

**Kotak Mahindra General Insurance  
Company Ltd**

**Stewardship Code & Voting Policy**

## Document Management

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## Change Management

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## **I. EXECUTIVE SUMMARY**

Stewardship aims to promote the long-term success of investee companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits investee companies, investors and enhances the quality of capital markets.

Kotak Mahindra General Insurance Company Limited (“KGI”) has framed this Stewardship Policy based on IRDAI guidelines **on Stewardship Code for Insurers in India** dated 20<sup>th</sup> March 2017.

## **II. DETAILED POLICY**

### **1. Stewardship Responsibilities**

#### **1.1. Primary Stewardship Responsibilities:**

KGI shall:

- a) take into consideration, at the time of investment, investee companies’ policies and practice on strategy, performance, environmental, social & governance risks, capital structure, leadership effectiveness, succession planning, reporting, and corporate governance, including culture and remuneration This would be by way of quarterly updates and meeting notes on its engagement with the company on the matters stated, if any
- b) protect & enhance policyholders/ shareholder value through engagement with investee companies;
- c) vote and engage with the investee companies and participate in investment decisions so as to promote the overall growth of the investee companies & protect interests of its shareholders. Voting decision shall be made as per KGI’s voting policy
- d) be accountable to investors within the parameters of professional confidentiality and regulatory regime; and
- e) maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.
- f) provide periodic reports to its policyholders of how the stewardship responsibilities have been discharged, as part of public disclosures.

#### **1.2. Discharge of Stewardship Responsibilities:**

KGI shall discharge its stewardship responsibilities through voting on shareholders’ resolutions, with a view to enhance value creation for the policyholders/ shareholder and the investee companies.

Mid office shall provide the details about the stewardship activities of KGI to its Investment committee on quarterly basis for enabling committee to oversee the stewardship activities. The mid office shall place the Stewardship Code at Investment Committee at least once in a year for its review and recommendation to board for its review and approval. The Board approved Stewardship policy and its subsequent amendments shall be disclosed in the KGI's website by Mid office.

1.3. Oversight of the stewardship activities:

KGI Investment committee & Audit Committee shall oversee the stewardship activities.

1.4. Disclosure:

Stewardship Code & voting policy and any amendment thereto, shall be disclosed on the website of KGI.

1.5. Training:

KGI shall conduct training on Stewardship responsibilities for its Investment & Compliance department at least once in a year. These trainings may be conducted internally or through training programs arranged by external sources

## **2. MANAGING CONFLICT OF INTEREST**

2.1. 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.

2.2. Avoid conflict of interest

KGI shall undertake the following steps to avoid actual or potential conflict of interest situations.

1. The transaction which is the subject matter of conflict is in compliance with applicable regulations and is at arm's length.
2. The voting decision is in the best interest of the stakeholders and policyholders.
3. The conflict is disclosed to the Investment committee and Audit Committee

### 2.3. Identifying conflict of interest:

While dealing with investee companies, KGI may be faced with a conflict of interest. Instances of conflict of interest may arise between the interest of shareholders and the policy holders of KGI. Some of the instances of conflict of interest are:

- a) KGI and the investee company are part of the same group; or
- b) the investee company is a partner in the overall business of KGI;
- c) a nominee of KGI has been appointed as a director or a key managerial person of the investee company;
- d) Directors /Promoters/Officials of Investment department/Members of Investment committee has a personal interest in the investee company;

KGI Mid office shall take inputs from the Compliance team on a quarterly basis whether KGI may be facing any conflict of interest for instances enumerated above

### 2.4. Manner of managing conflict of interest:

In case a conflict of interest emerges in the course of the implementation of its stewardship initiatives, KGI will put utmost value on the interest of its policyholders.

Any potential conflict of interest, in relation to an Investee Company shall be duly recorded & highlighted by KGI.

Once the conflict of interest has been appropriately disclosed, the Investment Committee (excluding the member disclosing conflict of interest) will take the required decisions. This may include blanket ban on investments in the concerned investee company & associates, segregation of functions dealing with stewardship responsibilities from client relations. Records of such decisions shall be duly maintained.

KGI shall also consider abstaining from voting on resolutions of investee companies, wherever conflict of interest is observed, except where material reasons exists for participating in voting. Such reasons/rationale will be kept on record.

