

**Stewardship Code for
Niva Bupa Health Insurance**

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1. Introduction

By definition, a Stewardship Code has three principal elements:

- i. Engagement with investee companies;
- ii. Voting on shareholder resolutions; and
- iii. Disclosures on voting and engagement.

IRDA, vide its Circular IRDA/F&A/GDL/CMP/045/02/2020 dated 7th February 2020 (“Stewardship Guidelines”; “Guidelines”), prescribed that Indian insurance companies need to adopt a stewardship code for engagement with their investee companies.

The Circular also describes seven principles to be covered by the Stewardship Code for insurers as follows:

Principle 1: Insurers should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it.

Principle 2: Insurers should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Principle 3: Insurers should monitor their investee companies.

Principle 4: Insurers should have a clear policy on intervention in their investee companies.

Principle 5: Insurers should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed.

Principle 6: Insurers should have a clear policy on voting and disclosure of voting activity.

Principle 7: Insurers should report periodically on their stewardship activities.

This Policy describes Niva Bupa Health Insurance (“NBHI”)’s approach to the Stewardship Responsibilities as set out under each principle and how our Policy and procedures meet the requirements of the Stewardship Code.

2. Objective of the Stewardship Code

In accordance with the Stewardship Guidelines, this Stewardship Code (“Code”) summarises NBHI’s policy and procedures adopted for engagement with its investee companies and for voting.

The key purpose of implementing this Code is to further enhance and protect the benefits of NBHI’s policyholders by engaging with its investee companies on issues such as strategy, performance, corporate governance, environmental and social issues that may materially affect the future sustainability of companies and shareholder value. This is in line with NBHI’s philosophy to ensure that it does not expose its policyholders to undue risks. NBHI appraises each investment with integrity and focuses on the investment’s long-term benefits for the Company and its policyholders.

Stewardship activities are aimed at monitoring the Company’s investments and guiding the investee companies with a view to protect our rights as shareholders and to improve corporate governance in investee companies and thus to enhance the long-term value for our policyholders. It is clarified that compliance with these principles does not constitute an invitation to manage the affairs of investee companies or preclude a decision to buy or sell securities of any of the investee companies when this is considered in the best interest of clients or beneficiaries.

3. Governance of the Stewardship Code by NBHI

Oversight of the Stewardship Code and activities of NBHI shall be undertaken by the Audit Committee

The Audit Committee shall be responsible for monitoring the implementation of the Stewardship Code duly approved by the Board. Given the increasing size of the funds and the expanding issuer base and exposure to non-government securities, the Investment Committee will be responsible to set a threshold level beyond which the exposure to the investee company will be deemed to be ‘meaningful’ for the full application of the stewardship principles and activities.

On annual basis, the Code will be reviewed based on emerging practices and regulatory developments. The revised Code will be tabled at the Audit Committee for review and for its recommendation to the Board for approval.

The investment team of Niva Bupa will be responsible for ongoing monitoring of the investee companies and will also be responsible for engaging with the managements of the investee companies.

4. NBHI’s Approach to the Stewardship Principles

Niva Bupa invests in various asset classes including the fixed income securities, equity securities, Infrastructure Investment Trusts, Real Estate Investment Trusts and Alternate Investment Funds. The scope of this policy covers the rights as an investor in the fixed income instruments wherever applicable, as a shareholder in the companies where NBHI has exposure and mutual funds. This Policy doesn’t cover investments in Government securities and Fixed Deposits placed with banks because Government securities are purchased with the intent to hold them till maturity and doesn’t carry any credit / default risk being backed by Central/State Governments. Fixed deposit is carried in books at cost and there is no market movement risk.

Principle 1: Insurers should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it.

Guidance provided by the Guidelines

Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.

The Stewardship policy should identify and define the stewardship responsibilities that the insurer wishes to undertake and how it intends to fulfil the same to enhance the wealth of its clients. The policy should address all the aspects relating to stewardship activity like Managing conflict of interest, Training of personnel, Monitoring of investee companies, Intervention in investee companies, Collaboration with other institutional investors and Voting activities. The policy should be approved by the Board of the insurer and should bring out how the insurer applies stewardship with the aim of enhancing and protecting the value for the ultimate beneficiary or client.

