

**Magma HDI General Insurance  
Company Limited**

This document defines the  
Stewardship code for Magma HDI  
General Insurance Co. Ltd

**Policy on Stewardship Activities**

Effective Date: 09.11.2022

Approval Date: 08.06.2023

Version No.: 5.0

Approved By: Board of Directors

Policy Owner: Chief Investment Officer

This document is confidential and supersedes any other Policy defining Stewardship Activities in the Company and should be read in conjunction with the most recent policies, procedures and regulations adopted/issued from time to time.

Policy Name: Policy on Stewardship Activities	Original Issue Date: 04.05.2017	Effective Date: 09.11.2022
	Revision Dates:04.05.2017, 01.05.2020, 21.01.2021, 30.04.2021,09.11.2022	Policy Version: 5.0

**Magma HDI General Insurance Company Limited**

**Policy on Stewardship activities**

<b>Base Document</b>	<b>:</b>	<b>Guidelines on Stewardship Code for Insurers in India issued by IRDAI vide Ref No. IRDA/F&amp;A/GDL/CPM/045/02/2020 on February 07, 2020</b>
<b>Initial Document Prepared by</b>	<b>:</b>	<b>Mr. Jinesh Shah</b>
<b>Functional aspects Checked by</b>	<b>:</b>	<b>Chief Investment Officer</b>
<b>Governing Guideline/Policy</b>	<b>:</b>	<b>Guidelines on Stewardship Code for Insurers in India issued by IRDAI vide Ref No. IRDA/F&amp;A/GDL/CPM/045/02/2020 on February 07, 2020</b>
<b>Compliance and Legal aspects checked by</b>	<b>:</b>	<b>Chief Compliance Officer</b>

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- 1. Preamble**
- 2. Objective**
- 3. Scope and Applicability**
- 4. Principles for Stewardship codes**
- 5. Disclosures and Reporting**
- 6. Change Control Record**

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**Preamble:**

Magma HDI General Insurance Co Ltd (MHDI), a JV between Magma Fincorp Ltd. a leading Indian NBFC and HDI Global SE, Germany. IRDAI published Guidelines on Stewardship Code for Insurers in India vide reference number IRDA/F&A/GDL/CMP/059/03/2017. The Stewardship code sets out good practice on engagement with investee companies. These principles and guidelines are prepared to assist the investment team in fulfilling its governance and stewardship responsibilities.

**Objective:**

Stewardship policy and guidelines shall enhance the quality of the communication between the company and investees, to help improve and protect stakeholders’ interests and ensure exercise of governance responsibilities by investee companies.

**Scope & Applicability of the policy:**

The policy will apply to the right as an investor in Fixed Income/ Equity instruments of various category of companies including the Sovereign, PSUs, and Private companies. This Principals and Policy Guidelines will be reviewed annually and approved by the board.

This policy on Stewardship shall be based on the following principles

**Principle 1 – Frame a Policy on Stewardship and Discharge of stewardship responsibilities:**

The Company frames the policy on stewardship and provides flexible but robust framework in guiding the management to efficiently fulfil stewardship responsibilities. The management team along with the Investment team

1. Shall endeavour to have cordial relationship with investee companies. Regular financial and other information shall be sought from the company/trustees, the investee company’s progress and prospects shall be regularly monitored.
2. Shall ensure that core function of investment is not outsourced
3. May take professional advice or consult other institutional investors and research reports like Market survey data, Industry wide analysis business valuation etc from external agencies to arrive at voting decisions
4. Exercise right as a debenture of debt holder by engaging interested parties like rating agencies, debenture trustees, Stock exchanges and the investee company.
5. The Management committee on Investments shall take major decisions w.r.t. its investments in approval of credit and investment exposure up to rating AA and above. For any investment with the credit rating AA- and below, the matter shall be referred to the Investment committee for their view and advice and further the same will be placed in the Board during ensuing Board meeting.
6. Investments team along with compliance team shall be ultimately responsible for discharging stewardship activities as laid down in this policy.

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**Principle 2: Managing the Conflict of interest:**

The approach to any conflict of interest shall be managed with no compromise in integrity, transparency and in a manner that does not compromise any stakeholders’ interests.

