



Star Health and Allied Insurance Co. Ltd.

STEWARDSHIP POLICY

Version 3

23rd May 2021

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Aneesh Srivastava
Chief Investment Officer



Version and Approval History

Financial Year	Date of Board Approval	Description	Version	Remarks
FY 2017-18	26/07/2017	Initial Policy	Ver 1	Policy adopted
FY 2018-19		Initial Policy	Ver 1	No change
FY 2019-20		Initial Policy	Ver 1	No change
FY 2020-21	25/05/2020	Revised Policy	Ver. 2	Policy revamped
	03/02/2021	Modification	Ver. 2.1	7.1 SHAIC shall provide an annual report to ultimate beneficiaries (policyholders) on how SHAIC have discharged their responsibilities under the Stewardship Code. The report shall be made available on SHAIC's website."
FY 2021-22	23/05/2021	Modification	Ver. 3	7.1 periodicity of the reporting as "Quarterly" in the Stewardship Policy



Preamble & Introduction

Stewardship code is a set of principles or guidelines aimed primarily at institutional investors, who hold shares, and thus, voting rights in companies. Implying that it is part of the fiduciary duty of investors to behave as good owners of companies, stewardship codes require investors to monitor and, where necessary, engage with companies on material matters, including environmental, social, governance, strategy, performance and risk issues. It also includes the matters on strategy, performance, capital structure, corporate governance, including culture and remuneration and to exercise its voting rights at company AGMs and EGMs.

Companies and investors have a symbiotic existence: companies need investors, as much as investors need companies. Consequently, effective stewardship and effective governance go together. For a company to be able to act in the investors' best interest, it also needs to understand the investors' perspective. The stewardship code sets out a framework that



encourages the investors to engage with companies they have invested in and their boards. This benefits both, the companies and the investors.

Stewardship codes are being introduced globally. After the UK adopted a Stewardship Code in 2009, about eight other countries have similarly mandated stewardship requirements, including a few Asian countries such as Malaysia, Japan, and Taiwan. Singapore and South Korea, have set up working groups to develop stewardship codes. Under the umbrella of a stewardship code, investors have been able to achieve different agendas – from getting more independent directors on boards, to ensuring that annual reports are being published in time.

The seven principles of stewardship code outlined by the IRDAI

1. Formulate a policy on the discharge of stewardship responsibilities and publicly disclose it
2. Have a publicly-disclosed clear policy on managing conflicts of interest in fulfilling stewardship responsibilities
3. Monitor investee companies
4. Have a clear policy on intervention in their investee companies



5. Have a publicly-disclosed clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors)
6. Have a clear policy on voting and disclosure of voting activity
7. Report periodically on stewardship activities

India, to a large degree, has relied on regulations to evolve its corporate governance agenda. The more recent regulations have balanced this agenda by empowering the shareholders to assert their rights – in the form of more convenient voting processes, and requisite specific approvals in the case of related party transactions. However, these measures are effective only on specific issues. To build a wholistic environment that rewards good governance practices, the institutional investors must undertake focused stewardship activities.

While the Securities and Exchange Board of India has long since mandated mutual funds to vote on shareholder resolutions, the Insurance Regulatory Authority of India (“IRDAI”) on March 22, 2017 prescribed stewardship principles to be adopted and implemented by the



insurers (“**Stewardship Principles**”). Insurers were required to adopt a policy based on the Stewardship Principles on or prior to September 21, 2017. This policy was amended vide circular No. IRDAI/F&A/GDL/CPM/045/02/2020 dated 7th February 2020 called Revised Guidelines on Stewardship Code for Insurers in India.



Stewardship Code

Stewardship aims to promote the long-term success of investee companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits investee companies, insurers, investors & policyholders' and enhances the quality of capital markets.

Star Health And Allied Insurance Company Limited ("Insurer / SHAIC") has adopted this revised Stewardship Code pursuant to the approval of the *Board of Directors* of SHAIC and is effective from 1st June 2020.



1. Key Stewardship Responsibilities

1.1. Primary Stewardship Responsibilities: SHAIC shall:

- a) Take into account the corporate governance practices of investee companies, when undertaking buy and sell decisions;
- b) Enhance shareholder/investor value through productive engagement with investee companies, wherever practical;
- c) Vote and engage with investee companies in a manner consistent with the best interests of its shareholders/investors;
- d) Maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

1.2. Discharge of Stewardship Responsibilities: SHAIC shall discharge its stewardship responsibilities through:

- a) Voting on shareholders' resolutions, with a view to enhance value creation for the shareholders / investors and the investee companies;
- b) Advocating for responsible corporate governance practices, as a driver of value creation;

1.3. Responsibility for oversight of the stewardship activities:



The investment committee and the Audit Committee of SHAIC (“Committee”) shall ensure that there is an effective oversight of SHAIC’s stewardship activities.

