

Report of the Directors on Corporate Governance

The responsibility of boards and corporate governance practices adopted by them continue to evolve and increase. The entire gamut of how stakeholders are defined has widened over the years. Boards have become more answerable to their stakeholders, leading to increased transparency and overall effectiveness.

Boards are operating under far greater scrutiny than ever before. This is against a backdrop of increased economic uncertainty, volatile capital markets, cyber security threats, disruptive technologies and heightened shareholder activism.

The criticality of having robust risk management frameworks cannot be undermined. Boards are being tested on their preparedness to tackle black swan events or ‘unknown unknowns’ and onslaught of the novel coronavirus (COVID-19) pandemic is a case in point. Investors are assessing boards on their coping mechanisms and agility to confront unprecedented outcomes. Organisations are being tested on the adaptability of their business models and their ability to expand their risk management horizons.

It is particularly in the times of crises that investors gravitate to companies that have well-fortified balance sheets and prudent business practices. Companies that have the pillars of environmental, social and governance (ESG) norms ingrained in their organisational strategy are better equipped to protect themselves and their stakeholders in challenging times.

Philosophy on Corporate Governance

The Corporation has imbibed a philosophy of following robust corporate governance practices and accountability. The Corporation strives to adopt policies and practices that meet the highest ethical standards. Commitment to good governance has a distinctive competitive advantage, enhances reputation and creates long-term sustainability.

The Corporation’s guiding principle is that the strong relationship between culture and strategy will consistently produce improved financial performance, better employee engagement, ethical behaviour and stakeholder satisfaction.

During the year, the Corporation was awarded the ‘Best Corporate Governance – Financial Services – Asia 2019’ at the Ethical Boardroom Corporate Governance Awards, 2019. The Corporation was also felicitated under the ‘Leadership’ category in the Corporate Governance Scorecard, 2019, which is a joint initiative by BSE Limited, International Finance Corporation and Institutional Investor Advisory Services. The ‘Leadership’ grade is the highest amongst the governance categories.

The Corporation’s board has played a vital role in guiding the evolution of culture and values in line with the changing times and the external environment. The board recognises its responsibilities and stewardship role.

Though the impact of COVID-19 began to play out only towards the last few days of the financial year under review, given the uncertainty of the duration of the health pandemic and the resultant devastation on economies and businesses across the globe, the Board of Directors unanimously felt that these challenging times call for austerity measures and personal sacrifice at every level and across every function of the Corporation.

Since its inception in 1977, the Corporation has had an unblemished record of never enforcing layoffs or downsizing its employees. The Corporation stands resolute in continuing this stance. Yet, across the organisation, there is a recognition of the need to be sensitive, share the pain and protect the interests of all its stakeholders.

The Nomination and Remuneration Committee of Directors at its meeting held on May 7, 2020 and the Board of Directors at its meeting held on May 25, 2020 reviewed the remuneration policy of the Corporation. Towards this end, the remuneration of the executive directors in FY21 and commission payable to them for FY20 stands frozen at previous year levels. Further, the board reversed its earlier decision during the year to increase commission payable to independent directors. Thus, commission payable to independent directors stands frozen at the previous year’s level. The commission payable to the Chairman of the Corporation also stands unchanged at previous year’s level. The remuneration policy will be reviewed based on evolving conditions and the overall performance of the Corporation.

The Corporation has complied with the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 and the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

Board of Directors

Composition

The Board of Directors comprises ten members. There are seven non-executive directors including the Chairman of the Corporation. The three whole-time directors include the Vice-Chairman & Chief Executive Officer (CEO), the Managing Director and the Executive Director & Chief Financial Officer (CFO). Of the seven non-executive directors, six are independent directors. The composition of the board is in conformity with the Listing Regulations and Companies Act, 2013.

The role of the chairperson and the CEO are distinct and separate.

None of the directors are related to each other. All the directors of the Corporation have confirmed that they satisfy the fit and proper criteria as prescribed under the applicable regulations.

In the opinion of the board, the independent directors fulfil the criteria prescribed for an independent director as stipulated in Regulation 16(1)(b) of the Listing Regulations and Section 149(6) of the Companies Act, 2013 and are independent of the management of the Corporation.

All the directors of the Corporation have confirmed that they are not debarred from holding the office of director by virtue of any order by SEBI or any other authority. The directors have ascertained that neither they nor any other company on which they serve as directors have been identified as a wilful defaulter.

Brief profiles of the directors, along with their directorships in other Indian listed companies are set out elsewhere in the annual report.

Details of the Board of Directors in terms of their directorships/memberships in committees of public companies as at the date of this report are as under:

Sr. No.	Name of Director	Age	Category	Number of Directorships ¹			Number of committees ²	
				HDFC & Group Companies	Other Companies	Total	Member	Chairperson
1	Mr. Deepak S. Parekh (Chairman)	75	Non-Executive Non-Independent	4	2	6	2	0
2	Dr. J. J. Irani	83	Independent	1	0	1	1	1
3	Mr. Nasser Munjee	67	Independent	1	6	7	5	3
4	Mr. U. K. Sinha	68	Independent	1	3	4	5	2
5	Mr. Jalaj Dani	50	Independent	1	6	7	4	2
6	Dr. Bhaskar Ghosh	60	Independent	1	0	1	1	0
7	Ms. Ireena Vittal	51	Independent	1	3	4	4	0
8	Mr. V. Srinivasa Rangan (Executive Director)	60	Whole-Time	6	3	9	6	0
9	Ms. Renu Sud Karnad (Managing Director)	67	Whole-Time	5	4	9	8	3
10	Mr. Keki M. Mistry (Vice Chairman & CEO)	65	Whole-Time	4	3	7	8	3

¹Excludes directorships in private companies, foreign companies and companies under Section 8 of the Companies Act, 2013.

