investee companies, when undertaking buy and sell decisions;
- b) enhance shareholder/investor value through productive engagement with investee companies;
- c) vote and engage with investee companies on matters including environmental, social and governance principles in a manner which is in the best interests of its shareholders/investors;
- d) be accountable to shareholders/investors within the parameters of professional confidentiality and regulatory regime; and



1.2. Discharge of Stewardship Responsibilities:

The Company shall discharge its stewardship responsibilities through:

- a) voting on shareholders' resolutions, as may be necessary to protect the long term interest of its shareholders and policyholders;
- b) advocating for responsible corporate governance practices in the investee companies; and
- c) participation in matters relating to material environmental, social and governance opportunities in the investee companies

1.3. Responsibility for oversight of the stewardship activities:

The Investment Committee shall ensure implementation of stewardship principles as enumerated in the Code.

The Audit and Compliance Committee shall monitor and oversee the Company's stewardship activities.

The Stewardship principles enumerated in this Code shall apply to those investee companies in which the Company's investment is above the threshold limit as set by the Investment Committee from time to time.

The current threshold limit for the aggregate investment in the equity shares of any investee company has been set as 1% of the Investment Assets of the Company, as at the end of the immediately preceding quarter or ₹ 50 crores, whichever is lower and the Investment Committee shall have the right to review and amend the said threshold based on experience.

The Company may avail various services of external agencies in discharging its Stewardship responsibilities viz. professional advice for arriving at voting decisions, research reports like market survey data, industry wide analysis, business valuation etc.

The Company Secretary/any other officer authorised by the Company Secretary shall be designated as the "Stewardship Officer". The Stewardship Officer shall be responsible for ensuring compliance of the provisions of this Code.

Notwithstanding the above, the ultimate stewardship responsibilities shall be discharged by the Company.



1.4. Disclosure of Stewardship Code:

This Stewardship Code and amendment thereto, shall be disclosed on the website of the Company. Any amendment or modification to this Code shall also be disclosed on the website.

1.5. Disclosure of Stewardship Activities:

The Stewardship Officer shall report the requisite compliance with the Stewardship Code to the Investment Committee and Audit and Compliance Committee from time to time.

2. Managing Conflict of Interest

2.1. The Company is a part of HDFC Group, a financial conglomerate.

2.2 A conflict of interest exists where the interests or benefits of the Company conflict with the interests or benefits of its shareholder/policyholders or the investee company.

2.3. Identifying conflict of interest: While dealing with investee companies, the Company may be faced with a conflict of interest, inter alia, in the following instances, where:

- a) the Company and the investee company are part of same group; or
- b) the investee company is a client of the Company;
- c) the investee company is partner or holds an interest, in the overall business or is a distributor for the Company ;
- d) a nominee of the Company has been appointed as a director or a key managerial person of the investee company;
- e) a director or a key managerial person of the Company has a personal interest in the investee company;

2.4. Manner of managing conflict of interest:

The Company shall implement / practice following mechanism to avoid / manage conflict of interest, as deemed appropriate:

- a) Avoid conflicts of interest where possible
- b) Identify and disclose any conflicts of interest
- c) Carefully manage any conflicts of interest, and
- d) Follow this Code and respond to any breaches.
- e) Ban on investments in certain cases
- f) Referring such matters to Audit Committee
- g) Clear segregation of voting function and client relations/sales function



h) Persons having any actual / potential conflict of interest in the transaction shall recuse himself/herself from decision making

i) Maintenance of records of decisions taken to address conflict of interest, if any

Once the conflict of interest has been appropriately disclosed, the Stewardship Officer will take the required decisions and update the Investment Committee appropriately.

As a rule, in all cases of conflicts of interest, the voting decisions of the Company will be based on the best interests of its shareholders and policyholders.

3. Monitoring of Investee Companies

3.1. The Company shall monitor all investee companies.

3.2. Manner of Monitoring:

- a) The Investment Team led by the Chief Investment Officer shall, on a best effort basis, monitor the investee company's business strategy, performance – operational and financial, industry level monitoring and impact on the investee companies, risk including environmental, social and governance risks, capital structure, leadership effectiveness and succession planning, corporate governance performance including remuneration, structure of the Board (including Board diversity and independent directors) and related party transactions, shareholder rights and their grievances, compliance with SEBI(PIT) Regulations, 2015.
- b) The Company may use publicly available information, management meetings, sell side research and industry information and shall engage with the investee companies' investor analyst calls, if held, to monitor the investee companies.
- c) The Company shall to the extent feasible attend general meetings and other meetings conducted by the management of the investee company to which it is invited.
- d) The Company may nominate its representative on the Board of an investee company, wherever it deems necessary.

