



Allianz Global Corporate & Specialty SE, India Branch

STEWARDSHIP CODE



## Contents

1. Introduction .....	3
1.1 Background	
1.2 Objective	
1.3 Applicability	
2. Policy Requirements .....	3
2.1 Discharge of stewardship responsibilities .....	4
2.2. Managing Conflicts of Interest.....	4
2.3. Monitoring the investee companies .....	5
2.4. Intervention in their Investee companies.....	5
2.5. Collaboration with other institutional investors.....	7
2.6. Voting and disclosure of voting activity .....	7
2.7. Periodically Report on the stewardship activities .....	7
3. Review of the Code .....	8

Prepared/Owned by	Version No.	Release Date	Page No.
Piyush Patwa	1.1	06 <sup>th</sup> May, 2020	2

## 1. Introduction

### 1.1. Background

Allianz Global Corporate & Specialty SE (AGCS SE) India Branch (hereinafter referred to as “the Branch”) aims to achieve the Investment Objective of being able to meet the reasonable expectations of the policyholders taking into account the safety of their funds with optimum return.

Insurance Regulatory and Development Authority of India (IRDAI) vide circular IRDAI/F&A/GDL/CMP/045/02/2020 dated February 07, 2019, has set out code in the form of principles, which insurers need to adopt.

### 1.2. Objective

The Branch recognises its stewardship responsibilities and regularly reviews the activities of Investment Team. This Policy sets out principles indicated in Guidelines on Stewardship Code for Insurers in India issued by IRDAI and constitutes the Disclosure and Reporting requirements under these rules.

### 1.3. Applicability

This policy is applicable to Investment Team.

## 2. Policy Requirements

**Stewardship Principles:** Insurance/Reinsurance companies or Foreign Reinsurance branches (FRB's) constitute a significant portion of the overall Domestic Institutional Investments and act in capacity of custodian of policyholder's money, to manage these investments well, it is required to regularly monitor and engage with the investee companies so as to improve governance at a greater level. The principles of the Code are set out below:

Prepared/Owned by	Version No.	Release Date	Page No.
Piyush Patwa	1.1	06 <sup>th</sup> May, 2020	3

## 2.1 Discharge of stewardship responsibilities

Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and so encompasses more than the exercise of votes in investee companies at general meetings. It is also integral to the selection of investments as well as the on-going engagement, monitoring and communication with investee companies.

- Investment team takes responsibility for monitoring and engaging with the companies they invest in, taking into consideration matters such as strategy, risk, capital structure, corporate culture and governance.
- Engagement will include investment team from time to time holding meetings with the management of companies, in which they actively invest and those that are under consideration as appropriate.
- The stewardship activities will be overseen by the Executive committee of the Branch.
- The Investment Team will set threshold level beyond which the exposure to Investee Company would be considered for action under this policy. However, investment team can decide to also intervene in companies where the investment is below threshold level, considering the seriousness of the issue.
- The threshold level can be amended by the Executive Committee as and when required.

The services of external service providers such as institutional advisors may be used from time to time and thus, the decisions will be taken by the Investment team.

## 2.2. Managing Conflicts of Interest

This principle aims at identifying and managing conflicts of interest to take all reasonable steps to put the interest of policyholders first.

While dealing with the investee company, there can be instances where a potential conflict of interest may be identified between the interests of shareholders of the HO's or Branch KMP's and the policyholders' interests. The Branch will manage conflict of interest by requiring TIC and

Prepared/Owned by	Version No.	Release Date	Page No.
Piyush Patwa	1.1	06 <sup>th</sup> May, 2020	4

Executive committee members involved in implementing the stewardship code to avoid conflict of interest wherever possible.

Where a conflict is identified, the matter will be referred to the Executive committee.

### 2.3. Monitoring the investee companies

The Branch Investment team will regularly monitor the investee companies in which it invests by analyzing public disclosures and taking relevant opportunities to meet with management, other executive staff and also the non-executive directors as appropriate.

Investment team from time to time hold meetings with the management of companies in which they invest when it is appropriate and useful to do so.