²Includes Audit Committee and Stakeholders Relationship Committee in all public limited companies.

The number of directorships held by all directors as well as their membership/chairmanship in committees is within the prescribed limits under the Companies Act, 2013 and Listing Regulations.

Responsibilities of the Board

The Board of Directors represents the interests of the Corporation's stakeholders in optimising long-term value by providing the management with guidance and strategic direction. The board's mandate is to oversee the Corporation's strategic direction, review corporate performance, assess the adequacy of risk management and mitigation measures, evaluate internal financial controls, authorise and monitor strategic investments, facilitate and review board and senior management succession planning, oversee regulatory compliance and safeguard the interests of all stakeholders.

The responsibilities of the board also include ensuring that the Corporation is transparent in all its dealings with its stakeholders, overseeing the effectiveness of key executives of the Corporation and aligning the remuneration policy with the long-term interests of the Corporation and its stakeholders.

Directors are expected to attend all the board/committee meetings. Video conferencing facility is also provided for directors who are unable to attend any meeting in person.

The Corporation has an appropriate directors' & officers' liability insurance policy, which provides indemnity in respect of liabilities incurred as a result of their office.

All board members ensure that their work in other capacities does not impinge on their fiduciary responsibilities as directors of the Corporation.

Board Expertise and Attributes

The board comprises directors that bring a wide range of skills, expertise and experience which enhances overall board effectiveness.

The Nomination and Remuneration Committee of Directors assess and recommend to the board, core skill sets required by directors to enable the board to perform its oversight function effectively. These span across parameters such as industry experience, technical/strategic competencies, behavioural and personal attributes and other skills.

The Nomination and Remuneration Committee has identified the skills/expertise (see table below) required by the directors of the Corporation, keeping in mind the business requirements. These will be periodically re-assessed to meet evolving changes and requirements of the Corporation.

The Corporation has mapped the skills possessed by the directors vis-à-vis those identified, based on the information provided by the directors. A tabular representation of the same is as below:

Skill Areas	Mr. Deepak S. Parekh	Dr. J. J. Irani	Mr. Nasser Munjee	Mr. U. K. Sinha	Mr. Jalaj Dani	Dr. Bhaskar Ghosh	Ms. Ireena Vittal	Mr. V. Srinivasa Rangan	Ms. Renu Sud Karnad	Mr. Keki M. Mistry
Industry experience	✓		✓		✓			✓	✓	✓
Leadership and strategic planning	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial expertise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Business operations	✓		✓		✓			✓	✓	✓
Consumer behaviour, sales & marketing	✓	✓			✓	✓	✓		✓	✓

Skill Areas	Mr. Deepak S. Parekh	Dr. J. J. Irani	Mr. Nasser Munjee	Mr. U. K. Sinha	Mr. Jalaj Dani	Dr. Bhaskar Ghosh	Ms. Ireena Vittal	Mr. V. Srinivasa Rangan	Ms. Renu Sud Karnad	Mr. Keki M. Mistry
Information Technology & cyber security	✓				✓	✓			✓	
Corporate governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk management	✓		✓	✓	✓	✓		✓	✓	✓
Legal and regulatory compliance	✓			✓				✓	✓	
Public policy development experiences	✓	✓		✓			✓			✓

Role of Independent Directors

Independent directors play a key role in the decision-making process of the board as they approve the overall strategy of the Corporation and oversee performance of the management. The independent directors are committed to acting in what they believe is in the best interest of the Corporation and its stakeholders.

The independent directors bring to the Corporation a wide range of experience, knowledge and judgment as they draw on their varied proficiencies. This wide knowledge of both, their field of expertise and boardroom practices brings in varied, unbiased, independent and experienced perspectives. All independent directors have committed and allocated sufficient time to perform their duties effectively.

All the independent directors of the Corporation have confirmed that they have registered themselves in the databank created for independent directors, well within the stipulated time frame.

Role of Executive Directors

Mr. Keki M. Mistry, Vice Chairman & CEO, Ms. Renu Sud Karnad, Managing Director and Mr. V. Srinivasa Rangan, Executive Director are responsible for the day-to-day administration and operations of the Corporation.

Mr. Mistry is responsible for the overall functioning of the Corporation, its business strategy, including the strategy on investments in the Corporation's group companies and liaising with investors.

Ms. Renu Sud Karnad is responsible for the lending operations of the Corporation, both individual and non-individual. She also oversees the functions of human resources, communication and brand strategy.

Mr. V. Srinivasa Rangan is the chief financial officer of the Corporation and is responsible for mobilisation of funds for the Corporation, investments, asset liability management and financial accounts.

Process for appointment of Independent Directors

The Corporation has a board approved policy on Appointment of Directors and Members of Senior Management and a policy on Fit and Proper Criteria for Directors, based on which an existing director whose appointment is intended to be continued and a new director proposed to be appointed is evaluated.

The Nomination and Remuneration Committee of Directors recommends and the board approves the appointment/re-appointment of independent directors. The process for re-appointment of independent directors entails a detailed evaluation of the contributions made by the existing directors. New directors are inducted after assessing skill requirements of the board and identifying areas of expertise which would be beneficial for the Corporation.

The terms and conditions of appointment of the independent directors, along with a sample letter have been placed on the Corporation's website, www.hdfc.com.