4. Active Intervention in the Investee Company

4.1. Applicability

- a) The Company shall consider intervening in the acts/omissions of an investee company, in which it has invested (acquisition cost) more than 1% of the



Investment Assets of the Company, as at the end of the immediately preceding quarter or ₹ 50 crores, whichever is lower

- b) The Company 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 insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans/ strategy, CSR and environment, or any other related matters.

4.2. Intervention by the Company:

The decision for intervention shall be decided by the Investment Committee on a case to case basis based on all available facts of investee company at that point of time.

4.3. The Company's intervention and escalation policy is as follows:

- a) **Engagement:** The Company shall take all reasonable steps to engage with the management of investee company to resolve any concerns of the Company including steps to be taken to mitigate such concerns.
- b) **Re-engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the Company within a reasonable timeframe, the Company shall take all reasonable steps to re-engage with the management to resolve the Company's concerns
- c) **Escalation:** In case there is no progress despite the first two steps, the Company may engage with the Board of the investee company (through a formal written communication) and elaborate on the concerns. The Company may also collaborate with other investors and vote against decisions of investee company, interact with insurance councils incase of any industry level issues. Further, the Company may take appropriate steps to resolve the concerns including exiting its investments.

5. Collaboration with other Institutional Investors

- 5.1. The Company shall consider collective engagement with other institutional shareholders 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. The Company may approach, or may be approached by, other institutional shareholders to provide a joint representation to the investee companies to address specific concerns.

- 5.2. The Company 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.

6. Voting and disclosure of voting activity

- 6.1 The Company may exercise its voting rights and vote on shareholder resolutions of investee companies, as may be deemed necessary in the interest of policyholders.
- 6.2 Voting decisions shall be made in accordance with the Company's voting policy, which is available on the website of the Company.
- 6.3 The Company shall vote against resolutions which are not consistent with the Company's voting policy.
- 6.4 Attendance at General Meetings: The Company shall attend general meetings of the investee companies (annual as well as any extra ordinary general meetings) where appropriate, and to the extent possible, actively speak and respond to the matters being discussed at such meetings
- 6.5 The Company may take into consideration all the facts relating to voting and may record the decision of voting as may be necessary on case to case basis.
- 6.6 The Audit and Compliance Committee shall monitor and oversee the Company's voting mechanism.
- 6.7 As regards stock lending and recalling lent stock, the Company 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.
- 6.8. The Company shall undertake active participation and voting on resolutions/proposals of the investee companies wherever the holding of paid up capital of the investee company by the Company is equal to or in excess of 3% of the Investment Assets of the Company as at the end of the immediately preceding quarter.

In other cases, the Company may voluntarily participate and vote if resolutions/proposals are considered significant and having an impact of the value of investments of the Company.

- 6.9 The Company shall disclose the details of voting activity in the investee companies in which it has actively participated and voted on resolutions/proposals. The disclosures shall form part of Public Disclosures



on the website of the Company and shall be made on quarterly basis as per the timelines prescribed for quarterly public disclosures, in the format as provided at Annexure A.

7. Reporting of Stewardship Activities

A summary of resolutions voted in favour or against or abstained from voting be reported to the Investment Committee and Audit and Compliance Committee on a quarterly basis.

On an annual basis, the Company shall submit an Annual Certificate of Compliance, duly approved by the Board to the Authority in the prescribed format, duly certified by CEO and Compliance Officer on or before June 30 every year.

IV. Review of the Code

The Code shall be reviewed on annual basis by the Investment Committee or whenever any changes are to be incorporated in the Code due to any amendment in the Guidelines on Stewardship Code for Insurers in India or as may be felt appropriate by the Investment Committee.

V. Effective Date

The original Code (version 1.0) was approved by the Board of Directors and is effective from September 21, 2017.

This amended Code (version 1.3) is effective from May 8, 2020.