1.4. Disclosure of Stewardship Code: This Stewardship Code and amendment thereto, shall be disclosed on the website of SHAIC.

1.5. Disclosure of Stewardship Activities: SHAIC shall also disclose the requisite compliance and noncompliance with the Stewardship Code to IRDAI on quarterly basis or as may be required by the IRDA from time to time.

2. Managing Conflict of Interest

2.1. The term “conflict of interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. A conflict of interest exists where the interests or benefits of SHAIC (including its employee, officer or Director) conflict with the interests or benefits of its shareholder/investor or the investee company.



2.2. Avoid conflict of interest: The employees, officers and Directors of SHAIC shall undertake reasonable steps to avoid actual or potential conflict of interest situations. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, employees, officers and directors shall consult with the Investment Committee and / or the Chief Investment Officer and / or Compliance Officer.

2.3. Identifying conflict of interest: While dealing with investee companies, SHAIC may be faced with a conflict of interest, *inter alia*, in the following instances, where:

- a) SHAIC and the investee company are part of same group; or
- b) The investee company is also a client of SHAIC or its group companies or affiliates;
- c) SHAIC is a lender to the investee company;
- d) The investee company is partner or holds an interest, in the overall business of SHAIC's group;



- e) Any of the group companies or affiliates of SHAIC is a supplier or partner of the investee company;
- f) A director or a key managerial person of SHAIC or their dependent family members has a personal interest in the investee company;
- g) SHAIC (including its employee, officer or director or their dependent family members) is likely to make a material financial gain, or avoid a loss, at the expense of a shareholder / investor or the investee company.

2.4. Manner of managing conflict of interest:

- a) Any potential situation creating conflict of interest will be brought to the notice of the Chief Investment Officer by such employee, officer or Director beforehand; who shall offer the necessary guidance, advice or decision; in consultation of the Board of Directors of SHAIC, if so needed.
- b) On a half yearly basis, every Access Person, as defined under 'Dealing/Trading in Securities' policy of SHAIC must submit to the



Chief Investment Officer a securities statement setting out the details of the securities of listed companies and unlisted

companies held by him/her (including the securities held by his/her immediate dependent relative). They shall also provide on an annual basis their demat account statement. This approval also includes taking part in Initial Public offer of investee companies.

- c) Rationale for voting on each shareholder resolution shall be recorded in the internal records of SHAIC.

- d) Access Persons of SHAIC will record their outside appointments/professional engagement with the Chief Investment Officer and same shall be recorded prior to entering into such outside appointment.

- e) Save as in the ordinary course of business, the members of the Committee shall not engage with the investee companies outside the scope of their duties under the Stewardship Code.



- f) SHAIC may consider abstaining from voting when SHAIC and the investee company are part of the same group, unless SHAIC records rationale for voting on such resolutions.

- g) Business level conflicts shall be resolved on a case to case basis by the Committee, after factoring the relevant considerations.

3. Monitoring of Investee Companies

3.1. SHAIC shall monitor all investee companies.

3.2. Manner of Monitoring:

- a) The Committee shall be responsible for the supervision of the monitoring of the investee companies' business strategy, performance, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance performance and reporting,



b) SHAIC may use publicly available information, sell side research and industry information and shall engage with the investee companies'

Investor / analyst calls regularly or at such frequency as may be deemed appropriate by the Chief Investment Officer. SHAIC shall not encourage the investee companies to share any unpublished price sensitive information with SHAIC which would make SHAIC an 'insider', without a specific prior agreement with SHAIC. While dealing with the investee company, SHAIC shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015 as amended from time to time,

c) SHAIC shall to the extent feasible attend general meetings and other meetings conducted by the management of the investee company to which it is invited.

d) SHAIC, if required, may appoint a nominee director on the Board of Investee Company.



e) To monitor the investee companies, SHAIC may take the views / opinions etc of various parties including proxy advisory firm (s).

However, ultimate stewardship responsibility shall be discharged by SHAIC only.

3.3. Identify the responsibilities of the investee companies:

To the extent feasible, SHAIC shall review the investee companies' business strategy, performance, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance, cultural, social and environmental matters.

3.4. Nomination on the board of the investee companies:

SHAIC may appoint a nominee on the board of the investee company if such a need arises. Decision of such appointments shall be taken by the investment committee of the company.

