

# Stewardship Policy



## **Corporate Office:**

Narayana Health Insurance Limited  
261/A, Bommasandra Industrial Area, Anekal Taluk,  
Bommasandra Industrial Estate,  
Bangalore South, Karnataka  
India-560099

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<b>Document Approvers</b>			
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## 1. Introduction

The premium collected on insurance premiums forms part of the investment portfolio and is invested to generate returns. At Narayana Health Insurance Limited (NHIL) the Investment Function is responsible for the investments to be made by the Company and as a part of its process monitors the investee companies on issues such as strategies, performance, risk, capital structure, corporate governance including ESG and such other related aspects. This enables the Company to protect its investments placed with such investee companies thereby protecting the interest of the policyholders. Hence, the manner of exercising voting rights in the investee companies brings a fiduciary responsibility on the Company. While the process of investments is governed by the 'Investment Policy, the Stewardship Policy [Policy] sets out the principles and processes in engaging with the investee companies while exercising voting on various resolutions from time to time.

## 2. Effective date

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

## 3. Key Principles

3.1. The Investment Committee shall monitor the implementation of the Stewardship Policy. The level of engagement and intervention with the investee company may vary depending on the investment exposure in such an investee company. The Investment Committee will define what is considered meaningful exposure so that the level of engagement required can be monitored more effectively. The Investment Function will be responsible for ongoing monitoring of the investee companies as well as engaging with the management of the investee companies.

3.2. The voting on shareholders' resolutions is done with a view to:

3.2.1. Enhance value creation for the shareholders/investors and the investee companies from a long-term perspective.

3.2.2. Advocating responsible corporate governance practices.

3.3. The Investment Committee will approve the standard operating procedure for monitoring and exercising voting rights.

3.4. In the event of any significant exposure and any investment that is of strategic importance where NHIL desires to seek Board nominations, the Investment Committee will review and approve such cases.

## 4. Managing Conflicts

4.1. While discharging the stewardship responsibilities, there are potential situations of conflict of interest. Instances of a conflict of interest may arise between the interest of shareholders and the policyholders of NHIL. Some of the instances of

conflict of interest are as follows:

- 4.1.1 The investee company belongs to the same group as NHIL.
  - 4.1.2 The investee company is a client of NHIL.
  - 4.1.3 The investee company is a business partner of NHIL in certain aspect.
  - 4.1.4 Any of the group companies of NHIL is a supplier or partner of the investee company.
  - 4.1.5 A Director or a Key Managerial Person of NHIL has a personal interest in the investee company.
- 4.2. The Investment personnel involved in implementing the stewardship code shall:
- 4.2.1. identify and disclose any conflict of interest.
  - 4.2.2. avoid conflicts of interest where possible
- 4.3. The instances where a conflict of interest is present, the decision of voting shall be made by a group of two investment personnel (Chief Investments and person handling equities) and the Head of Compliance. The situation may also warrant abstaining from voting if the group of persons concludes that is in the best interest under the given circumstances. The voting decisions of NHIL will be based on what is in the best interest of the policyholders.

## **5. Monitoring of investee companies**

- 5.1. The Investment Function will be responsible for monitoring all the companies in which NHIL has invested regardless of the level of exposure. The Investment Function will use publicly available information, management meetings, sell-side research, credit rating agencies, and other industry reports.
- 5.2. The monitoring of investee companies shall not be limited only to the strategy and business outlook, financial performance, and management evaluation, but may also extend to capital allocation, changing risk profile and corporate governance issues, or any other matter incidental to performing the monitoring function effectively.

## **6. Active intervention in the Investee companies**

- 6.1. NHIL will intervene if, in its opinion, any act/omission of the investee company is considered material on a case-by-case basis, including but not limited to insufficient or improper disclosures, inequitable treatment of shareholders, non-compliance with any applicable regulations, deficiency identified in achieving performance parameters, issues pertaining to governance, related party transactions, corporate strategy or any other related matters.