Familiarisation Programme

The Corporation conducts familiarisation programmes for its directors from time to time. The familiarisation programme ensures that the non-executive directors are updated on the business and regulatory environment and the overall operations of the Corporation. This enables the non-executive directors to make better informed decisions in the interest of the Corporation and its stakeholders.

The Corporation has also provided directors with a reference manual which *inter alia* covers the roles, functions, powers and duties of the directors, disclosures and declarations to be submitted by directors and various codes and policies of the Corporation. The board also meets with the CEOs and senior management of key subsidiary companies and is briefed on the performance of these companies. A monthly compendium containing updates about the Corporation and its subsidiary companies, synopsis of relevant regulatory changes and case laws is circulated to all the directors for their ready reference.

The whole-time directors and senior management conduct orientation programmes for independent directors to familiarise them with the Corporation, its subsidiary and associate companies, the management, key areas of business and regulations.

An overview of the familiarisation programme during the year has been placed on the Corporation's website.

Board Meetings

The meetings of the Board of Directors are normally held at the Corporation's corporate office in Mumbai. Meetings are generally scheduled well in advance and the notice of each board meeting is given in writing to each director. The board meets at least once a quarter to review the quarterly performance and financial results of the Corporation. Members of the board are free to convene a board meeting at any time and shall inform the company secretary regarding the same.

The company secretary in consultation with the Chairman and the whole-time directors prepares a detailed agenda for the meetings. The board is provided with the relevant information as stipulated in the Listing Regulations. The board members have access to all information of the Corporation. The board papers, agenda and explanatory notes are circulated to the directors well in advance and are made available in a digital form. The members of the board are free to recommend inclusion of any matter in the agenda for discussion. The Chairman moderates the overall discussion to arrive at a conclusive and consensus opinion and also summarises the discussions to ensure that members are in agreement with the board's view on the matters discussed.

Senior management is invited to attend the board meetings so as to provide additional inputs on the matters being discussed by the board. At the board meetings, the whole-time directors and senior management make presentations on various matters including the financial results, operations of the Corporation, risk management, liquidity, asset-liability management, the economic and regulatory environment, investors' perceptions, internal audit function or any other matter which the board needs to be apprised of. The CEOs and other senior executives of the subsidiaries of the Corporation are invited to make presentations on various matters concerning the respective companies including financial results, operational highlights, risk management and regulatory environment.

The minutes of each board/committee meetings are finalised and recorded in the minutes book.

During the year under review, the board met six times. The meetings were held on May 13, 2019, August 2, 2019, November 4, 2019, December 17, 2019, January 27, 2020 and March 13, 2020. The Corporation endeavours that the gap between the approval of financial results by the Audit and Governance Committee and the board is kept to minimum, as required under the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015. The attendance of the directors at the above-mentioned board meetings and the 42nd Annual General Meeting (AGM) held on August 2, 2019, along with the sitting fees paid to them are listed below:

Directors	Board meetings			Attendance at the 42 nd AGM
	Number of meetings attended	% of meetings attended	Sitting fees paid (₹)	
Mr. Deepak S. Parekh (Chairman)	6	100%	6,00,000	Yes
Mr. Nasser Munjee ¹	5	83%	5,00,000	Yes
Dr. J. J. Irani	6	100%	6,00,000	Yes
Mr. U. K. Sinha	6	100%	6,00,000	Yes
Mr. Jalaj Dani	6	100%	6,00,000	Yes
Dr. Bhaskar Ghosh	6	100%	6,00,000	Yes
Ms. Ireena Vittal	6	100%	6,00,000	Yes
Mr. V. Srinivasa Rangan (Executive Director)	6	100%	-	Yes
Ms. Renu Sud Karnad (Managing Director)	6	100%	-	Yes
Mr. Keki M. Mistry (Vice Chairman & CEO)	6	100%	-	Yes

¹ Leave of absence was granted to Mr. Nasser Munjee who was unable to attend one of the board meetings.

The board met on May 25, 2020, to *inter alia* approve the audited annual financial results of the Corporation and the audited consolidated financial results for the year ended March 31, 2020.

Committees of the Board

To enable better and more focused attention on the affairs of the Corporation, the board delegates particular matters to committees of the board set up for the purpose. These committees prepare the groundwork for decision-making and report the same to the board at the subsequent meetings. There have been no instances wherein the board has not accepted the recommendations of any committee.

The composition and functioning of these board committees is in compliance with the applicable provisions of the Companies Act, 2013, Listing Regulations and the corporate governance directions issued by National Housing Bank.

Current Board Committees and their Composition

Directors	Committees					
	Audit & Governance	Nomination & Remuneration	Stakeholders Relationship	Risk Management ¹	IT Strategy ¹	Corporate Social Responsibility
Mr. Deepak S. Parekh						C
Dr. J. J. Irani		C	C			
Mr. Nasser Munjee	M	M		C		
Mr. U. K. Sinha		M				
Mr. Jalaj Dani	C		M		M	M
Dr. Bhaskar Ghosh	M			M	C	
Ms. Ireena Vittal	M	M				
Mr. V. Srinivasa Rangan			M	M		M
Ms. Renu Sud Karnad				M	M	M
Mr. Keki M. Mistry				M		M

C: Chairperson M: Member

¹Also comprises senior executives of the Corporation.

Audit and Governance Committee

The Audit and Governance Committee solely comprises independent directors namely, Mr. Jalaj Dani (Chairman), Mr. Nasser Munjee, Dr. Bhaskar Ghosh and Ms. Ireena Vittal.