While the Boards of an insurer could decide to engage in all cases, it may also decide to selectively intervene based on its extent or level of investment. In such case, the policy should clearly identify the threshold (level of investment or any other criteria as may be determined by the Board) for intervention.

The policy should clearly state whether the insurer intends to use the services of external service providers such as institutional advisors. In case services of any external service providers are used, the policy should provide for the mechanism to ensure that in such cases, stewardship responsibilities are exercised diligently. Though core function of investment cannot be outsourced, professional advices to arrive at voting decisions and research reports like Market survey data, Industry wide analysis, Business valuation, etc. may be sought from external agencies. The policy should clearly provide that the ultimate stewardship responsibilities shall be discharged by the insurer.

The policy should be reviewed and updated periodically and the updated policy should be publicly disclosed on the insurer's website.

NBHI's approach to the Stewardship Responsibilities

- All investments by NBHI are made after adequate research and analysis, including the preparation of an investment note supporting the investment decisions prior to any new investment. The Corporate Governance practices of investee companies are also considered while taking such Investment decisions
- Since Stewardship activities are relevant for equity investments, NBHI's efforts as shareholders are concentrated on equity as an asset class. Further, when required, NBHI will also apply these principles to applicable asset classes like fixed income investments, INVT's, REIT's etc.
- NBHI has a review mechanism for all its investment portfolio at multiple levels including a quarterly oversight by the investment committee.
- If required, NBHI may engage or collaborate with other institutional investors to protect its interest with regard to its investments.
- As relevant and required, NBHI may engage with external service providers for providing analysis, proxy advisory services etc., as inputs for decision-making. However, the final decision and responsibility for stewardship activities rest with the Management of NBHI.
- This Stewardship Code and amendment thereto, shall be disclosed on the website of the Company. Any amendment or modification to this Code shall also be disclosed on the website.

Principle 2: Insurers should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Guidance provided by the Guidelines

The stewardship policy put in place by the insurers should also cover the aspects of identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of their client or beneficiary first. The policy should identify scenarios of likely conflict of interest as envisaged by the Board and should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.

Aspects covered in the stewardship policy with regard to conflict of interest may, among other issues, address the following:

- 1) Identifying possible situations where conflict of interest may arise. E.g. in case of investee companies being associates of the entity.
- 2) Procedures put in place by the entity in case such conflict of interest situations arise which may, inter alia, include:
 - a. Blanket bans on investment in certain cases.
 - b. Referring such matters to Audit Committee.
 - c. Clear segregation of voting function and client relations / sales functions.
 - d. Policy for persons to recuse from decision making in case of the person having any actual / potential conflict of interest in the transaction.
 - e. Maintenance of records of minutes of decisions taken to address such conflicts.

NBHI's approach to the Stewardship Responsibilities

- A conflict of interest could arise in the following situations
 - Investment in group entities or associates
 - A Director being on the Board of NBHI and the investee company
 - Where Investee Company is either a business partner, customer or related in any other aspect with Niva Bupa.
- NBHI has the duty and responsibility to always keep the interest of shareholders/policyholders first in case of conflict of interest. Conflicts of interest form part of the induction process for all employees as well as part of ongoing Compliance and Risk internal communications to ensure all employees are aware of and understand their conflicts of interest responsibilities.
- The principles adopted for this Principle would be as follows:
 - a. Avoid conflicts of interest where possible.
 - b. Identify and disclose any conflicts of interest to the CEO, CFO and head of Compliance for prompt resolution.
 - c. Notify such case and resolution to the Audit Committee in the next Audit Committee meeting after identification of such conflict.
 - d. In case of a conflict of interest with a Director, he shall not be involved in the decision making with respect to the investee company

Principle 3: Insurers should monitor their investee companies.

Guidance provided by the Guidelines

Insurers should have mechanisms for regular monitoring of their investee companies in respect of their performance, leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important.

