

# Digit Stewardship Policy



## I. Introduction

Go Digit General insurance Limited (Digit) may invest in equity securities issued by companies, in line with the regulations and guidelines issued by Insurance Regulatory and Development Authority of India ("IRDAI"). As a part of the investment function, the investment team is expected to monitor and at times engage with the investee companies on various issues ranging from business performance, future strategy, corporate governance and other issues. The investment team is also expected to exercise 'voting rights in the Investee company' in the best interest of the invested funds. This document sets out the principles and the policies to be followed by the investment team regarding the engagement with the management of the investee companies, voting on resolutions pertaining to the investee companies and disclosures relating thereto, in line with the IRDAI guidelines on the Stewardship code. **This document shall be referred as the "Stewardship Policy" of Digit.**

## II. Effective Date

This Stewardship Policy will be effective from the date of its approval by the Board of Directors of the Company.

## III. Responsibility matrix

The roles and responsibilities in respect of implementation of the Policy is as below:

### a. Board Investment Committee

The Investment Committee of the Company shall ensure that there is effective oversight on the Company's Stewardship activities. The Investment committee shall be responsible for monitoring implementation of the Stewardship code duly approved by the Board.

### b. Investment Front Office

The Front Office will be responsible for overall implementation and execution of this Stewardship Policy. The team will be responsible for ongoing monitoring of the investee companies, engaging with the management of the investee companies and identifying situations which require engagement / intervention in the investee companies and also determine the nature of intervention required.

### c. Investment Mid & Back Office

The Mid & Back Office team shall ensure that due records of voting activities are maintained and ensure necessary reporting requirements in line with the Policy.

## IV. Key principles and related policies and procedures

IRDAI has prescribed the below listed 'Stewardship Principles' under its Stewardship code. The related policies and procedures to be followed along with responsibilities are listed below:

## **A. Discharge of stewardship responsibilities**

- 1) Stewardship activities of the Company shall be undertaken by the Investment Team within the guidelines set out by the Investment Committee.
- 2) The Investment Committee will set a threshold level beyond which will help in determining the level of engagement and intervention that the Company should have with the investee company. The Investment Committee can amend / change the threshold level from time to time.
- 3) The Investment team at Digit shall be responsible for monitoring and engaging with such investee companies falling beyond the threshold through interaction with management of investee companies and exercise vote for senior management appointment, remuneration, strategic decisions, appointment of auditors, etc. Interaction with all investee companies would be on a best effort basis. The Company may use the services of external service providers such as institutional advisors; however, the ultimate stewardship responsibilities shall be discharged by the Company.

## **B. Manage conflict of interests**

The voting for company resolutions could result in some instances of conflict of interest between the best interests of the Shareholders of Digit and the policyholders. To illustrate some instances:

- (a) Investee company's association with the Company or any group company in the capacity of a supplier/ partner/ customer to any
- (b) Involvement of interests of Directors/Key managerial personnel of the Company prejudicing their responsibility to act in the best interests of the Company. Such personal interests may include direct interests of the Directors/Key Managerial Persons as well as those of their family members, friends, or other organizations a person may be involved with.

Digit would look to avoid any conflicts of interests wherever possible.

The following shall be considered when an issue of conflict arises

- (i) The conflict shall be identified and disclosed to the Investment committee
- (ii) The voting decision needs to be in the best interest of the stakeholders with the interest of policyholders being paramount.
- (iii) The transaction which is the subject matter of the resolution needs to be in compliance with applicable regulations and at arm's length.

## **C. Monitoring of Investee companies**

- (i) There is no threshold limit for monitoring purpose. Investment team will thus be responsible for monitoring all the companies in which Digit has invested.

(ii) Publicly available information, sell side research and industry information shall be some of the means to monitor the Investee companies.

(iii) The Company will endeavor to participate, depending on the threshold level and the nature of the resolutions proposed in the voting of the resolutions of the investee company which could include but not be restricted to annual results, appointment of directors, remuneration, etc.

(iv) Monitoring on areas like succession planning, remuneration, environmental issues will be done on best effort basis.

#### **D. Intervention in the Investee companies.**

(i) Intervention in Investee companies may be required to protect the value of the Investment while discharging its stewardship responsibility.

(ii) The Company will look to intervene in Investee Company, on case-to-case and best effort basis.

(iii) Intervention may be done at various levels in the Investee company.