All the members of the committee have accounting and financial management expertise. The quorum for the meeting of the committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the committee includes overseeing the Corporation's financial reporting process, disclosures of financial information, reviewing of governance practices and financial performance of the unlisted subsidiaries of the Corporation. The committee reviews the financial statements prior to recommending the same to the board for its approval.

The committee recommends to the board, the appointment or re-appointment of the statutory auditors and internal auditors of the Corporation and their remuneration. The committee and auditors discuss the nature and scope of audit prior to the commencement of the audit and areas of concern, if any, arising post audit. In addition, the committee approves payment of fees for other services rendered by the statutory auditors. The committee also annually reviews with the management the performance of statutory and internal auditors of the Corporation to ensure that an objective, professional and cost-effective relationship is being maintained.

The committee's functions include reviewing the information systems audit, adequacy of the internal audit function, its structure, reporting process, audit coverage and frequency of internal audits, periodical review of the internal audit reports on compliances pertaining to Know Your Customer (KYC) norms, internal controls and other compliances, reviewing the findings of any internal investigation by the internal auditors in matters relating to suspected fraud or irregularity or failure of internal control systems of material nature and report the same to the board, oversee the vigil/whistle blower mechanism, reviewing the compliances with the guidelines on reporting and monitoring of frauds in housing finance companies issued by National Housing Bank and the Fraud Risk Management Policy of the Corporation, evaluation of internal financial controls and risk management systems adopted by the Corporation.

The committee is also responsible for reviewing the utilisation of investments made by the Corporation in/loans given by the Corporation to its subsidiary companies. It also reviews the investments made by unlisted subsidiaries on a quarterly basis.

The committee grants approval for transactions to be entered into by the Corporation with its related parties in terms of the policy on Related Party Transactions of the Corporation and the pricing policy and reviews all such transactions on a quarterly basis.

The committee reviews compliance with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (Insider Trading Regulations) and verifies that the systems for internal control are adequate and operating effectively. The committee is also entrusted with the responsibility of reviewing instances of non-compliances with the Insider Trading Regulations and the HDFC Share Dealing Code, if any.

The committee also reviews the reports of the internal and statutory auditors and ensures that adequate follow-up action is taken by the management on observations and recommendations made by the respective auditors.

During the year, the committee *inter alia* reviewed the statement of uses/application of funds raised by issuance of securities on private placement basis, management of assets and liabilities of the Corporation, process for undertaking transactions with related parties, including the pricing policy, statement of related party transactions, risk profile of the Corporation, status of compliances with the Know Your Customer and Prevention of Money Laundering Policy, Fair Practices Code and complaints received and redressed under the Whistle Blower Policy of the Corporation. The committee reviewed the investments made by the unlisted subsidiary companies of the Corporation and their audited annual financial statements and other matters as mandated under Section 177 of the Companies Act, 2013 and Regulation 18(3) of the Listing Regulations. The committee also reviewed the functioning including governance at certain key subsidiaries of the Corporation.

The Audit and Governance Committee separately met the statutory auditors to discuss audit related issues and adequacy of financial controls.

The committee, on a quarterly basis discusses and reviews with the statutory auditors of the Corporation, the key highlights of the limited review of the unaudited financial results of the Corporation before recommending the same to the board for its approval.

During the year under review, the committee met six times. The meetings were held on May 10, 2019, August 2, 2019, November 4, 2019, December 17, 2019, January 27, 2020 and March 13, 2020. The Chairman of the committee was present at the 42nd AGM to answer shareholder queries.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Jalaj Dani (Chairman)	6	100%	6,00,000
Mr. Nasser Munjee	6	100%	6,00,000
Dr. Bhaskar Ghosh	6	100%	6,00,000
Ms. Ireena Vittal	6	100%	6,00,000

The committee met on May 25, 2020 to *inter alia* review the audited annual financial results of the Corporation and the audited consolidated financial results for the year ended March 31, 2020 and recommended the same to the board for its approval.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee solely comprises independent directors. The present members of the committee are Dr. J. J. Irani (Chairman), Mr. Nasser Munjee, Mr. U. K. Sinha and Ms. Ireena Vittal.

The terms of reference of the committee *inter alia* include formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board a policy relating to the remuneration of the directors, key managerial personnel, senior management and other employees of the Corporation as well as a policy on board diversity. The committee formulates the criteria for evaluation of the Chairman, independent directors, executive directors, the board as a whole and board committees.

The committee's function includes identifying persons who are qualified to become directors of the Corporation, recommending their appointment or re-appointment of the existing directors to the board, ensuring that such persons meet the relevant criteria prescribed under applicable laws including qualification, area of expertise and experience, track record and integrity. The committee is entrusted with reviewing and approving the remuneration payable to the executive directors of the Corporation within the overall limits as approved by the shareholders and commission payable to the Chairman of the Corporation. The committee also recommends to the board, payment of all forms of remuneration to senior management of the Corporation.

The committee's terms of reference also include formulation and administration of the employee stock option schemes, including granting of options to eligible employees and directors under these schemes.

The committee is cognisant of the need to strike a judicious balance between compensating executive directors and senior management – especially in the current times when management teams need to demonstrate substantial qualities of leadership and resilience in navigating through unprecedented challenges, whilst also being sensitive in meeting shareholder expectations on remuneration parameters.

During the year under review, the committee met four times. The meetings were held on May 13, 2019, August 2, 2019, December 17, 2019 and March 13, 2020. The Chairman of the committee was present at the 42nd AGM to answer shareholder queries.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Dr. J. J. Irani (Chairman)	4	100%	4,00,000
Mr. Nasser Munjee ¹	3	75%	3,00,000
Mr. U. K. Sinha	4	100%	4,00,000
Ms. Ireena Vittal ²	3	100%	3,00,000

¹ Leave of absence was granted to Mr. Nasser Munjee, who was unable to attend the meeting.