4. Active Intervention in the Investee Company



4.1. Applicability

a) SHAIC shall intervene in the acts/omissions of an investee company:

(1) In which it holds **at least 0.50% of the share capital of the investee company**; or

(2) Wherein SHAIC has **invested 1% of the total investments**, as measured at the end of the previous quarter.

b) SHAIC shall intervene 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 insufficient disclosures, inequitable treatment of shareholders & their investments, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans/ strategy, CSR and Environmental, Social and Governance (ESG) Risks, leadership issues, litigations or any other related matters.



4.2. Intervention by SHAIC: The decision for intervention shall be decided by the Chief Investment Officer based on the following broad parameters:

- a) SHAIC shall not generally intervene if the threshold is below the prescribed level or investment is already earmarked for divestment.

- b) SHAIC may consider intervening in matters below the thresholds, if in the reasonable opinion of the Chief Investment Officer, the issue involved may adversely impact the overall corporate governance atmosphere or SHAIC's investment.

4.3. SHAIC's intervention and escalation policy is as follows:

- a) Engagement: SHAIC shall take all reasonable steps to engage with the investee company's management to resolve any concerns of SHAIC including steps to be taken to mitigate such concerns.

- b) Re-engagement: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by SHAIC within a reasonable timeframe, SHAIC



shall take all reasonable steps to re-engage with the management to resolve SHAIC's concerns.

- c) Escalation: In case there is no progress despite the first two steps, SHAIC shall escalate the matter to the Committee. If the Committee decides to escalate, SHAIC shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. SHAIC may also consider discussing the issues at the general meeting of the investee company (either called by the investee company or requisitioned by SHAIC).
- d) Reporting to the Regulators: If there is no response or action taken by the investee company despite the first three steps. SHAIC may approach the relevant authorities.
- e) In case SHAIC's intervention is not successful (either fully or partially), it will not automatically result in SHAIC being required to exit its investment in the investee company. The decision to purchase more equity or sell all or part of the SHAIC's investment in the investee company shall be made by the Committee, which



may consider the outcome of the intervention as an input in its decision-making process.

5. Collaboration with other Institutional Investors

5.1. SHAIC shall consider collective engagement with *other shareholders / institutional investors / advisors / proxy advisory firms* on a general basis, whose interests are aligned with SHAIC and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. SHAIC 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. It is only when SHAIC believes that collaborative action would be an effective means by which investors can exercise appropriate influence, SHAIC will willingly initiate action or support other investors' actions.



5.2. SHAIC shall also, where permitted, collaborate with other shareholders, professional associations such as *General Insurance Council of India, Life Insurance Council, Association of Mutual Funds in India, General Insurers' Public Sector Association, proxy advisory firms,*

regulators such as IRDA, Pension Fund Regulatory and Development Authority, SEBI, and other policy makers to solicit views.

5.3. An illustrative list of matters which require collaborative engagement may include appointment or removal of directors, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders & their investments, issue of further capital, raising of debt and related party transactions.

5.4. SHAIC 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

6.1 To the extent necessary and feasible, SHAIC shall exercise their voting rights and vote on shareholder resolutions of investee companies.

6.2 Voting decisions shall be made solely with the intent to protect SHAIC's/its policyholder's investment interests and as per the decision taken by the Investment Committee or the Chief Investment Officer in this behalf.

6.3 SHAIC shall also consider several factors, including recommendations made by proxy advisory firms, while voting (if any). SHAIC shall vote against resolutions which are not in its investors'/shareholders'/policyholders' best interests. SHAIC may also abstain itself from voting.

6.4 Attendance at General Meetings: SHAIC shall attend general meetings of the investee companies (annual as well as any extra ordinary



shareholders' meetings) where appropriate, and to the extent possible, actively participate and respond to the matters being discussed at such meetings.

6.5 SHAIC shall be required to record and disclose specific rationale supporting its voting decision (for, against or abstain) with respect to each vote proposal.

6.6 In case SHAIC engages in stock lending activity, it shall update the Investment Committee of the approach undertaken to comply with the stewardship principles, if materially different from those mentioned herein.

7. Reporting of Stewardship Activities

7.1. SHAIC shall provide a quarterly report to ultimate beneficiaries (policyholders) on how SHAIC have discharged their responsibilities under the Stewardship Code. The report shall be made available on SHAIC's website.



7.2. SHAIC shall also report its compliance status with the Stewardship Principles in the format as mentioned in Annexure A & Annexure B of 'Revised Guidelines on Stewardship Code for Insurers in India, 2020' issued by the IRDAI.
