



**CORPORATE GOVERNANCE GUIDELINES**  
**of**  
**KEMPER CORPORATION**

The following guidelines have been approved by the Board of Directors (“Board”) of Kemper Corporation (“Kemper” or “Company”) and, along with the Amended and Restated Bylaws (“Bylaws”) of the Company and the charters and key practices of the Board committees, provide the framework for the governance of Kemper.

**I. COMPOSITION OF THE BOARD OF DIRECTORS**

**A. Size of Board.** The Company’s Bylaws provide that the Board consist of three to twelve members. Within those limits, the number of directors shall be determined by resolution of the Board or by the shareholders at the annual meeting.

**B. Selection of Board.** The Board shall be elected annually by the Company’s shareholders, except as noted below with respect to vacancies. Each year at the Company’s annual meeting, the Board shall recommend a slate of directors for election by the shareholders, which slate shall be determined using advice and information from the Nominating & Corporate Governance Committee of the Board. Vacancies on the Board, including newly created directorships resulting from any increase in the authorized number of directors, may be filled only by a majority of the directors then in office, though less than a quorum, and directors so elected shall hold office only until the next annual meeting unless sooner displaced.

**C. Board Membership Criteria.** The Board shall have a majority of directors who meet the criteria for “independence” required by the New York Stock Exchange (“NYSE”) and applicable law. The Audit Committee, the Compensation Committee, and the Nominating & Corporate Governance Committee of the Board shall be comprised entirely of directors who meet such independence criteria. The Nominating & Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the skills and characteristics of individual Board members as well as the composition of the Board as a whole. This assessment will include consideration of members’ qualification as independent, members’ past performance as directors, and the current needs of the Company.

The Nominating & Corporate Governance Committee will evaluate potential nominees for director against the following standards:

- The highest ethical standards and integrity.
- Must be willing and able to devote sufficient time to the work of the Board.

- Must be willing and able to represent the interests of shareholders as a whole rather than those of special interest groups.
- No conflicts of interest that would interfere with performance as a director.
- A reputation for working constructively with others.
- A history of achievement at a high level in business or the professions that reflects superior standards.
- Possess qualities that contribute to the Board's diversity.

**D. Director Orientation and Continuing Education.** New non-employee directors shall participate in the Company's orientation program, which is conducted as soon as practicable after such directors are elected. This orientation will include presentations by management to familiarize new directors with the Company's business, history, strategic plans, current circumstances, key issues and leadership. The Board recognizes the importance of supporting and fostering the knowledge and skill sets of its members with regard to issues faced by the Company in its business operations and as a public company. The Company shall periodically provide materials or informational sessions for all directors to ensure awareness of areas relevant to the Company's operations, including industry and regulatory developments, corporate governance, and executive compensation. In addition, the Company encourages its directors to attend continuing education programs. The Company suggests that directors who also serve on the boards of other companies seek cost-sharing arrangements with such companies for director education expenses.

**E. Service on Other Public-Company Boards.** Directors who also serve as a Chief Executive Officer ("CEO") or in an equivalent position with another company or firm should not serve on more than two boards of public companies in addition to the Kemper Board, and other directors should not serve on more than four other public-company boards. Board members wishing to join the board of another publicly-traded company shall first notify the Chairman of the Board and the Chair of the Nominating & Corporate Governance Committee prior to joining the board of such company.

**F. Directors with Significant Job Changes.** When a director's principal employment or business association changes during his or her tenure as a director, that director shall provide the Chair of the Nominating & Corporate Governance Committee with prompt notice thereof. If the Chair of the Nominating & Corporate Governance Committee so retires or changes employment positions, he or she shall provide the required notice to the Chairman of the Board. The Nominating & Corporate Governance Committee shall consider the change and its impact, if any, on the director's continuing service and value to the Board and shareholders and shall report its findings and recommendation to the Board. The Board shall consider the recommendation of the Nominating & Corporate Governance Committee and determine whether the director's continued service or resignation is appropriate and in the best interest of the Company and its shareholders.

**G. Term Limits and Retirement of Directors.** There are no term limits for service on the Board. Directors are expected to retire from the Board effective at the annual meeting

following their 75th birthday, unless they are asked by the Board to continue to serve beyond that time.

