


Kotak Life Insurance**Policy on Stewardship Code**

Document Management

Version	Amendment/Reviewed
1.0.0	This policy was approved by the Board in its Meeting dated 18/07/2017
2.0.0	This policy has been reviewed by Board in its meeting dated 26/04/2019 and no modifications were made.
3.0.0	This policy has been revised in line with IRDAI's revised guidelines on stewardship code for insurers in India dated 07/02/2020 and the same has been reviewed by the Investment Committee (27/04/2020) and Audit Committee (29/04/2020) It is approved by the Board at its meeting held on 29/04/2020.
4.0.0	This policy has been reviewed by Board in its meeting dated 27/04/2021 and no modifications were made.
5.0.0	This policy has been reviewed by Board in its meeting dated 29/04/2022 and no modifications were made.
6.0.0	This policy has been reviewed by Board in its meeting dated 26/04/2023 and no modifications were made.
7.0.0	This policy has been reviewed by Board in its meeting dated 26/04/2024 and no modifications were made.

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 Internal Audit	Policy on Stewardship Code V 7.0.0 Asset Classification: Public
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Executive Summary

Insurance companies are significant institutional investor in listed companies and the investments are held by them as a custodian of policyholders' funds. The state of governance of the investee companies are an important aspect. In order to ensure that investee companies maintain corporate governance standards at high level, Insurers should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance. This will result in informed decisions by the parties and improve the return on investments of insurers which will ultimately benefit the policyholders.

In view of the above, the Authority had issued a code for stewardship for the insurance companies vide its circular ref: IRDA/F&A/GDUCMP/O59/O3/2017 on March 20, 2017. In line with this requirement, policy on Stewardship Code was first approved by the KLI's Board of Directors in their meeting held on July 18, 2017

Based on the experience in implementation, compliance by Insurers and recent developments, IRDAI had issued a revised guideline on Stewardship Code for Insurers vide its circular ref: IRDAI/F&A/GDL/CPM/045/02/2020 on 7 Feb 2020. In line with the requirement, this revised policy on Stewardship Code is placed and approved at KLI's Board on April 29, 2020

1. Formulate a Policy on discharge of Stewardship Responsibilities by KLI and its disclosure

1.1 Policy on discharge Stewardship Responsibilities

This Stewardship policy aims to identify and define the stewardship responsibilities that KLI wishes to undertake and how it intends to fulfil the same to enhance the wealth of its policyholders.

Apart from other things, the policy contains 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. This policy and its revisions will be approved by the Board and it brings out how the company applies stewardship with the aim of enhancing and protecting the value of its policyholders.

1.2 Discharge of Stewardship Responsibilities:

The investment portfolio of the company is largely in debt segment (including Sovereign Debt) and the exposure to the Equity segment is relatively lower as compared to the total assets under management. The engagement with the investee company is stepped up on increase in equity exposure to achieve the benefits of stewardship activities.

- KLI shall engage with the investee companies including through investor analyst calls at least once in a year
- KLI shall have higher levels of monitoring in Investee Companies where it holds more than 5% of AUM in an Investee Company

The level of engagement /intervention in the activities of Investee Company will be based on KLI's exposure in the Investee Company. The level of stewardship responsibilities will be stepped up gradually with the increase in equity holding in the investee company. KLI shall discharge its stewardship responsibilities through voting on shareholders' resolutions, with a view to enhance value creation for its policyholders.

KLI may avail services of external agencies as inputs in discharge of Stewardship responsibilities. However, whenever such services are availed, KLI shall ensure that stewardship responsibilities are discharged diligently. In such cases, the ultimate stewardship responsibilities shall be discharged by KLI.

1.3 Training of the personnel:

KLI shall conduct training on stewardship responsibilities for its Investment department and Compliance department employees at least once in a year.

1.4 Oversight of the stewardship activities:

Audit Committee and Investment Committee shall oversee the stewardship activities and update the Board about the implementation this code.

1.5 Disclosure of Stewardship Code:

This Stewardship Code shall be reviewed at least once in a year and the updated code shall be disclosed on the KLI's website.

2. Managing Conflict of Interest

2.1 Identifying conflict of interest:

The term 'conflict of interest' refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. While dealing with investee companies, KLI may be faced with a conflict of interest, e.g. investee company being the associates of the company, etc. KLI shall undertake reasonable steps to avoid actual or potential conflict of interest situations.

2.2 Manner of managing conflict of interest:

In case a conflict of interest emerges in the course of the implementation of its stewardship initiatives, KLI will put the utmost value on the interest of its policyholders.

