

Kshema General Insurance Limited

Stewardship Policy

kshema

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Background

Kshema General Insurance Ltd (“Kshema” or “Company”) manages assets for the account of policyholders as well as for its shareholders. Kshema’s goal in managing all assets is to enhance long-term value. Kshema’s believes that companies with good corporate governance that are transparent to their shareholders and other stakeholders are likely to have a better performance in the long run.

Kshema does not have the intention to participate directly or indirectly in the management of the investee companies, but it will use its influence as a shareholder, amongst others by exercising its voting rights.

The Stewardship Policy is in accordance with the Master Circular on Corporate Governance for Insurers 2024 dated 22.05.2024 and is from the perspective of the fiduciary responsibilities that Kshema fulfils, as a responsible institutional investor.

1 Key Stewardship Responsibilities

1) Primary Stewardship Responsibilities

Kshema shall:

- a) maintain transparency as required under the regulations, in reporting its voting decisions in investee companies
- b) take into account the corporate governance practices of investee companies
- c) vote and engage wherever possible/required, with investee companies in a manner consistent with the interests of its policyholders/shareholders.
- d) be accountable to policyholders/shareholders within the parameters of professional confidentiality and regulatory regime

2) Discharge of Stewardship Responsibilities

Kshema shall discharge its stewardship responsibilities through:

- a) Voting by the Investment Team on the resolutions, except in consultation with the CEO for Unquoted investment where the holdings are less than 10% of the paid-up capital of the investee company or by the Investment Committee where the holdings are more than 10% of the paid-up capital of the investee company, as the case may be, with a view to enhance value creation for the policyholders/shareholders and the investee companies;
- b) Intervening wherever possible/required, on material environmental, social and governance opportunities or risks in the investee companies.

The decision regarding voting for a particular resolution (For/Against/Abstain) would be taken by the Investment Team. The Investment Team of Kshema may also seek the analysis and recommendations of a research firm or other competent authority or individual to aid such decisions, wherever necessary. However, the ultimate stewardship responsibilities shall be discharged by Kshema.

3) Responsibility for oversight of the stewardship activities

The Audit Committee of Kshema shall ensure that there is an effective oversight of the stewardship activities.

4) Review and disclosure of Stewardship Policy

This Stewardship Policy would be reviewed periodically and amendments thereto, shall be publicly disclosed on the website of Kshema at www.kshema.co

5) Disclosure of Stewardship Activities

Kshema shall also disclose the requisite compliance and non-compliance with the Stewardship Principles as per the requirement of the regulations.

2 Managing Conflict of Interest

- 1) The term “conflict of interest” refers to instances which have the potential to compromise the professional judgment.
- 2) In resolutions where there is any perceived conflict of interest, the decisions pertaining to the same would be recorded, and the policyholders’ interest would be considered paramount while arriving at these decisions. The voting decision would be accordingly taken by the Investment Team in the best interests of the policyholders, and a clear segregation of the voting function and client relations/sales functions would be maintained. If the Investment Team has an actual/potential conflict of interest in the transaction, the matter would be referred to the Audit Committee.

3 Monitoring of Investee Companies

- 1) As a policy, Kshema will not seek to nominate its representative on the Board of an investee company, unless the Audit Committee decides that a nominee is warranted.
- 2) Kshema shall monitor all investee companies in a manner as detailed below:
 - a) The Investment Team at Kshema shall be responsible for the monitoring of the investee companies’ business strategy, performance (operational and financial), monitoring of the industry to which the investee company belongs to, leadership management effectiveness and quality of the Board, succession planning, risks including Environmental, Social and Governance (ESG) risks, capital structure and corporate governance.

The Investment Team at Kshema may use publicly available information, sell side research and industry information and may also engage by participation in the investee companies’ investor analyst calls at least once a year, or attend management meetings of investee companies to which it is invited.

- b) Kshema does not have the intention to participate in the management of the investee companies, except by exercising its voting rights, or in such other manner as it deems fit in the best interests of the Company.
- c) Investment Team. While dealing with the investee company, Kshema shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015, as amended from time to time.

4 Active Intervention in the Investee Company

a) Applicability

Kshema can consider intervening, in the acts/omissions of an investee company, in which Kshema

holds at least 7.5% of the share capital of the investee company.

Kshema can intervene in the above cases, 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, poor financial performance, insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance, corporate governance issues, litigations, related party transactions, leadership issues, corporate plans/ strategy, remuneration or approach to risks including CSR and ESG issues.

b) Intervention by Kshema:

- i. Kshema shall not generally intervene if the threshold is below the prescribed levels as mentioned above, or if the investment is already earmarked for divestment.
- ii. Kshema may also consider intervening in investee companies below the thresholds, if in the reasonable opinion of the Investment Committee; the issue(s) involved may adversely impact the overall corporate governance atmosphere or Kshema's investment.

c) Intervention and escalation policy

- i. Engagement: The Investment Team at Kshema shall take all reasonable steps to engage with the investee company's management to resolve any concerns.
- ii. Re-engagement: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by Kshema within a reasonable timeframe, Investment Team at Kshema shall take all reasonable steps to re-engage with the management to resolve the concerns.
- iii. Escalation: In case there is no progress despite the first two steps, the Investment Team at Kshema shall escalate the matter to its Investment Committee. If the Investment Committee decides to escalate, Kshema shall engage with the board of the investee company and elaborate on the concerns.
- iv. The meetings with investee companies where Kshema has an intervention as mentioned above, would be held in a confidential manner with the view to resolve the issue(s) constructively. Investment Team, The outcome of the intervention would be used as an input in the decision-making process, and the Audit Committee would be informed about the same. There could also be an intervention in the form of a collaboration with other institutional investors or interaction through the Insurance Council, and if so, this would also be an additional input in the decision-making process pertaining to the investment in the company.

5 Collaboration with other Institutional Investors

Kshema shall consider collective engagement with other shareholders / institutional investors / advisory firms when the issues are such that it believes a collective engagement will lead to a higher quality and/or a better response from the investee company, in order to safeguard the interests of its policyholders (who are the ultimate investors). Kshema 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.

Kshema shall also, where permitted, collaborate with other shareholders, professional associations such as Life Insurance Council, General Insurance Council, Association of Mutual Funds in India, and proxy advisory firms, to solicit views.

An illustrative list of matters which require collaborative engagement may include, but not restricted to, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders, and related party transactions. Merger and acquisition proposals would be considered in the sole interest of enhancing long term shareholder value.

Kshema 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

Voting decisions shall be made in accordance with Kshema's **voting guidelines** as incorporated below:

Size of the AUM of Kshema (Rs. Cr)	Compulsory voting to be undertaken, if Kshema's holding 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

In some cases, Kshema may voluntarily participate and vote if such resolutions/proposals are considered significant and may have an impact on the value of investments of the Kshema.

7 Reporting of Stewardship Activities

Kshema will provide a report on the voting activities on a quarterly basis, which would be made available on its website to its policyholders.

The Board of Kshema shall ensure that there is effective oversight on the Company's stewardship activities, and the Audit Committee of the Board shall exercise the same in line with the regulations

8. Amendment and Review

This policy can be amended from time to time by the Board on the recommendation of the Investment Committee. The Policy shall be automatically amended and updated with the changes in any applicable laws. The Policy shall also be reviewed annually or earlier by the Board as deemed fit.