## II. RESPONSIBILITIES AND AUTHORITIES OF THE BOARD OF DIRECTORS

**A. Basic Responsibilities.** The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives, internal audit department, and its outside advisors and auditors. Board members have three key legal obligations to Kemper and its shareholders: (a) the duty of care, which generally requires that Board members exercise appropriate diligence in making decisions and in overseeing management of the Company, (b) the duty of loyalty, which generally requires that Board members make decisions based on the best interests of the Company and its shareholders and without regard to personal interest, and (c) the duty of confidentiality, which requires that Board members keep all non-public information about the Company confidential until it is publicly disclosed.

**B. Access to Officers and Employees.** The directors shall have complete and direct access to officers and employees of the Company and its subsidiaries. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, as appropriate, copy the CEO on any written communications between a director and an officer or employee of the Company.

**C. Access to Independent Advisors.** The Board and any of its committees shall have the right at any time to retain and determine the engagement terms of independent outside financial, legal or other advisors, and to instruct the Company to pay the fees and expenses of such advisors.

**D. Evaluation of Chief Executive Officer.** The Compensation Committee of the Board shall conduct an annual evaluation of the CEO's performance. The Board will review the Compensation Committee's conclusions in order to ensure that the CEO is providing the best leadership for the Company in the long and short-term.

**E. Succession Planning.** The Board is responsible for assuring that the organizational strength and succession process is equal to the requirements of the long-range goals of the Company. Accordingly, the Board shall approve and maintain a succession plan for the CEO. In addition, the CEO shall report to the Board at least annually (and more frequently at the request of the Board) on the extent to which there are persons within the existing management ranks of the Company who have the skills, experience and other qualities deemed necessary to be considered as successors to the Company's senior management. Under the emergency succession provisions of the Company's Bylaws, the President shall perform the duties of CEO in the CEO's absence or disability, and the Vice Presidents (in the order

determined by the Board) shall perform the duties of President in the President's absence or disability. In the event that the offices of CEO and President are held by the same person, the Vice Presidents (in the order determined by the Board) shall perform the duties of the CEO/President in such person's absence or disability.

**F. Chairman of the Board and Lead Director.** The Board will designate one of its members to serve as Chairman of the Board, considering the recommendation of the Nominating & Corporate Governance Committee. The Board has no set policy on whether the offices of Chairman of the Board and CEO should be held by the same person and believes that the combination or separation of these offices should be determined by the circumstances of the Company and the composition of the Board. If the Chairman of the Board is not an independent director, then a Lead Director shall be selected by and from the independent directors, considering the recommendation of the Nominating & Corporate Governance Committee. The Chairman of the Board and the Lead Director, as the case may be, shall be designated annually or as soon as practicable upon a vacancy.

The Chairman of the Board shall have such duties and powers as set forth in the Company's Bylaws and as otherwise conferred upon the Chairman of the Board from time to time by the Board. The Lead Director shall have the following responsibilities:

- Serve as the primary liaison between non-employee directors and the Chairman of the Board, President and Chief Executive Officer (although non-employee directors are encouraged to communicate freely with the Chairman of the Board, President and Chief Executive Officer and other members of management at any time);
- Set agendas for, and preside over, the executive sessions of non-employee directors;
- In the absence of the Chairman of the Board, to preside at Board Meetings; and
- Such other duties as may be conferred upon the Lead Director from time to time by the Board.

In the event that the role of Chairman of the Board is assumed by an independent director, the incumbent Lead Director shall cease to serve in that capacity.

**G. Ratification of Independent Auditor.** The Board shall submit the Audit Committee's appointment of the independent auditor to the shareholders for ratification at the annual meeting of shareholders. In the event that the appointment is not ratified, the Audit Committee shall consider whether the appointment of a different independent auditor would better serve the interests of the Company and its shareholders. Despite shareholder ratification, the Audit Committee may appoint a new independent auditor at any time if it determines in its sole discretion that such appointment is appropriate and in the best interest of the Company and its shareholders. A subsequent appointment between annual shareholder meetings shall not be subject to shareholder ratification except as otherwise required by the Board.

**H. Board Interaction with Investors, the Media and Customers.** The Board believes that it is primarily the responsibility of management to maintain open communications with shareholders, as well as employees and other constituencies, but the Board retains the right to deal directly with shareholders and any other constituency when appropriate.