## **3. MONITORING OF INVESTEE COMPANIES**

3.1. KGI shall regularly monitor all investee companies.

### 3.2. Manner of Monitoring:

- a) KGI shall supervise and monitor investee companies'

- strategy and performance - operational & financial,
  - environmental, social & governance risks,
  - shareholders rights & their grievances,
  - industry level monitoring & possible impact on the investee companies
  - corporate governance including remuneration, structure of the board & related party transactions.
  - Quality of company management & Board, leadership.
- b) KGI may use publicly available information, sell side research, credit rating agencies and industry information. KGI shall also make efforts to attend meeting , calls, webcasts ,based on the agenda provided by the Investee Companies
- c) KGI may adopt different levels of monitoring based on the investments in the investee companies.

#### **4. INTERVENTION IN THE INVESTEE COMPANY**

##### 4.1. KGI intervention policy is as follows:

KGI will intervene in such cases where it holds more than 2% of the paid up share capital of an investee company.

KGI Mid Office will intimate Fund Management team for intervention in the investee companies where it holds more than 2% of the paid up share capital of an investee company

KGI may also decide on intervention in cases where, in its opinion, any act or omission of the investee company is detrimental to the interest of the policyholders/investors. These shall include poor financial performance of the company, corporate governance related practices, remuneration, strategy, environmental, Social & Governance (ESG) risks, leadership issues & litigations.

In such cases, fund Management team may engage with investee companies in appropriate manner, to resolve the issue constructively. If the Investee Company fails to undertake constructive steps to resolve issues raised within a reasonable time frame, KGI shall re-engage with the management of the investee company to resolve issues raised by KGI. In case of no response from the investee company, fund management team may decide to escalate the matter to the Investment Committee. The Investment Committee may decide to either engage with the Board of Directors of the Investee Company or take up the issue in the shareholders meeting

In cases where KGI's intervention is not successful, referral shall be made to Investment Committee for deciding if KGI should exit its investment in the company. Also the matter may be reported to the relevant authorities/regulators or legal action may be considered.

## **5. COLLABORATION WITH OTHER INSTITUTIONAL INVESTORS**

- 5.1. KGI shall consider collective engagement with other 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. KGI may approach, or may be approached by, other Asset Managers, including insurers, mutual funds, or other type of shareholders to provide a joint representation to the investee companies to address specific concerns.
- 5.2. KGI shall also, where permitted, collaborate with other shareholders, professional associations; regulators to solicit views.
- 5.3. An illustrative list of matters which require collaborative engagement may include appointment or removal of directors, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders, and related party transactions.
- 5.4. KGI 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**

The Chief Investment Officer would recommend appropriate voting action in the AGM/EGM taking into account independent advisory reports. The decision taken would be aimed at promoting the overall growth of the investee companies and in the best interest of policyholders.

- 6.1 KGI shall mandatorily exercise its voting rights and vote on shareholder resolutions of investee companies, where investment in the investee company is =>3% of the paid up capital. In other cases, KGI may voluntarily participate and vote if such resolutions/proposals are considered significant and may have an impact on the value of investments

KGI shall consider corporate governance responsibilities before lending stock through Securities Lending & Borrowing (SLB) over a period in which an AGM or EGM is expected to be held.



- 6.2 KGI may take into consideration the recommendations made by proxy advisory firms, market survey data, industry wide analysis, business valuation etc while voting. KGI shall exercise its own independent judgement as regards voting decisions. The voting decisions shall be taken diligently & shall be aimed at promoting the overall growth of the investee companies & in the investor's best interests. Audit Committee shall monitor oversight on voting mechanism.
- 6.3 KGI shall attend General Meetings of the investee companies (Annual as well as any Extra Ordinary Shareholders' meetings) where considered appropriate on the basis of the agenda & actively respond to the matters discussed, to the extent possible.
- 6.4 The rationale for decision taken on "voting for /voting against/ abstaining from voting" shall be recorded for all the cases.
- 6.5 KGI shall disclose on a quarterly basis a detailed report on voting activity on its website, in the prescribed format.

## **7. REPORTING OF STEWARDSHIP ACTIVITIES.**

KGI shall comply with all the principles given in the IRDAI guidelines ref IRDAI/F&A/GDL/CPM/045/02/2020 dated 7<sup>th</sup> February 2020 and submit an Annual Certificate of Compliance approved by the Board to IRDAI in the prescribed format duly certified by CEO and Compliance Officer on or before 30<sup>th</sup> June every year. The Board shall ensure that there is effective oversight on the stewardship activities and the Audit Committee shall exercise the same.

## **8. REVIEW OF POLICY**

This Policy would be reviewed by Investment Committee annually or as and when there are changes.