

Responsible Investment Policy

I. Objective

HDFC Life Insurance Company Limited (HDFC Life) has the vision to be the most successful and admired life insurance company and 'the most obvious choice for all'. We are committed to building a sustainable business whilst creating value for all stakeholders. To achieve our vision and long term business objectives, we operate within a framework that is just, fair, equitable to all our stakeholders and society.

In line with this objective, we are committed to following the principles of Responsible Investment (RI). As an active asset manager for our policyholders, who have entrusted their savings with us, it is our fiduciary responsibility to generate optimal risk adjusted returns over the long term. We believe that this objective can be served by following the RI approach which includes core stewardship principles and consideration of environmental (E), social (S) and governance (G) factors in addition to financial parameters and outlook, while making investment decisions. This framework complements the organisation's philosophy of achieving sustainable growth.

This policy document outlines HDFC Life's approach to assessing and managing the ESG aspects across its investment portfolio.

II. Scope

The RI framework will be applicable to all major asset classes including equity and bonds. This framework will be integral to investment analysis. It will be reviewed regularly and will be aligned to the organisation's objective of achieving sustainable growth.

III. Responsible Investment Strategy

We have integrated material ESG considerations into our research and investment decision-making processes.

A. Integration

All investments are subject to a detailed ESG evaluation framework comprising fundamental, quantitative and qualitative parameters, to analyse the sustainability of businesses of investee companies.

We employ an in-house methodology to compute ESG scores for current/prospective investments based on publicly available data. This evaluation framework, along with our research and analysis of the companies, helps in making informed decisions for our investment portfolio.

Our primary reliance is on company / industry data available in public domain including quarterly / annual disclosures, investor presentations, annual reports amongst others. We incorporate these disclosures into our analysis to arrive at financial projections, cost of capital and valuation.

We incorporate various ESG factors while evaluating investments. These include and are not limited to aspects such as:

- energy and water consumption, air emissions, effluent and waste management, environmental incidents, assessing sustainability of current product/ service offerings under the environment segment;
- company's management of social issues such as workforce diversity/ attrition, health and safety issues, relationships with local communities, data security and privacy, customer orientation amongst others.
- good governance practices such as board composition, audit quality, financial disclosures, anti-corruption policies

The scope of and weightage assigned to various ESG factors will be reviewed periodically. A prescribed report format for evaluating individual investments has been put in place. Key ESG issues shall be highlighted as a part of this internal research note and monitored regularly.

B. Engagement

i. Stewardship

As per the 'Guidelines on Stewardship Code for Insurers in India' by the IRDAI, asset managers should monitor and engage with investee companies in order to protect policyholders' interest. This code acts as a guiding principle for asset managers to exercise their stewardship responsibilities benefiting companies, investors and the economy as a whole. At HDFC Life, in addition to voting, stewardship includes monitoring and engaging with investee companies on matters such as strategy, sustainability, performance, risk, capital structure, evolving regulatory frameworks and corporate governance, including culture and remuneration.

It is our endeavour to engage in purposeful dialogue with investee companies on the above matters as well as on issues that are the immediate subject of resolutions at general meetings. We recognise that asset managers like us, with day-to-day responsibility for managing investments, are well positioned to influence companies' long-term performance through stewardship. (*Refer to HDFC Life Stewardship policy for more details*)

ii. Voting

Shareholder voting is an important component of our engagement process with investee companies. All voting decisions are assessed on merit with the objective of enabling a fair, equitable, sustainable outcome for the company's actions and business decisions. While we use proxy advisory services to help better understand the proxy materials and statements, all voting is carried out by our analysts, in discussion with our fund management team.

C. Responsibility

HDFC Life commits that all our investments are consistent with this framework. The Chief Investment Officer(CIO) bears the primary responsibility of ensuring the same. The key responsibilities of the CIO are:

- Policy commitment, revision and sign off on updates
- Communication of this framework to relevant parties and oversight on implementation
- Annual scan and review of the investment universe
- Determining course of action in case of specific ESG issues being raised about an investee company

The CIO may also raise any specific issues under the RI framework with HDFC Life's management Executive Committee (EC). Certain issues may also be referred to the Investment Committee of the Board under the overall stewardship responsibilities of the Committee.

D. Review

The investment team at HDFC Life incorporates the principles of RI in their functional responsibilities. The standards or levels of responses in implementation of these principles shall be reviewed by the CIO at regular intervals.