(a) Initial Engagement: The concerns or apprehensions shall be discussed with the Investee company management

(b) Follow up Engagement: In case there is no response or no follow -up action by the Investee company to address the raised concern despite passage of a reasonable time, a follow up engagement would be done. An escalation to senior management of the company may also be explored at this stage

(c) Escalation: In case there is no progress despite the first two steps, the matter would be further escalated to the Board of the Investee company

(iv) Disclosure of interactions, if any, would not be compulsory due to confidential nature of the same.

#### **E. Collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors)**

(i) In case of issues which are not routine and/or ordinary, the investment team may look to collaborate with other institutional investors.

(ii) Collaborative engagement may be appropriate during times of extreme corporate stress or in wide economic distress (affecting the corporate), thus entailing risks of significant investment value reduction.

(iii) Collaborative action would only be initiated if it is believed to be the only way for exercising effective / appropriate influence.

(iv) As the nature of this interaction would be highly confidential and could affect the value of investments and, thereby Policyholders' detrimentally, the Company would not be disclosing such interactions.

## **F. Voting policy and disclosure of voting activity.**

- (i) The voting policy is detailed separately in Annexure A.
- (ii) Investment team will be responsible to voting resolutions as per the Company's voting policy.
- (iii) The Company may choose to vote for or against any proposed resolution or abstain from voting on any resolution.
- (iv) All voting activities will be disclosed on the website of the Company on half yearly basis.
- (v) The Company also has a Security Lending and Borrowing Policy as per Annexure B, which would be disclosed on the Company's website.

## **G. Periodical reporting/disclosure on stewardship activities**

- (i) The Company shall ensure that this Stewardship Policy is disclosed on its website.
- (ii) Any change or modification to the policy shall also be disclosed at the time of updating the amended version of the Policy on the website.
- (iii) The Company will disclose stewardship activities on website on half yearly basis.
- (iv) The Company shall disclose Voting Report on its website, on a half yearly basis.

## **V. Reporting to IRDAI**

- (a) The Company will file a status report to IRDAI on an annual basis, indicating the compliance with the principles laid down in this policy. Such report shall be approved by the Board, endorsed by the Compliance Officer and should be submitted on or before 30th June every year.
- (b) Non-compliance, if any, will also need to be reported along with the reasons / justifications for the same.

## **VI. Review**

The Chief Investment Officer and the Principal Officer of the Company are authorized to make changes in the foregoing policy as may be required from time to time. The Board shall review changes made to the Policy on annual basis. Any changes in the applicable regulatory provisions shall automatically be deemed to be incorporated into this Policy.

# Annexure A

## Voting Policy

Every shareholder in an Investee company is entitled to attend and /or vote at a meeting by either show of hand and/or by Poll and/or through online voting mechanism. The Investment team at Digit may decide to vote or to abstain from voting on proposals of the Investee company in the best interests of the policyholders as well as shareholders of Digit.

Any conflicts of interest therein shall be managed as per the rules laid out in the Stewardship policy.

Chief Investment Officer (CIO) /Fund Manager would recommend appropriate voting action in the AGM/ EGM of the Investee company.

Following Procedure would be followed:

1. The Custodian will mail the details of the meeting (date, agenda etc) to all analysts, fund managers, CIO and back office personnel.
2. The responsibility of recommending whether we vote for or against a resolution or abstain from voting will be that of the analyst tracking the stock.
3. The analyst will send in the recommendations well within the time limits to Fund Manager/CIO for approval.
4. Once approved, the equity analyst will send the instructions to back office.
5. Back office will send the necessary instructions to custodian requesting them to carry out our instruction.
6. Mid office will monitor compliance in this regard etc.
7. Mid/back office shall maintain record of voting at various meetings of investee companies. The investment committee is authorized to approve any changes in the voting policy.

## Annexure B

### **Policy on Securities Lending and Borrowing**

As per IRDAI guidelines on Securities Lending and Borrowing (SLB), an Insurer is allowed to lend only up to 10% of the quantity in a security on a fund wise basis OR 1% of the Marketwise Participant Limit (Marketwise participant limit is 10% of the number of shares held by nonpromoters in the security).

Stocks lent in SLB is not treated as creating encumbrance, charge, hypothecation or lien on such securities. Ownership remains with us and portfolio allocation is not disturbed.

Lending fees against the stock is accounted for on an accrual basis.

We would have the provision to recall our lent stock in the case of corporate action or if we decide to sell the stock in the market.

SLB does not restrict our portfolio views/action and can be used SLB for enhancing returns.

The Stewardship policy of the Company will apply to securities which have been lent