



Policy on Dividend Distribution

November 2022

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Dividend Distribution Policy

Key Policy Information:

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SHAIC – PDD	Board & Secretarial	Board	May 23 2021

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Version	Reviewed By	Approved By	Revision date	Reason for review
1.0	Board	Board	2020-21 May 23 2021	Initial Policy
2.0	Board	Board	2022-23 November 9 2022	Periodic Review

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1. Introduction

1.1. Background

This Policy is framed pursuant to the requirements under Regulation 43A of LODR 2015 which mandates the top 1,000 companies by market capitalization to formulate a dividend distribution policy.

1.2. Objective

The Policy provides for parameters and various criteria to be considered while declaring dividend considering the Company's business growth, regulatory solvency requirements and the need for building an internal reserve for future endeavours in serving the insuring public.

The Company believes that it has been serving the insuring public in an effective manner, as evidenced by the growth registered during the recent past including the pandemic period; it recognises the need to protect the interests of the policy holders while simultaneously striving to reward shareholders appropriately by way of distribution of dividend.

1.3. Applicability

This Policy is applicable to the Company for distribution and payment of dividend.

1.4. Policy Review and Approval.

The Board may review the Policy as and when required.

The Policy is effective from the date of listing of the securities of the Company in the recognized Stock Exchange/s and the revised versions come into effect from the date of approval of the Board.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy.

2. Policy Requirements

2.1. Policy Statement

This Policy sets out the parameters and criteria that will be considered by the Board, in determining the need for distribution of dividend to its shareholders and/or for retaining profits earned by the Company.

2.2. Criteria and Parameters that will be considered

By following the 1/365 days principle for providing for Unexpired Risk Reserves (which will be sufficient to meet the claim obligations and other expenses) and by adequately providing for outstanding claims along with provision for Incurred But not Reported (IBNR) claims, the Company will take a cautious approach towards distribution of dividend.

The following aspects will be considered while declaring dividend on the equity shares of the company. As on date, the company has only issued equity shares with full voting rights with face value of INR10 each.

A. Internal Factors

- i. Premium growth commensurate with its market share in the insurance industry
- ii. Profit outlook based on estimates on claims and expenses
- iii. Estimated Investment income and proposed investments
- iv. The regulatory solvency margin level required to be maintained at all times

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- v. Tax considerations
- vi. Expected liquidity requirements towards working capital and settling any outstanding loans
- vii. Business plans and growth strategy of the Company
- viii. Interim dividend paid, if any (applicable for final dividend)
- ix. Such other factors and/or material events which the Board may consider

B. External factors

- i. Compliance with prevailing legal requirements, regulatory conditions or restrictions laid down under the applicable laws including tax laws and any political changes,
- ii. Introduction of new regulatory requirements or material changes in existing regulatory requirements, which significantly affect the businesses in which the Company is engaged
- iii. The various developments in the insurance sector
- iv. Medical inflation and various advancements in the medical field
- v. Shareholder expectations
- vi. Significant changes in Macro-economic environment
- vii. Dividend pay-out ratios of companies in the same industry

The Company is in the business of underwriting health insurance and would prefer to conserve capital and funds to address any uncertainty due to unforeseen future events. Hence, dividend distribution decisions will be taken by the Board, after considering the above factors.

2.3. Circumstances when Shareholders may not expect dividend distribution

The Company will endeavour to declare dividend. However, in the following circumstances, the shareholders may not expect distribution of dividend:

- i. Inadequacy of profit due to loss or excessive claims incurred by the Company
- ii. Significant cash flow requirements towards higher working capital requirements / tax demands / or others, adversely impacting free cash flows
- iii. An impending / ongoing capital expenditure program or any acquisitions or investment in joint ventures requiring significant allocation of capital
- iv. Allocation of cash required for buy-back of securities
- v. Any of the above referred internal or external factors restraining the Company from considering dividend distribution
- vi. Regulatory constraints whereby the company is prohibited to distribute any dividend
- vii. Any other circumstances as may be determined by the Board

2.4. Utilization of Retained earnings

Retained earnings will be deployed for any one or more of the following purposes –

- i. General working capital and business purposes or for capital expenditure
- ii. Research and development in health insurance products, wellness programs and creating awareness among the public
- iii. Maintenance of an optimum level of capital adequacy and meeting the Company's future growth/expansion plans
- iv. Capitalisation and issue of shares, buyback, declaration of dividend or any other purpose permitted under the CA 2013
- v. Such other purposes as the Board may consider in best interest of the Company and its stakeholders

2.5. Parameters for various classes of shares

The Company has issued only one class of shares viz. equity shares. Parameters for dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Company decides to issue other classes of shares.

2.6. Manner and timelines for dividend declaration

i. Interim Dividend

The Board may declare interim dividend during the financial year or at any time during the period from closure of financial year till holding of the Annual General Meeting. The Board may consider any of the above-mentioned factors while declaring any interim dividend.

ii. Final Dividend

The Board shall have the power to recommend final dividend as a percentage of the face value of the shares and place the same before the shareholders for their approval in the Annual General Meeting of the Company.

The Risk Management Committee of the Company will review, approve and monitor implementation of the dividend payment proposals.

3. Compliance and Reporting

The Chief Financial Officer and the Company Secretary would be jointly responsible for all compliance matters relating to declaration and payment of dividend.

The Policy will be displayed on the website of the Company and the web-link will be provided in the Annual Return of the Company.

The Company shall make appropriate disclosures as required under CA 2013 and LODR 2015.

4.1 Definitions

- i. **Board** means the Board of Directors of the Company.
- ii. **CA 2013** means the Companies Act, 2013 and rules made thereunder, as amended from time to time.
- iii. **CGG 2016** means the Corporate Governance Guidelines for Issuers in India, 2016 issued by the Insurance Regulatory and Development Authority of India.
- iv. **Company** means Star Health and Allied Insurance Company Limited.
- v. **Dividend** means Dividend as defined under Companies Act, 2013.
- vi. **LODR 2015** means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
- vii. **Policy** means this Dividend Distribution Policy as amended and approved by the Board from time to time.

Capitalised terms used in this Policy and not defined above shall have the same meaning as assigned to them under the CA 2013 or LODR 2015 or CGG 2016 or any other applicable law or guidelines