² Ms. Ireena Vittal was appointed as a member of the committee post the meeting held on May 13, 2019.

Stakeholders Relationship Committee

The Stakeholders Relationship Committee comprises majority of independent directors. The present members of the committee are Dr. J. J. Irani (Chairman), Mr. Jalaj Dani and Mr. V. Srinivasa Rangan.

The terms of reference of the committee *inter alia* include reviewing mechanisms adopted by the Corporation to redress shareholder, depositor and debenture holder grievances, the status of litigations filed by/against shareholders of the Corporation, reviewing the internal/secretarial audit report and reviewing the initiatives taken to reduce the quantum of unclaimed dividends and enable effective exercise of voting by shareholders. The committee oversees adherence to service standards and standard operating procedures pertaining to investor services. The committee reviews the status of compliances with applicable corporate and securities laws.

During the year, the committee reviewed various initiatives taken by the Corporation in ensuring timely receipt of annual report by the shareholders and effective e-voting by shareholders which was done by way of sending reminders (through SMS and e-mails) prior to the commencement of e-voting period and also during the e-voting period.

During the year under review, the committee met four times. The meetings were held on April 26, 2019, August 1, 2019, November 4, 2019 and January 27, 2020.

The Chairman of the committee was present at the 42nd AGM to answer shareholder queries.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Dr. J. J. Irani (Chairman)	4	100%	4,00,000
Mr. Jalaj Dani	4	100%	4,00,000
Mr. V. Srinivasa Rangan	4	100%	-

Risk Management Committee

The Risk Management Committee (RMC) comprises majority of directors, which includes two independent directors, three whole-time directors and members of executive management. The committee is chaired by an independent director, Mr. Nasser Munjee.

During the year, the Corporation appointed Mr. Mathew Joseph, Member of Executive Management as the Chief Risk Officer (CRO) who is *inter alia* responsible for identifying, monitoring and overseeing risks, including potential risks to the Corporation and reporting of the same to the RMC. Necessary measures have been put in place by the board to safeguard the independence of the CRO. In accordance with the norms set out by NHB, the CRO has vetted all credit products (retail and wholesale) offered by the Corporation from the perspective of inherent and control risks. The CRO did not have any reporting relationship with business verticals of the Corporation or business targets.

The role of the RMC is to ensure that risks impacting the business of the Corporation are identified and appropriate measures are taken to mitigate the same. The Corporation has adopted an integrated risk management framework. The framework lays down the procedures for identification of risks, assessment of its impact on the business of the Corporation and the efficacy of the measures taken to mitigate the same. The risks are evaluated at an inherent and residual level, based on the impact of such risks and the likelihood of its occurrence. The RMC evaluates and monitors technological and cyber security risks associated with the business of the Corporation. The RMC has put in place mitigation measures to respond to unforeseen crisis events, assessed business continuity plans and fall back mechanisms.

The regional business heads and the functional heads of the Corporation are responsible for identifying, monitoring and periodically re-evaluating the risk profile of their respective region/function, which is then reviewed by the internal risk management committee.

The internal risk management committee comprising executive directors and members of senior management meets periodically. This committee is responsible to ensure that appropriate methodology, processes and systems are in place to monitor, identify and review risks associated with the business of the Corporation.

The internal risk management committee apprises the RMC on key risks associated with the business, its root causes and measures taken to mitigate the same. The RMC in turn apprises the Audit and Governance Committee and the board which endorses and approves the overall integrated risk management strategy of the Corporation.

In order to further improve and strengthen risk management and to ensure that emerging risks are adequately covered and the risk management framework and infrastructure is aligned to leading global practices and evolving regulatory requirements, the Corporation, during the year appointed a leading consultancy firm to conduct a gap assessment and benchmarking of the existing risk management framework, risk organisation structure, coverage of risks relevant to the business, impact assessment of COVID-19 on the Corporation and provide recommendations and a roadmap for such implementation.

The Board of Directors reviewed the risk profile of the Corporation and the efficacy of the measures in place to mitigate the risks. The board was of the opinion that there were no key risks immediately foreseeable that could threaten the existence of the Corporation.

During the year under review, the RMC met twice on November 4, 2019 and March 13, 2020. The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Nasser Munjee (Chairman)	2	100%	2,00,000
Dr. Bhaskar Ghosh	2	100%	2,00,000
Mr. Keki M. Mistry	2	100%	-
Ms. Renu Sud Karnad	2	100%	-
Mr. V. Srinivasa Rangan	2	100%	-
Mr. Conrad D'Souza ¹	2	100%	-
Ms. Madhumita Ganguli ¹	2	100%	-
Mr. Suresh Menon ¹	2	100%	-

¹ Member of Executive Management.

Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) committee comprises the Chairman, one independent director and three whole-time directors of the Corporation. The present members are Mr. Deepak S. Parekh (Chairman), Mr. Jalaj Dani, Mr. Keki M. Mistry, Ms. Renu Sud Karnad and Mr. V. Srinivasa Rangan.

The terms of reference of the committee *inter alia* include formulation and implementation of CSR policy, approval of CSR activities, recommending the amount of expenditure to be incurred on CSR activities to the board and review and approval of projects/programmes to be supported by the Corporation. Details of CSR activities form part of the Directors' Report.

During the year under review, the committee met three times. The meetings were held on May 10, 2019, November 4, 2019 and March 13, 2020.