Insurers may or may not wish to have more participation through nominations on the Board for active involvement with the investee companies. An insurer who may be willing to have nominations on the Board of an investee company should indicate in its stewardship statement the willingness to do so, and the mechanism by which this could be done.

Aspects covered in the stewardship policy with regard to monitoring shall address the following:

- 1) Different levels of monitoring in different investee companies. Eg- companies where larger investments are made may involve higher levels of monitoring vis-à-vis companies where amount invested is insignificant from the point of view of its assets under management (AUM).
- 2) Areas of monitoring which shall, inter alia, include:
 - a. Company strategy and performance - operational and financial.
 - b. Industry level monitoring and possible impact on these investee companies.
 - c. Quality of company management and Board, leadership.
 - d. Corporate governance including remuneration, structure of the Board (including Board diversity and independent directors) and related party transactions
 - e. Risks including Environmental, Social and Governance (ESG) risks.
 - f. Shareholder rights and their grievances.
- 3) Identification of situations which may trigger communication of insider information and the procedures adopted to ensure SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended time to time are complied with in such cases.

NBHI's approach to the Stewardship Responsibilities

- Investment team at Niva Bupa shall follow a robust framework in monitoring the financial performance of investee companies, management effectiveness and corporate governance aspects subject to a materiality threshold. More specifically, in cases where the investment made by Niva Bupa in any investee company exceeds 3% of the total asset under management (AUM) of Niva Bupa, such monitoring will be applicable.
- Monitoring will include but need not be restricted to strategy and business outlook, financial performance, management evaluation and corporate governance issues, capital structure and key risk areas as identified.

Principle 4: Insurers should have a clear policy on intervention in their investee companies.*Guidance provided by the Guidelines*

Insurers may decide their own engagement strategy and the policy should clearly set out the criteria/ circumstances in which they will actively intervene. The policy should provide for regular assessment of the outcomes of intervention by the insurer. Intervention should be considered regardless of whether an active or passive investment policy is followed. Circumstances for intervention may, inter alia, include but not limited to, poor financial performance of the company, corporate governance related practices, remuneration strategy, Environmental, Social and Governance (ESG) risks, leadership issues and litigations.

The mechanisms for intervention may include meetings / discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the Boards, collaboration with other investors and voting against decisions. Various levels of intervention and circumstances in which the escalation is required may be identified and disclosed in the stewardship policy. This may also include interaction with the companies through the insurance councils in case of any industry level issues. Investment Committee of the issuer has to consider which mechanism to be opted and escalation of matters in specified cases.

NBHI's approach to the Stewardship Responsibilities

- Concerns with regards to insufficient disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans/ strategy, CSR and environment related matters may arise in course of business.
- NBHI Investment team will have regular interactions with the investee companies and other market participants like insurance companies, financial institutions, brokers, credit agencies and intermediaries to understand the concern in detail. Niva Bupa may intervene with investee companies on case-by-case basis to protect value of its investment and discharging its stewardship responsibility.
- The investment committee will have an oversight on the interventions made by the management in the investee companies.
- In case a company continues to pursue a path that NBHI believes is not in the best interest of its policyholders, NBHI may choose to exit the investment.

Principle 5: Insurers should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed.

Guidance provided by the Guidelines

For issues that require larger engagement with the investee company, insurers may choose to act collectively with other institutional investors in order to safeguard the interests of their investors. In such situations, the stewardship policy should guide their actions and extent of engagement.

NBHI's approach to the Stewardship Responsibilities

Investment team of Niva Bupa may choose to interact with other institutional investors, brokers and intermediaries whose interests are aligned with Niva Bupa to engage with the investee company, if required and deemed appropriate.

If relevant, NBHI's approach would be as follows:

- Raise issues with the management of investee companies on a “one-to-one” basis.
- If NBHI feels that responses are not forthcoming or the investee company is unable to provide sufficient rationale for its actions, NBHI may coordinate with other institutional shareholders to collectively convey the concerns and feedback. Coordination would normally be taken up if individual efforts do not yield necessary responses.
- The collaboration could be used for conveying concerns, collectively voting against a proposal, raising issues with regulators or for legal recourse. In case a company is not willing to receive feedback and continues to pursue a path that NBHI believes is not in the best interest of its policyholders and shareholders, NBHI may choose to exit the investment.
- All our engagement activities are undertaken in the best interests of our policyholders and shareholders.