The following shall be adhered when an issue of conflict arises

- The conflict is disclosed to the Investment Committee
- The voting decision is in the best interest of the stakeholders keeping the interest of policyholders first
- Adequate records of decision taken to address such conflicts shall be maintained through minutes of Committee Meetings

The identified conflict of interest and decision will be reported to the Audit Committee through the recommendation of the Investment Committee.

The persons having any actual / potential conflict of interest in the transaction will recuse themselves from decision making on that transaction.

At the time of voting exercise, KLI shall ensure that there should be a clear segregation of the voting function and the client relation /sales function of the company.

3. Monitoring of Investee Companies

3.1 KLI shall regularly monitor all investee companies.

3.2 Manner of Monitoring:

- a) KLI shall supervise and monitor investee companies' strategy, performance, risk, capital structure, leadership effectiveness, succession planning, reporting and corporate governance, including culture and remuneration to the extent these are available from public sources. KLI may use publicly available information, sell side research and industry information and shall engage with the investee companies' investor analyst calls at least once in a year.
- b) Different Levels of Monitoring in Different Companies:
KLI will have higher levels of monitoring in Investee companies where it holds more than 5% of AUM in an Investee Company.
Areas of monitoring shall include,
 - a. Company strategy and performance – operational, financial, etc.
 - b. Industry level monitoring and possible impact on the investee companies
 - c. Quality of company management, Board, leadership, etc.
 - d. Corporate governance including remuneration, structure of the Board (including Board diversity, independent directors, etc.) related party transactions, etc.
 - e. Risks including Environmental, Social and Governance (ESG) risks
 - f. Shareholder rights, their grievances, etc.

KLI may on a case to case basis decide to have its nominee in the Board of the Investee Company when it holds 5% or more paid up share capital in the company.

- c) SEBI (Prohibition of Insider Trading) Regulations, 2015:
 - i. The employees in the investment teams shall comply with the provisions of SEBI (Prohibition of Insider Trading) Regulations
 - ii. All the investment activities shall be carried out in compliance with applicable regulations, guidelines and SOPs of the company. Any incidence of insider information communication has come to notice of the management, appropriate action will be taken against erring employee.

4 Intervention in the Investee Company

- 4.1 KLI will intervene in such cases where it holds more than 2% of the paid up share capital of an investee company and has suffered a reasonable decline in value including the following:
- a. poor financial performance of the company
 - b. corporate governance related practices
 - c. remuneration,
 - d. strategy
 - e. Environmental, Social and Governance (ESG) risks
 - f. leadership issues and
 - g. Litigations, fraud etc.
- 4.2 In such cases, KLI will try to engage with investee companies in appropriate manner with the view to resolve the issue constructively. If dissatisfied with the response of the investee company, KLI may decide to escalate the matter as per available remedies including interaction with the companies through the Life Council

5. Collaboration with other Institutional Investors

- 5.1. KLI shall consider collective engagement with other shareholders on a general basis and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. KLI may approach, or may be approached by, other Asset Managers, including insurers, mutual funds, or other type of shareholders to provide a joint representation to the investee companies to address specific concerns
- 5.2. KLI shall also, where permitted, collaborate with other shareholders, professional associations; regulators to solicit views
- 5.3. An illustrative list of matters which require collaborative engagement may include appointment or removal of directors, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders and related party transactions
- 5.4. KLI shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting like a 'person acting in concert' with other shareholders

6. Voting and disclosure of voting activity

- 6.1 KLI shall exercise its voting rights and vote on shareholder resolutions of investee companies.
- 6.2 Voting decisions shall be made in accordance with KLI's voting policy
- 6.3 KLI may consider the recommendations made by proxy advisory firms as inputs and decide its own voting decision diligently. It shall vote against resolutions which:
 - a. are not consistent with KLI's voting policy, or
 - b. are not in policyholder's best interests
- 6.4 KLI shall attend general meetings of the investee companies (annual as well as any extra ordinary shareholders' meetings) wherever appropriate
- 6.5 The rationale for decision taken on 'voting for /voting against/ abstaining from voting' shall be recorded for all the cases where exposure exceeds 3% of AUM. In other cases, (where we have less than 3% exposure) we should keep the rationale of our action when it is decided to vote
- 6.6 KLI will decide on case to case basis, whether it will recall the lent stock and vote in the interest of the policyholders
- 6.7 KLI shall disclose on a quarterly basis a detailed report on voting on its website for the benefit of ultimate beneficiaries (policyholders) after placing the same at the Investment committee and Audit Committee

7. Reporting of Stewardship Activities

- 7.1 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. A report shall be submitted to the Investment committee and Audit Committee each quarter on adherence to this policy
- 7.2 The Annual Certificate of compliance to this policy shall be certified by the CIO, CEO and Compliance Officer and shall be placed at the Investment Committee, Audit committee and Board before being submitted to the Authority before 30th June of every year