The details of the attendance of the members of the committee are listed below:

Members	Number of meetings attended	% of attendance
Mr. Deepak S. Parekh (Chairman)	2	67%
Mr. Jalaj Dani	3	100%
Mr. Keki M. Mistry	3	100%
Ms. Renu Sud Karnad	3	100%
Mr. V. Srinivasa Rangan	3	100%

- The non-executive directors have waived receipt of sitting fees for attending the meetings of the CSR Committee.
- Leave of absence was granted to Mr. Deepak S. Parekh who could not attend one of the committee meetings.

Detailed terms of reference of the above-mentioned committees are placed on the website of the Corporation.

Information Technology (IT) Strategy Committee

The IT Strategy Committee comprises two independent directors, a whole-time director and few senior officials of the Corporation. The committee is chaired by an independent director, Dr. Bhaskar Ghosh.

Mr. R. Arivazhagan – Member of Executive Management is the Chief Information Technology Officer of the Corporation.

The terms of reference of the committee *inter alia* include approving the IT strategy and policy documents, assessing the implementation of the IT plan, reviewing IT investment requirements and overseeing the execution of IT related policies on governance, cyber security, business continuity and IT outsourcing.

During the year under review, the IT Strategy Committee met twice, on July 25, 2019 and December 17, 2019. The independent directors were paid ₹1 lac each as sitting fees per meeting.

Meeting of Independent Directors

The independent directors convene separate meetings to discuss various issues at their discretion. The objective of such meetings is for the independent directors to evaluate the performance of the Chairman, the whole-time directors and the overall performance of the board.

The meeting of independent directors was held on March 13, 2020. Mr. U. K. Sinha was appointed Chairman for the meeting. All the independent directors attended the meeting and were paid sitting fees of ₹1 lac each.

At the meeting, the independent directors assessed the quality, quantity and timeliness of the flow of information between the Corporation's management and the board.

Remuneration Policy

The remuneration policy, including the criteria for remunerating non-executive directors and whole-time directors is recommended by the Nomination and Remuneration Committee and approved by the board. The key objective of the remuneration policy is to ensure that the remuneration is aligned to the overall performance of the Corporation. The policy ensures that it is fair and reasonable to attract and retain necessary talent, is linked to attaining performance benchmarks and involves a judicious balance of fixed and variable components.

The remuneration to the members of executive management and the company secretary is recommended by the Nomination and Remuneration Committee and approved by the board of the Corporation.

The remuneration policy is placed on the website of the Corporation. The remuneration paid to the directors is in line with the remuneration policy of the Corporation.

Remuneration of Directors

Non-Executive Directors

The remuneration for non-executive directors consists of sitting fees and commission. The payment of the annual commission to non-executive directors is based on the performance of the Corporation as well as that of the individual non-executive director. The commission payable to non-executive directors is approved by the board and is within the overall limits as approved by the shareholders of the Corporation.

Details of the remuneration and shareholding of non-executive directors are provided in Form No. MGT-9 given elsewhere in the annual report.

Executive Directors

The elements of the remuneration package of executive directors comprise salary, commission, perquisites (equivalent to their respective annual salary), other benefits and allowances which include telephones for the Corporation's business, house rent allowance or house maintenance allowance, leave travel allowance, leave encashment, contributions to provident funds, superannuation funds and provision towards post-retirement pension schemes of the Corporation, other post-retirement benefits in the form of medical benefits and use of the Corporation's car as per the schemes framed and/or to be framed by the Corporation and as approved by the board/Nomination and Remuneration Committee, from time to time and all other benefits as are provided to the senior employees of the Corporation. The same is decided by the Nomination and Remuneration Committee within the overall limits as approved by the shareholders at the AGMs.

The annual increments of the executive directors are linked to their performance and are decided by the Nomination and Remuneration Committee. Service contracts and the notice period are as per the terms of agreement entered into by each whole-time director with the Corporation.

The remuneration contracts of the executive directors do not have *malus* or clawback provisions. No severance fee is payable by the Corporation on termination of these contracts.

Details of remuneration paid/payable to the whole-time directors during the year under review are provided in Form No. MGT-9.

During the year, Mr. Keki M. Mistry received an amount of ₹ 1.10 crore, Ms. Renu Sud Karnad received ₹ 0.94 crore and Mr. V. Srinivasa Rangan received ₹ 0.61 crore towards fees from subsidiary companies. The whole-time directors of the Corporation have been appointed by the shareholders on a contractual basis for a fixed tenure. They are however liable to retire by rotation.

Evaluation of the Board and Directors

As part of the evaluation exercise carried out in the previous year, the board had expressed the need to interact with a wider group of senior management, including two or three levels below the board. The objective was two-fold – to assess pipeline talent within the organisation and for the directors to get a broader perspective of certain critical functions across the organisation. Accordingly, during the year, a number of senior officials interacted with the board and also made presentations and shared their perspectives on their respective areas of work.

During the year, the evaluation of the performance of the board as a whole and its committees and the performance of directors was conducted internally through an online module after taking cognisance of the guidance note on board evaluation issued by SEBI.

Dr. J. J. Irani, Chairman of the Nomination and Remuneration Committee, shared the feedback received on board evaluation with members of the committee and other independent directors at their respective meetings.

The whole-time directors and the Chairman of the Corporation were evaluated based on various quantitative and qualitative criteria, including knowledge and competency, commitment and contribution, leadership, governance and other parameters. The directors also undertook peer evaluation with a view to have a more comprehensive board evaluation process.