**I. Assessment of Performance of Board and Board Committees.** The Board and each of its standing committees shall conduct an annual self-evaluation to determine whether it is functioning effectively. The Nominating & Corporate Governance Committee will receive comments from all directors and committee chairs and report to the Board with an assessment of Board and committee performance, which will be discussed with the full Board following the end of each fiscal year.

## **II. MEETINGS OF THE BOARD OF DIRECTORS**

**A. Frequency of Board Meetings and Attendance.** The Board meets regularly on previously determined dates and at least four times per year. Pursuant to Kemper's Bylaws, the Chairman of the Board, Chief Executive Officer or President may call special meetings of the Board, and the Chairman of the Board, Chief Executive Officer, President or Secretary shall call a special meeting of the Board on the written request of a majority of directors then in office. Directors are expected to prepare for and attend Board meetings and meetings of the committees on which they serve, and to spend the time needed to properly discharge their responsibilities. Except for executive sessions, the Secretary of the Company attends all meetings of the Board, and the Chairman or the Board may invite key members of senior management or other employees to attend meetings of the Board.

**B. Agenda for Board Meetings.** The Chairman of the Board, together with the Secretary of the Company, shall establish the agenda for each Board meeting. Board members may suggest additional items for inclusion on the agenda and may raise at any meeting subjects that are not on the agenda. During the fourth quarter of each year, the Chairman and the Secretary of the Company shall prepare a master agenda which sets forth a projected agenda of items to be considered by the Board at each of its regular meetings during the ensuing year.

**C. Distribution of Board Materials.** The agenda for each Board meeting and significant materials to be reviewed at the meeting will be, whenever possible, forwarded to directors in advance of the meeting to ensure that the directors have an adequate opportunity to review those materials. The Board acknowledges that certain items to be discussed at Board meetings are of an extremely sensitive nature and that distribution of materials on these matters prior to Board meetings may not be appropriate.

**D. Executive Sessions.** Non-employee directors shall meet in executive session at each regularly scheduled meeting of the Board. In the event that any non-employee directors are not independent, the independent directors will meet in executive session without management and the non-independent directors at least once a year.

#### **IV. COMMITTEES OF THE BOARD OF DIRECTORS**

**A. Designation of Committees.** The Board has the following standing committees: Audit, Compensation, Investment and Nominating & Corporate Governance. All of the members of the Audit, Compensation and Nominating & Corporate Governance committees will be “independent” directors under the criteria established by the NYSE and applicable law. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

Committee members and committee chairs will be appointed by the Board with consideration of the recommendations of the Nominating & Corporate Governance Committee and the desires of individual directors. No committee member shall serve as chair of a standing committee for more than a five-year term, at the conclusion of which term the director may remain on the committee for an additional year before rotating off the committee.

**B. Committee Charters.** The Audit, Compensation, Investment and Nominating & Corporate Governance Committees shall each have its own charter, which will set forth the purpose, composition, responsibilities and governance of the committee.

**C. Committee Meetings and Agendas.** Generally, committees meet in conjunction with regular Board meetings. The chair of each committee, in consultation with the committee members and/or the Chairman of the Board, may schedule additional meetings when they deem it necessary or appropriate. Committee meetings may be as frequent and as long as needed. The chair of each committee, in consultation with the committee members and/or the Chairman and Secretary, will develop the committee’s agenda. During the fourth quarter of each year, each committee will establish a master agenda which sets forth a projected agenda of items to be considered by such committee at each of its regular meetings during the ensuing year. The master agenda for each committee will be furnished to all directors.

#### **V. DIRECTOR COMPENSATION**

**A. Determining Compensation.** The Compensation Committee shall evaluate on an annual basis whether the Company’s director compensation program is reasonable and competitive, considering all forms of compensation and the independence issues raised by excessive or inappropriate forms of compensation. In its review, the Compensation Committee shall consider how the Company’s director compensation practices compare with those of similar, public companies. The form and amount of director compensation will be determined by the Board with consideration of the recommendation of the Compensation Committee. Directors who are also employees of the Company shall receive no additional compensation for service as directors.

**B. Directors as Shareholders.** Eligible directors receive equity-based compensation each year under the 2011 Omnibus Equity Plan. Each non-employee director shall accumulate

and retain common stock of the Company in accordance with the Director and Executive Officer Stock Ownership Policy adopted by the Board.

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