

UNITED INDIA INSURANCE COMPANY LIMITED
INVESTMENT DEPARTMENT

Stewardship Policy

Stewardship Policy has been recommended by IRDAI considering the fiduciary role played by Insurance Companies as investors and as custodians of Policy holders' funds. The state of governance of the investee companies is an important aspect and insurance companies must ensure that investee companies maintain corporate governance standards at high level. Therefore, insurance companies should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance. This will result in informed decisions by the parties and improve the return on investments of insurers which will ultimately benefit the policyholders.

In this regard IRDAI has issued code for stewardship to be adopted by the insurer as institutional investors. The code is a set of principles which the insurance companies need to adopt and guidelines for each principle under the code has also been prescribed by the Authority.

Principle 1:

Insurers should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it

UIIC shall assess and monitor the performance, strategy, risk, capital structure, management, effectiveness of leadership and corporate governance of the investee company at regular intervals. This can be achieved by constant monitoring and engaging with Investee Companies on Operating, Financial and Corporate Governance issues.

As we have investment exposure to very large number of companies and exposure level is very low, we will engage with the investee companies where the exposure in equity is more than 1% of the Asset Under Management(AUM) of the company (measured at fair value) as on 31st March of the previous year.

Wherever company has an exposure in equity of more than 1% of the Asset Under Management (AUM) of the company, we shall closely monitor the performance of such companies and participate in the periodical meetings conducted to be apprised of the developments taking place in the company. Wherever investments are below 1% of the Asset Under Management(AUM) of the company, while we may not participate actively, we may monitor the developments of the company.

The company does not intend to use the services of external service providers such as institutional advisors at present.

The 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. However, in such cases the ultimate stewardship responsibilities shall be discharged by the insurer.

The Stewardship policy will be reviewed and updated periodically and the updated policy will be disclosed on the company's website.

Principle 2

Insurers should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it

Being a leading Public Sector Insurance company, we have a large number of leading corporate in our Clientele, which may lead to situation creating conflicts of interest.

Conflicts of interest may arise in certain situations where the proposal of the Investee Company is detrimental to the value of policyholders and the company could have business relations with the investee company.

The Company shall make best efforts to avoid such conflict. Should any such conflict arise, the Company shall resolve such conflicts harmoniously keeping in view the best interest of policyholders and the Company and also referring such matters to Investment Committee of the Board, where ever necessary.

Principle 3

Insurers should monitor their investee companies

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

The company shall monitor on a regular basis, the performance, value creation, succession planning, corporate governance, reporting and other important parameters of the investee companies. The Management of our company may decide on a case-to-case basis to have nominations on the Board of an investee company, if such opportunities arise.

Stewardship policy with regard to monitoring of Investee Companies shall be as mentioned below:

1. The Company shall actively monitor investee companies where the holding is above 1% of the Asset Under Management(AUM) of the company and continuously track the performance of the Company and participate in meetings. Collaboration with other institutional investors shall also be made to protect the Policyholders interest in the long term.
2. The Company shall assess and monitor the performance, strategy, risk, capital structure, management, effectiveness of leadership and corporate governance of the investee company at regular interval. We may also use third party research to assist us in assessment of the company and the related industry to have a better view of the investee company.
3. While discharging the stewardship function we shall ensure that provisions of the SEBI Prohibition of Insider Trading Regulations (2015) are adhered to. Declarations shall be obtained from the concerned officials to ensure confidentiality of any material information while discharging the above functions.

Principle 4

Insurers should have a clear policy on intervention in their investee companies

The Company shall selectively intervene in the matters relating to the Investee company's strategy, performance, governance, approach to risks etc depending upon the exposure level. The intervention at the initial level may be via communication/discussion/meeting with the management.

Any proposal by the management of Investee Company against the interest of its shareholders shall be taken up with the Management of the Investee Company where our exposure is more than 1% of the Asset Under Management(AUM) of the company and clarifications would be sought for. We may nominate our officer to attend the meetings of shareholders so that our concerns can be raised and brought to the attention of management as well as other shareholders.

Intervention with the companies may also be made through General Insurance Council in case of industry level issues. Investment Committee would consider the mechanism for intervention and escalation to be adopted wherever deemed necessary on a case to case basis.

Principle 5

Insurers should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed.

Collaboration with other Institutional Investors will be done on case to case basis where the matter is of significant concern or where a collective engagement will be more effective in the interest of the investors. The Company shall also engage with other Institutional Investors through informal and formal collaborations in order to safeguard the interest of investors.

Principle 6

Insurers should have a clear policy on voting and disclosure of voting activity

The Company shall undertake active participation and voting on resolution/proposals of Investee companies where the holding is above 1% of the Asset Under Management(AUM) of the company. Voting on all resolutions shall be in the normal course to support the existing management in the interest of stability and overall growth of the investee company in order to enhance the value of the investors. We may deviate in order to :1) protect our Investments and/or 2) support other Govt. financial institutions. Deviation shall be duly recorded with reason. In case of other companies, the Company may voluntarily participate on case to case basis depending on the nature and significance of the proposal and which has significant impact on the value of the investments.

As electronic voting has been made mandatory under the Companies Act 2013 for all listed companies, we shall endeavor to participate in the e-voting process wherever we hold equity shares in listed entities.

Decision on Voting on resolutions will be placed before the Market Operations Committee and on their recommendations the voting shall be carried out, recording the decisions of the MOC. However, in respect of Investee companies where the holding is above 1% AUM if any conflicts of interest arise, the same shall be escalated to the Chairman Cum Managing Director through CIO and CMD is authorised through this policy to decide on such resolutions.

At present, we are not engaged in the Stock lending & Borrowing activities. The stewardship Policy will encompass the Company's approach to stock lending and recalling lent stock in case such activities are undertaken.

Necessary disclosures shall be made, regarding the voting activity in the investee companies where the holding is more than 1% of AUM and in which the Company has actively participated and voted on resolutions/proposals.

The disclosures will form part of Public Disclosures in the specific format as prescribed in Annexure A and shall be made as per the timelines prescribed for quarterly public disclosures in the Company's website.

Principle 7

Insurers should report periodically on their stewardship activities

The Policy shall be disclosed on the Company's website within 30 days of approval by the Board, alongside other public disclosures. Any change / modification to the Policy shall be specifically disclosed at the time of updating the Policy on the website. The Company shall make periodical public disclosure on its website, the details of how its responsibilities under Stewardship Policy has been discharged.

Reporting to Authority of Stewardship compliance shall be done in accordance with the guidelines issued by the Authority from time to time in the prescribed format.

Compliance report in the form of an Annual Certificate of Compliance approved by the Board shall be filed with the Authority as per Annexure B duly certified by CEO and Compliance Officer on or before 30th June every year.

