

NIVA BUPA HEALTH INSURANCE COMPANY LIMITED

DIVIDEND DISTRIBUTION POLICY

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Version: V.01

1 BACKGROUND

Regulation 43A of LODR provides that the Company may formulate a dividend distribution policy. In compliance with the foregoing, the dividend distribution policy of the Company is set out below.

2 OBJECTIVE

This Policy aims to lay down broad framework to be considered by the Board for recommending dividend to its shareholders for a financial year and manner of utilisation of retained earnings while ensuring that resources are maintained for the growth and sustainability of the Company.

The Policy also aims to ensure fairness and consistency in distributing dividends to its shareholders, provide transparency by outlining the factors and circumstances that the Board considers while recommending dividend distribution in a financial year.

3 DEFINITIONS

3.1 In this Policy, the following words and expressions shall have the meanings set forth below:

3.1.1 **Board** means the Board of Directors of the Company;

3.1.2 **Company** means Niva Bupa Health Insurance Company Limited (formerly known as Max Bupa Health Insurance Company Limited);

3.1.3 **Companies Act** means the Companies Act 2013 and rules made thereunder, as amended from time to time;

3.1.4 **Dividend** means dividend as defined under Companies Act;

3.1.5 **Insurance Act** means the Insurance Act 1938 as amended by Insurance Laws (Amendment) Act 2015 and the regulations made thereunder to the extent applicable;

3.1.6 **LODR** means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time and to the extent applicable to Insurance Companies;

3.1.7 **Policy** means this Dividend Distribution Policy formulated, approved, and adopted by the Board as amended and approved by the Board from time to time; and

3.1.8 **SEBI** means the Securities and Exchange Board of India

3.2 Capitalised terms used in this Policy and not defined above shall have the same meaning as assigned to them under the Companies Act, LODR or Insurance Act, any other applicable law, or guidelines

4 PARAMETERS TO BE CONSIDERED WHILE DECLARING DIVIDENDS

4.1 The Company shall declare dividend only after ensuring compliances with the applicable provisions of the Companies Act, Insurance Act and LODR,

and other applicable rules, regulations, guidelines as amended from time to time, as applicable to Insurance companies. The Board shall take into account the following factors while deciding on the proposal for dividend on the equity shares of the Company.

4.1.1 **Financial Factors**

- (i) Profit and key financial metrics
- (ii) Accumulated reserves/Retained earnings
- (iii) Return on invested capital
- (iv) Operating cash flow of the Company
- (v) Capital Expenditure
- (vi) Cost of borrowings
- (vii) Interim dividend paid if any
- (viii) Obligations to lenders /debenture trustees
- (ix) Inadequacy of profits
- (x) Tax implications, if any, on distribution of dividends
- (xi) Such other factors and/or material events which the Board may consider.

4.1.2 **Internal Factors**

- (i) Profit outlook based on estimates on claims and expenses
- (ii) Investment income and proposed investments
- (iii) Regulatory solvency margin
- (iv) Tax considerations
- (v) Existing and expected underlying financial performance
- (vi) Acquisitions and Disposals
- (vii) Restructuring activities
- (viii) Future requirements of funds
- (ix) Such other factors and/or material events which the Board may consider.

4.1.3 **External factors**

- (i) Market conditions
- (ii) Changes in regulatory requirements
- (iii) Taxation and other regulatory provisions
- (iv) Developments in the insurance sector
- (v) Expectations of shareholders and other stakeholders
- (vi) Dividend pay-out ratios of companies in the same industry
- (vii) Changes in macro-economic environment affecting India or the geographies in which the Company operates, or the business of the Company or its clients
- (viii) Change in the business or technological environment resulting in the Company making significant investments to effect the necessary changes to its business model
- (ix) Cost of raising funds from alternative sources

The Company is engaged in the business of inter alia 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.

4.2 **Circumstances under which shareholders may or may not expect dividend distribution**

The Board shall consider the factors provided under Para 4.1 above, before determination of any dividend payout after analysing the prospective opportunities and threats, viability of options of dividend payout or retention etc.

The decision of dividend payout shall vary based on the aforesaid factors and balancing the interest of the shareholders and other stakeholders of the Company.

Subject to the consideration of the factors/parameters set out in Para 4.1 above, the Board will endeavour to distribute dividend. However, in the following circumstances, the shareholders may not expect distribution of dividend:

- (i) Inadequacy of profit due to loss or excessive claims;
- (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) Regulatory constraints; and
- (v) Any other circumstances as may be determined by the Board.

4.3 **Utilization of Retained earnings**

The Board may retain its earnings and may utilise the retained earnings for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders or for any other specific purpose.

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

- (i) Long term strategic plans;
- (ii) General working capital and business purposes or for capital expenditure;
- (iii) Research and development in health insurance products, wellness programs and creating awareness among the public;
- (iv) Diversification of business;
- (v) Replacement or upgradation of capital assets;
- (vi) Investments in updation and upgradation of technology solutions for efficient conduct of the business;
- (vii) Maintenance of an optimum level of capital adequacy and meeting the Company's future growth/expansion plans;
- (viii) Capitalisation and issue of shares, buyback, declaration of dividend or any other purpose permitted under the Companies Act; and
- (ix) Such other purposes as the Board may consider in best interest of the Company and its stakeholders.

4.4 **Various classes of shares**

The Company has only one class of equity shareholders. If, at any time, the Board, issues different classes of shares, the factors, and parameters

for distribution of dividend to different class of shares of the Company shall be same as covered above.

The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.

The dividend shall be paid out of the distributable profits and /or general reserves and shall be allocated among shareholders on a pro-rata basis according to the number of each type and class of shares held.

5 REVIEW AND APPROVAL OF POLICY

- 5.1 The Board may review and/or amend the Policy, as and when thought fit and in any event once in three years.
- 5.2 The Chief Financial Officer and the Company Secretary would be jointly responsible for all compliance matters relating to declaration and payment of dividend.

6 DISCLOSURE ON THE WEBSITE OF THE COMPANY

As required by LODR, the Dividend Distribution Policy shall be disclosed on the Company's website. Further, a web-link shall also be provided in the Annual Report of the Board.

7 INTERPRETATION

- 7.1 In all circumstances where the terms of this Policy are inconsistent with any existing or newly enacted law, rule, regulation, or standard governing the Company, the said law, rule, regulation, or standard will take precedence over this Policy.
- 7.2 Any and all terms which been defined under the Companies Act and/or the LODR (including subordinate legislations thereunder) shall be construed as per such definition in these laws.