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 scope of this policy covers the following aspects:

a. This policy will be applicable to the investments made by the organisation in the following asset classes

   i. Equity and Equity related securities
   ii. Alternate Investment Funds-(AIFs)
   iii. Investment Trusts
   iv. Corporate Bonds

b. The policy will be integral to all the investment analysis and decisions by the investment team.

The policy will be reviewed regularly, in line with the review frequency for the organisation's sustainable growth policy or more frequently, if circumstances so require.

III. Implementation Framework/Strategy

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

a. Integration

We have integrated ESG factors into our research and investment decision-making process. All investment asset classes are subject to a detailed ESG evaluation framework comprising of fundamental, quantitative and qualitative parameters. We employ an in-house methodology to compute ESG scores for current / prospective investments. This evaluation framework, along with our research and analysis of the companies, helps in

making informed decisions for our investment portfolio. Apart from the normal financial and business analysis, we also evaluate ESG related issues and assess how they are impacting or can impact the business. Our primary reliance is on data available in public domain like quarterly or annual disclosures e.g. annual report or sustainability report of the company. The ESG analysis is incorporated in our valuation process for a particular security by considering ESG factors as long-term risks to the base case valuation.

b. ESG Governance Committee (Investments)

The ESG Governance committee comprises of the Chief Investment Officer, Head of Fixed Income, Head of Research, Fund Manager of ESG Fund and dedicated ESG research analyst. The ESG Committee reviews and guides the investment team on integration of ESG factors in the Fund Management process and engagement with Investee companies.

The ESG Governance Committee meetings are held at least once in a quarter, and more frequently, if required, and take stock of the progress on ESG assessment and monitoring of investee companies. Following activities are undertaken in the review meetings:

i. Tracking ESG scores and rating movements of companies in the investment universe
ii. Progress on deliverables of international commitments like UNPRI
iii. Tracking and reporting the progress on engagement initiatives with investee companies
iv. Discussion on new ESG trends/regulations in the country and future actions for the committee

c. Engagement with companies and managers under Stewardship Policy

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

Proxy voting is an important component of our engagement process. All voting decisions are assessed on their merit in the framework of a just, 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 analysts, in discussion with the fund management team

d. Responsibility

HDFC Life commits that all investments it makes, are consistent with this policy. The Chief Investment Officer bears the primary responsibility of ensuring the same.

The responsibilities of the CIO are as -

- 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.

e. 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.

IV. Investments Exclusions policy:

With regard to exclusions from the Sustainable Equity Fund, companies engaged in the business of tobacco, alcohol, controversial weapons and gambling operations shall be excluded. Controversial Weapons include chemical weapons, biological weapons, anti-personnel mines and cluster bombs. The above is aligned to the exclusion policy followed by **Nifty 100 ESG Index**