As part of this monitoring process, the Branch aims to focus on stewardship by:

- Satisfying itself that the investee company's management and governance structures are effective;
- Assessing the investee company's performance, leadership effectiveness, succession planning, corporate governance reporting and other parameters; and
- Attending the general meetings of investee companies in which it has a holding if it is felt appropriate to do so.

In addition to the above matters, Investment team may also consider the investee company's approach to risk including environment, social and economic matters. Monitoring on areas like succession planning, environmental issues will be on a best effort basis.

### 2.4. Intervention in their Investee companies

Executive Committee of the Branch may intervene on case-by-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility. Decision for intervention will be decided by Investment front office Team as disclosed to mid office team based on the disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans/ strategy, CSR etc.

Prepared/Owned by	Version No.	Release Date	Page No.
Piyush Patwa	1.1	06 <sup>th</sup> May, 2020	5

The investment in the Company should be above the threshold level defined by the TIC. However, the TIC can decide to intervene in companies where the investment is below threshold level, depending on the criticality of the issue.

### **Step 1: Interaction**

The meeting(s) with investee companies are to be conducted in a confidential manner with a view to resolve the issue constructively. The interactions must be held with the company personnel authorized and empowered to act on the concerns.

### **Step 2: Reiteration**

If there is no response from the management or there is any lack of follow-up action as promised despite the passage of a reasonable period, the branch may re-engage with the management to reiterate the conclusions or the plans of action decided at the prior meetings. A time bound plan to rectify or re-align the business practices or actions should be discussed and agreed.

### **Step 3: Escalation**

First level of escalation will be internally to Executive Committee, where further course of action will be decided which may include decision to divest or escalate the matter to regulatory authorities or collaboration with other investors. If the Executive Committee decides to escalate, the communication to the Board of the investee company should elaborate on the concerns, the past requests for engagement with the management of the company, the past discussions and the agreed course of actions.

### **Step 4: Reporting to regulators/authorities**

Despite escalation if there is no response or action taken by Investee Company, the Executive Committee may decide to report to the relevant regulator, authority or any Government body as may be required. In all cases of engagement with the management and / or the Board of Director of the investee Company, all communications and discussions are to be conducted in private and confidential manner.

Prepared/Owned by	Version No.	Release Date	Page No.
Piyush Patwa	1.1	06 <sup>th</sup> May, 2020	6

## 2.5. Collaboration with other institutional investors

The branch may choose to engage with the investee company, through consultations with other institutional investors, as for the issues that require larger engagement with the investee company. In circumstances where the Branch approach to engage with management of investee company is not achieving the required level of discussion or success or where policyholders' interests is at risk to a sufficient degree, the Branch may act in conjunction with other investors. For such situations, other investors or formal or informal groups, as appropriate, may be consulted.

Further, the act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert

## 2.6. Voting and disclosure of voting activity

In general the matters coming up for voting by shareholders of the investee companies are corporate governance matters, change in capital structure, compensation & benefits, corporate social responsibilities and appointment of board of directors etc. The TIC shall review all voting proposals routine as well as non-routine items. Voting activity will be undertaken if the investment in the company is above the defined threshold level. However, the TIC may vote in companies where the investment is below the defined threshold level, depending on the seriousness of the issue.

Stock lending and recalling activities, if any, shall be as per guidelines in Investment Policy as approved by Executive committee of the branch. Any stock lending and recalling activity undertaken, shall be disclosed along with voting history of AGC&S SE India Branch.

## 2.7. Periodically Report on the stewardship activities

In addition to the regular fulfilment of their stewardship activities, the Branch will disclose all the activities undertaken & responsibilities discharged, in regard to implementation of stewardship code. This information is available on the website as part of public disclosure on annual basis.

Prepared/Owned by	Version No.	Release Date	Page No.
Piyush Patwa	1.1	06 <sup>th</sup> May, 2020	7

The Branch will also file a status report to IRDAI on an annual basis or on such interval as required by IRDAI, indicating the compliance/deviations (along with reasons), if any, with the principles laid down in this Code.

### 3. Review of the Code

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

In case of non-adherence to the policy, the same shall be reported to the Executive Committee and necessary action may be taken in this regard.

Prepared/Owned by	Version No.	Release Date	Page No.
Piyush Patwa	1.1	06 <sup>th</sup> May, 2020	8