The overall performance evaluation exercise was completed to the satisfaction of the board. As an outcome of this exercise, the board suggested offsite meetings which would extend over a longer duration and would also facilitate deeper interaction with senior management in both, a formal and informal atmosphere. The evaluation exercise acknowledged the steady progress made by the Corporation in its IT strategy, but emphasised on needing to be more future ready and creative in re-imagining doing business from a digitalised perspective. The board also emphasised the need for the Corporation to revisit and assess its medium and long-term strategy.

Investor Grievances

Mr. Ajay Agarwal, company secretary of the Corporation is the compliance officer for the purpose of the Listing Regulations.

During the year, the Corporation received 4 investor complaints and all the complaints were resolved to the satisfaction of the shareholders. There were no investor complaints pending as at March 31, 2020.

Presently, the Corporation is a party to litigations (including certain cases in which the Corporation has been impleaded as a necessary party to such litigations) relating to disputes over title to shares. The Corporation is not in agreement with the claims made by the aggrieved parties and the litigations are not material in nature.

Subsidiary Companies

HDFC Life Insurance Company Limited is a material listed subsidiary of the Corporation in terms of the provisions of the Listing Regulations. HDFC ERGO General Insurance Company Limited is an unlisted material subsidiary of the Corporation.

During the year, the Corporation acquired 51.16% of the equity share capital of HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited) and accordingly, it became a subsidiary of the Corporation. Further, during the year, GRUH Finance Limited, the erstwhile subsidiary of the Corporation was merged with Bandhan Bank Limited and was consequently dissolved without being wound up.

Each quarter, the Audit and Governance Committee reviews the utilisation of loans given by the Corporation to and investments made by the Corporation in the subsidiary companies. The committee also reviews the audited annual financial statements of subsidiary companies and investments made by unlisted subsidiary companies on a quarterly basis. Further, the committee periodically reviews the performance including governance practices followed by key subsidiary companies.

The minutes of the board meetings of the unlisted subsidiary companies of the Corporation and significant transactions and arrangements entered into by all the unlisted subsidiary companies are placed before the board on a quarterly basis. The board is periodically apprised of the performance of key subsidiary companies, including material developments. The board on a quarterly basis is also apprised on the compliance of laws applicable to the subsidiaries (including step-down subsidiaries) of the Corporation based on the certificates issued by the respective companies.

Code of Conduct and Management of Conflict of Interest

The code of conduct for non-executive directors, whole-time directors and members of senior management of the Corporation are in conformity with the requirements of the Listing Regulations and are placed on the website of the Corporation. The directors and members of senior management have affirmed their adherence to the provisions of the respective codes.

The Corporation also has a board approved policy on management of conflict of interest to provide guidance to the directors and employees of the Corporation on managing situations of conflict of interest which may arise from time to time, whilst performing a designated function. The policy is placed on the website of the Corporation.

During the year, the board approved internal guideposts for directors and senior executives to adhere to whilst dealing with situations of conflict of interest. This was done keeping in mind the need to constantly reassess and adopt best governance practices.

The code of conduct of the Corporation reflects the Corporation's long-standing commitment of doing business with integrity and zero tolerance for corrupt practices in any form, including bribery. The code of conduct is placed on the website of the Corporation.

Share Dealing Code

Consequent to the amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015 effective April 1, 2019 as well as notification of the Guidance Note on Prohibition of Insider Trading by the Institute of Company Secretaries of India, the Corporation's Share Dealing Code was revised to align the same with the regulations and guidance note.

The code is applicable to all directors, employees, their immediate relatives and other connected persons. These identified persons are prohibited from trading in the securities of the Corporation during the restricted trading periods notified by the Corporation, from time to time and whilst in possession of any unpublished price sensitive information relating to the Corporation.

Dealing with Unpublished Price Sensitive Information

The policy on Determination of Material Events and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information are placed on the website of the Corporation and deal with the adequate and timely disclosure of information and events of the Corporation.

The Corporation has an Investor Relations Policy which *inter alia* lays down the procedures and systems to ensure that unpublished price sensitive information is shared confidentially and strictly on a need to know basis.

Mr. Conrad D'Souza, Member of Executive Management, is the Chief Investor Relations Officer of the Corporation.

Transactions with Non-Executive Directors

The non-executive directors of the Corporation do not have any pecuniary relationships or transactions with the Corporation or its directors, senior management, subsidiary or associate companies, other than in the normal course of business.

Related Party Transactions

The Corporation has a board approved policy on Related Party Transactions. The policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions entered into between the Corporation and its related parties. During the year, the Policy was amended in order to bring it in line with the changes in the Companies (Meetings of Board and its Powers) Rules, 2014 and is placed on the website of the Corporation and is provided elsewhere in the Annual Report.

There were no transactions with related parties that may have potential conflict with the interest of the Corporation. Details of related party transactions entered into by the Corporation in the ordinary course of its business are included in the notes forming part of the financial statements and are also uploaded on the website of the Corporation, along with submission to stock exchanges on a half-yearly basis. Details of material related party transactions which require approval of the shareholders of the Corporation has been detailed in the notice convening the ensuing AGM.

The Audit and Governance Committee is entrusted with the task of reviewing the pricing policy of the Corporation to determine arm's length pricing for transactions to be entered by the Corporation with its related parties.

Further, there were no financial or commercial transactions by the senior management where their personal interests may have potential conflict with the interests of the Corporation.