6.2. The intervention will be in four stages as follows:

- 6.2.1. Initial engagement: with the management of the Company to convey the concerned issues and actions needed to mitigate the same.
- 6.2.2. Re-engagement: in the event of lack of any response to initial engagement or the preventive action taken by the Investee Company is not up to the mark, at this juncture a time-bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon.
- 6.2.3. Escalation: to the Investment Committee in case of no progress following the first two engagements. The Investment Committee may decide to either engage with the Board of the Investee Company or discuss the issues at the shareholders meeting of the Investee Company.
- 6.2.4. Reporting to regulators: if there is no response or action taken by the Investee Company despite the first three steps, NHIL may escalate the matter to the relevant authorities or may choose to initiate legal actions based on the case.

## 7. Collaboration with other Institutional Investors

- 7.1. There will be situations where the issues involved in resolutions to be voted upon by the shareholders may have an impact on all institutional shareholders of the Investee Company. In such situations, collaborating with other investors may be the most effective approach to engage with the investor companies. Consolidated efforts with other investor companies may be the most suitable option in situations involving significant corporate or economic stress posing to destroy significant value.
- 7.2. NHIL may engage with the Investee Company through consultations with other institutional investors where there is a common alignment of interest. This would help in the coordination of the investor's engagement with the Investee Company. Initiation of joint actions by investor companies will be subject to compliance with all the applicable regulatory requirements.

## 8. Voting and disclosure of voting activity

Voting will be normally carried out by the Investment function.

NHIL shall undertake voting on resolutions/ proposals of the investee companies in accordance with the threshold mentioned below:

<b>Size of the Investment Assets of the Insurer (₹ in Cr.)</b>	<b>Compulsory voting is required, if the Insurer's holding of the paid-up capital of the investee company (in percentage) is</b>
Up to 2,50,000	3% and above
Above 2,50,000	5% and above

NHIL may voluntarily decide to vote on resolutions/ proposals of the investee companies where the investment is lesser than the threshold mentioned above when the Company is of the view that the said resolutions/ proposals are of significant importance and can have a material impact on the investment made by the Company.

## 9. Disclosures

A summary of resolutions voted in favor or against or abstained from voting be reported to the Investment Committee and the Audit Committee for its review on a quarterly basis as per **Annexure A** of the Policy. NHIL will make disclosures of the summary of votes cast on a quarterly basis on its website as per the deadlines stipulated by the regulator for public disclosure.

## 10. Compliance and Reporting:

The Company shall comply with all the principles given in the guidelines and submit an Annual Certificate of Compliance approved by the Board to the IRDAI as per **Annexure B** duly certified by the CEO and the Compliance Officer on or before June 30<sup>th</sup> every year.

## 11. Standard Operating Procedures (SOP)

The Investment Function shall adopt Standard Operating Procedures and framework as may be necessary to discharge its stewardship responsibilities effectively and efficiently.

## 12. Review of the Policy

The Investment Committee and the Board shall review this Policy:

- a. at least once every financial year, or
- b. as and when the Board/Investment Committee considers it appropriate, or
- c. as and when the underlying laws governing the Policy undergo any change including any relevant change in the laws mentioned in the Governing Law section of this Policy.

**Annexure A**

**Disclosure of voting activities in general meetings of investee companies in which the insurers have actively participated and voted:**

<b>Meeting Date</b>	<b>Investee Company Name</b>	<b>Type of Meeting (AGM/ EGM)</b>	<b>Proposal of management/ shareholders</b>	<b>Description of Proposal</b>	<b>Management Recommendation</b>	<b>Vote (For/ Against/ Abstain)</b>	<b>Reason supporting the vote decision</b>

Place:

Signature of Compliance Officer:

Date:

Name:



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**Annexure B**

**Annual Certificate of Compliance with regard to the status of Stewardship Code principles**

Name of the Insurer: \_\_\_\_\_  
\_\_\_\_\_

Date:

Period of Report (FY): \_\_\_\_\_

We hereby certify that the guidelines given on the Stewardship Code for Insurers in India by the Insurance Regulatory and Development Authority of India are duly followed and all the principles detailed in the guidelines are duly complied with.

**Compliance Officer  
(Name and Signature)**

**Chief Executive Officer  
(Name and Signature)**