Principle 6: Insurers should have a clear policy on voting and disclosure of voting activity.

Guidance provided by the Guidelines

Insurers should exercise their own independent judgment as regards voting decisions on resolutions and should not automatically support the proposals of the Board of the investee company. The decisions should be aimed at promoting the overall growth of the investee companies and, in turn, enhance the value of their investors.

The stewardship policy should cover the aspects of voting activity. Audit Committee will monitor oversight on voting mechanism. Insurers should disclose their approach to stock lending and recalling lent stock in their stewardship policy.

Insurers should mandatorily undertake active participation and voting on resolutions/proposals of the investee companies under the following circumstances:

Size of AUM of the Insurer (Rs crs)	Compulsory voting required, if the Insurer's holding of the paid up capital of the investee company (in %) is
Up to 2,50,000	3% and above
Above 2,50,000	5% and above

In other cases, insurers may voluntarily participate and vote if such resolutions/proposals are considered significant and may have an impact on the value of investments of the insurer.

Disclosures have to be made by the insurers regarding the voting activity in the investee companies in which the insurers have actively participated and voted on resolutions/proposals. The disclosures will form part of Public Disclosures on website and have to be made on quarterly basis as per the timelines prescribed for quarterly public disclosures on website, in the given format at Annexure A.

NBHI's approach to the Stewardship Responsibilities

- Niva Bupa will undertake voting on resolutions/ proposals of the investee companies in accordance with the threshold mentioned as below:

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

- In cases where the exposure is lower than above threshold, the Management at its discretion may decide to vote on resolutions/ proposals of the investee companies where Management is of the view that the said resolutions/ proposals are of significant importance and can have a material impact on the value of investment made by the Company.
- In cases where such rights are applicable (E.g. - companies involved in financial restructuring asking for voting resolutions on certain matters) or such matters of voting are mentioned in the Information memorandum (IM) shared with investors by the issuing company, Niva Bupa shall evaluate exercising its rights.

- If relevant, an overall summary of our voting and engagement activities will be made available on our website as per the requirements of IRDAI on quarterly basis with the public disclosures.

Principle 7: Insurers should report periodically on their stewardship activities.*Guidance provided by the Guidelines–Reporting to Policyholders*

In addition to the regular fulfilment of their stewardship activities, insurers should also provide a periodic report to their ultimate beneficiaries (policyholders) of how they have discharged their responsibilities, in a format which is easy to understand, as a part of public disclosures.

Compliance and Reporting:

The Compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when this is considered in the best interest of clients or beneficiaries. The Board shall ensure that there is effective oversight on the insurer's stewardship activities and the Audit Committee of the Board shall exercise the same.

All insurers shall comply with all the principles given in the guidelines and submit an Annual Certificate of Compliance approved by the Board to the Authority as per Annexure B duly certified by CEO and Compliance Officer on or before 30th June every year.

NBHI's approach to the Stewardship Responsibilities

- NBHI will disclose the fulfilment of its stewardship responsibilities as part of its public disclosures published on its website.

NBHI's approach to the Stewardship Responsibilities

- NBHI shall furnish annual disclosures to the IRDAI in the prescribed format with respect to its conformance to the Code, post approval by its Board and duly certified by the CEO and Compliance Officer.
- The Audit Committee shall monitor NBHI's adherence to this Code and its activities on an annual basis.

Annexure A

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

Name of the Insurer: _____

Period of Reporting: _____

Meeting Date	Investee Company Name	Type of Meeting (AGM / EGM)	Proposal of Management/ Shareholders	Description of the proposal	Management Recommendation	Vote (For / Against / Abstain)	Reason supporting the vote decision

Place:

Signature of Compliance Officer

Date:

Name:

Annexure B

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

Name of the Insurer: _____

Date: _____

Period of Report (FY): _____

We hereby certify that the guidelines given on Stewardship Code for Insurers in India by 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)