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Policy for Exercising Voting Rights

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1.0 INTRODUCTION

HDFC ERGO General Insurance Company Limited (the Company) is a registered general insurance company and as part of its regular business activities invests its Policyholder and/or Shareholder funds in various types of securities including equity shares issued by investee companies. As one of investment best practices and in line with the Stewardship Code adopted by the Company, the Investment Team will exercise voting rights attached to these securities through online voting mechanism or at the general meetings of the investee companies in the best interest of the Company, its shareholders and Policyholders. This document sets out the principles and guidelines to be followed by the Investment Team for exercising the voting rights.

2.0 SCOPE

This Policy covers the framework and principles that need to be followed for exercising Voting rights. Reference may be made to the Stewardship Code adopted by the Company for further details regarding the other principles for oversight and engagement with investee companies.

3.0 POLICY STATEMENT

3.1 Guiding Principles for voting:

Every Shareholder (entitlement may differ for holding in DVR shares) of a company is entitled to attend and vote at a meeting by show of hand or/and by Poll or/and through online voting mechanism.

The Investment Team shall review all voting proposals having routine as well as non-routine items and shall ensure that non routine items like change in the state of incorporation, merger and other corporate restructuring, changes in capital structure, stock options, appointment and removal of directors, etc. are examined in greater detail.

The Investment Team may decide to vote, or to abstain from voting on proposals of an investee company taking into account the possible implications of the voting or abstention and decisions shall be taken in the best interest of all stakeholders of the Company. Any conflicts of interest shall be managed as per the rules laid down in the Stewardship Code.

In case where the recommendation of the external agencies/ institutional advisory firms is at variance from the actual voting, the reasons for voting in a manner other than recommended by an external agencies/ institutional advisory firms shall be recorded in writing. The situation may also warrant abstaining from

voting if the Stewardship Officer along with Investment Team may conclude that is in the best interest under the given circumstances.

3.2 Key Proposals for voting and Guiding Principles:

In general, the matters coming up for voting by shareholders of investee companies are on the following points:

a) Corporate Governance matters:

Principle: All proposals shall be evaluated on a case-by-case basis, to determine whether the proposals are in the best interest of the shareholders of the investee company /policyholders of the Company.

b) Changes in Capital Structure:

Principle: Each proposal shall be evaluated on a case-by-case basis, to determine whether the proposals are in the best interest of the shareholders of the investee company/policyholders of the Company.

c) Compensation and Benefits:

Principle: Each proposal shall be evaluated on a case-by-case basis, to determine whether the proposals are in the best interest of the shareholders of the investee company /policyholders of the Company.

d) Social and Corporate Social Responsibilities

Principle: The Company shall support measures that have a positive impact on the economy, society and the environment.

e) Board of Directors

Principle: The Company shall support the investee company in adopting good corporate governance norms.

f) Other issues

i. Appointment & remuneration of Auditors

ii. Any other issues that may affect the interests as an investee company shareholders

Principle: The appointment of auditors shall be appropriately evaluated keeping in mind the interest of shareholders of the investee company/policyholders of the Company.

Proxy Voting

Considering that e-voting/online voting has been made mandatory under the Companies Act, 2013 for all listed companies, proxy voting would not be an adopted voting process by companies.

The Company would use proxies for voting with prudence as and when considered necessary.

4.0 APPROVALS

The Investment Committee and Audit and Compliance Committee is authorized to approve any change in the Voting Policy.

The Investment Committee and Audit and Compliance Committee will also have an oversight over the voting decisions of the Company.

5.0 REPORT ON VOTING:

The Report on disclosure of voting activities in shareholder resolutions of investee companies in which the Company has actively participated and voted shall be placed before the Investment Committee and Audit and Compliance Committee on a quarterly basis in the following format:

Name of the Company: _____

Period of Reporting: _____

Sr. No.	Meeting Date	Name of investee company	Type of meeting (AGM/EGM)	Proposal of Management/Shareholders	Description of the proposal	Management Recommendation	Vote (For/Against/Abstain)	Reason supporting the vote decision



6.0 REVIEW OF THE POLICY:

The Policy shall be reviewed on an annual basis and amended, as may be required, based on experiences.

7.0 EFFECTIVE DATE:

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