Below are the instances where conflict of interest can arise

1. Investment in group companies of Magma HDI.
2. Investment in any client of Magma HDI
3. Investment in any partner of Magma HDI.

Steps to be taken to avoid probable conflict of interest in above instances:

1. Referral of the matter to the Audit Committee
2. Approvals from Investment Committee prior to making investments in group company
3. Maintenance of records of such minutes of decisions taken to address such conflicts

Elaborative compliance shall be ensured during any investment decision where potential of conflict of interest may arise. The entire process to be at arm’s length principle and shall follow detailed processes of approvals at highest levels.

**Principle 3: Monitoring the Investee Companies:**

Investment team shall monitor all the Investee companies’ where Investment in an Investee company is equal to or more than 2% of the Investment Assets under Management on below parameters including but not limited to:

- 1) Company Strategy and performance-Operational and Financial
- 2) Quality of company management and board, leadership,
- 3) Corporate governance including remuneration structure of the board and related party transactions.
- 4) Industry level monitoring
- 5) Rights of Shareholders/Bond holders and their grievances, wherever applicable.

Investment team shall conduct thorough research, analysis and remain updated with the investee company’s performance. Investment team shall undertake a detailed credit analysis of the companies and the same shall be presented to and discussed with the Management Committee. Deviations, issues / exceptions if any, shall be highlighted to the Management committee and further for approval to the Investment committee by the Investment team.

Depending on the legal rights and provision as an investor in a particular investee company the company in consultation with and approval of investment committee, may nominate its representative on the board of the investee company.

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**Principle 4: Intervention with Investee Companies:**

Investment team shall evaluate on case-to-case basis of any circumstances which may require intervention by the company. Instances warranting intervention include but are not limited to

- 1) Poor performance by the investee company,
- 2) Corporate governance related practices
- 3) Poor quality of management & board,
- 4) Litigations
- 5) Industry wide challenges.

In such instances investment team shall discuss with management team of the investee companies about the issues and the steps it plans to take to address it. The investment team shall update the management team and investment committee about the engagement with the investee companies and the corrective action to be undertaken.

Escalation on any concerned issue shall be escalated to the required authority including but not limited to, custodian, Board of the investee company, debenture trustee, stock exchange, other institutional investors and appropriate regulatory authority.

In exceptional cases the company shall devise an exit plan for the investments as per the best interest of the stakeholders.

**Principle 5: Collaboration with institutional investors:**

In order to protect and enhance company’s stakeholders’ interest, collective engagement with other institutional investors shall be undertaken not only for any specific issues but also to understand, research and analyse Investee Company and potential credits.

**Principle 6: Voting and disclosure of voting policy:**

Any decision taken on voting of resolutions of the investee company should be for the best interest of the company and the policy holders.

The voting rights available to equity and debt investors shall be undertaken with proper compliance post approval from the Management Committee

Securities lending and borrowing (SLB) is a temporary lending of securities executed by a lender to a borrower of securities, for a stipulated duration, at a certain fee. As per its investment policy the company is not participating in the securities lending and borrowing market currently.

**Principle 7: Reporting of Stewardship rights**

The stewardship activities shall be transparently accounted and fully complied with the stewardship principles. A periodic report on the fulfilment of the stewardship activities shall be published on company’s website.

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**Disclosure and Reporting:**

1. The Board through the Audit Committee shall ensure that there is effective oversight on the company’s stewardship activities and compliance with the codes
2. The Policy shall be updated on the company’s website and will be fully complied with the code and regulatory compliance.
3. An annual report on the status of compliance with the Stewardship code, endorsed by CEO and Compliance Officer and approved by the Board shall be filed with the Authority before 30<sup>th</sup> June every year.

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### Change Control Record:

Version No.	Change Request by	Memorandum of Change	Approval date
2	Jinesh Shah	Change made in accordance with IRDAI guidelines	01.05.2020
3	Jinesh Shah	Change made in accordance with IRDAI regulations	21.01.2021
4	Jinesh Shah	Change made to comply with the observations sent by IRDAI	30.04.2021
-	Jinesh Shah	No change	29.04.2022
5	Jinesh Shah	Changes made for enabling investment in equities	09.11.2022
-	Jinesh Shah	No change	08.06.2023