Whistle Blower Policy

The Corporation has a board approved Whistle Blower Policy and a vigil mechanism to ensure that all employees/directors of the Corporation work in a conducive environment and are given a platform to freely express their concerns or grievances on various matters pertaining to any malpractice, actual/suspected fraud or violation of the Corporation's code of conduct. The Corporation has a third party web-based reporting mechanism which functions independently and provides a secure and confidential platform to report genuine concerns and cases pertaining to the Corporation.

In order to ensure highest standards of governance within the Corporation, under the Whistle Blower Policy, other stakeholders including borrowers, depositors, key partners, direct selling agents and vendors can report any misconduct or act that is not in the interests of the Corporation. The policy provides that the whistleblower shall be protected against any detrimental action as a result of any allegations made in good faith. The policy is placed on the website of the Corporation.

The Audit and Governance Committee is apprised on the vigil mechanism on a periodic basis. During the year under review, 34 complaints were received under the whistle blower mechanism of the Corporation, of which 2 were relating to group companies. The Whistle Blower Committee reviewed the complaints relating to the Corporation and ascertained that none of the complaints pertains to any malpractice, fraud, violation of the Corporation's Code of Conduct, leakage of unpublished price sensitive information or abuse of power and authority by any official of the Corporation. As on date, 5 complaints are pending. While the necessary investigations in respect of the said complaints are ongoing, owing to lockdown restrictions coupled with social distancing norms, the timeline for such investigations has been slower.

During the year, no person was denied access to the Audit and Governance Committee to express concerns or reporting grievances under the Whistle Blower Policy and/or vigil mechanism.

Strictures and Penalties

During the year under review, as also during the last three years, no penalties or strictures were imposed on the Corporation by any stock exchange, SEBI or other statutory authority on matters relating to the capital markets.

Accounting Standards

The Corporation has complied with the applicable Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs under Section 133 of the Companies Act, 2013. The financial statements for the year have been prepared in accordance with Schedule III to the Companies Act, 2013.

Secretarial Standards

The Corporation has complied with the applicable provisions of secretarial standards issued by the Institute of Company Secretaries of India.

Proceeds from Private Placement Issues

During the year under review, the Corporation raised an amount of ₹ 46,437 crore through secured redeemable non-convertible debentures (NCDs), issued in various tranches on a private placement basis. The funds raised from the issuance of NCDs were utilised for housing finance business requirements.

Details of all the above-mentioned issues and the end use were provided to the Audit and Governance Committee and the board on a periodic basis. Further details of the issues are provided in the Management Discussion and Analysis Report.

Shareholders

The Corporation had 4,75,106 shareholders as at March 31, 2020. The main channel of communication to the shareholders is through the annual report and quarterly financial results.

The AGM is the principal forum for interaction with shareholders, where the board answers specific queries raised by shareholders. The board acknowledges its responsibility towards its shareholders and therefore encourages open and active dialogue with all its shareholders – be it individuals, domestic institutional investors or foreign investors.

The Corporation communicates with its institutional shareholders through meetings with analysts and discussions between fund managers and management. The Corporation also participates at investor conferences and non-deal roadshows, from time to time. All interactions with institutional shareholders, fund managers and analysts are based on generally available information that is accessible to the public on a non-discriminatory basis. The presentations made to analysts and fund managers are placed on the Corporation's website. The official news releases are also displayed on the website.

Details relating to quarterly performance and financial results are disseminated to the shareholders through press releases and uploaded on the Corporation's website. The financial results are *inter alia* published in Business Standard, Business Line, The Free Press Journal and Navshakti. Further, the Corporation also publishes certain key notices in widely circulated vernacular newspapers.

A section on 'Shareholders' Information' is provided elsewhere in the annual report.

The management statement on the integrity and fair presentation of the financial statements is provided as a part of the annual report in the Management Discussion and Analysis Report.

Annual General Meetings (AGMs)

The details of the last three AGMs held at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020 are given below:

Financial Year	Meeting	Date	Time	Number of Special Resolutions passed
2016-17	40 th AGM	July 26, 2017	2:30 p.m.	2
2017-18	41 st AGM	July 30, 2018	2:30 p.m.	4
2018-19	42 nd AGM	August 2, 2019	2:30 p.m.	3

Postal Ballot

During the year, no resolution was passed through postal ballot under the provisions of the Companies Act, 2013. As on date, no resolution is proposed to be passed through postal ballot.

Compliance

Messrs Bhandari and Associates, practicing company secretaries, have certified that the Corporation has complied with the mandatory requirements as stipulated under the Listing Regulations. Various certifications are annexed to this report.

Mr. Sudhir Kumar Jha, Associate Member of Executive Management and Head - Legal is the compliance officer in accordance with the Housing Finance Companies – Corporate Governance (NHB) Directions, 2016.

Non-Mandatory Requirements

The Corporation is in compliance with the non-mandatory requirements listed in the Listing Regulations.

Certification of Financial Reporting and Internal Controls

In accordance with the Listing Regulations, a certificate confirming the correctness of the financial statements, adequacy of internal control measures and matters to be reported to the Audit and Governance Committee was taken on record at the board meeting convened for approval of the audited financial statements of the Corporation for the year under review.

Going Concern

The board is satisfied that the Corporation has adequate resources to continue its business for the foreseeable future and consequently considers it appropriate to adopt the going concern basis in preparing the financial statements.

On behalf of the Board of Directors

MUMBAI
May 25, 2020

DEEPAK S. PAREKH
Chairman

Compliance with Code of Conduct

I confirm that for the year under review, directors and senior management have affirmed their adherence to the provisions of the Code of Conduct.

MUMBAI
May 25, 2020

KEKI M. MISTRY
Vice Chairman & CEO