

[Date]

To
[Name and
address of the Independent Director]

Sub: Your appointment as an Independent Director of Housing Development Finance Corporation Limited

Ref: Companies Act, 2013, rules made thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear [*],

We are pleased to inform you that the Board of Directors of the Corporation, upon the recommendation of the Nomination and Remuneration Committee of Directors, at its meeting held on [*] has approved your appointment as an Independent Director of Housing Development Finance Corporation Limited ('the Corporation'). This letter sets out the terms and conditions of your appointment.

Tenure

You have been appointed as an Independent Director of the Corporation for a period of 5 consecutive years, with effect from [*] subject to the approval of the Members of the Corporation at the forthcoming annual general meeting. You shall not be liable to retire by rotation during the said period.

Reference Manual

We enclose herewith a copy of the "Reference Manual for Directors" which has been prepared for the benefit of the Directors of the Corporation. The said reference manual *inter alia* covers a brief on the Corporation, its subsidiaries and key associate companies, products and services offered, 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 reference manual also contains details of the various committees constituted by the Board of Directors of the Corporation and methodology for board evaluation.

We request you to provide the necessary disclosures under all applicable laws as specifically mentioned in the reference manual and adhere to the various codes and policies including HDFC Share Dealing Code.

Professional conduct, roles, functions and duties

We request you to kindly refer to the guidelines of professional conduct, roles, functions and duties of independent directors as mentioned in the reference manual.

Orientation Program

The Corporation would also endeavor to arrange for an orientation program for you at your convenience, wherein the whole-time directors and/or senior management would make detailed presentation *inter alia* covering:

- Who we are
- Business summary
- Mortgage market in India
- Products / Services offered
- Operational & Financial Highlights
- Productivity ratios
- Key financial metrics
- Shareholding Pattern
- Human Capital
- Key associates and subsidiaries
- Internal controls
- Regulatory environment
- Risk Management

Remuneration

As an Independent Director of the Corporation, you shall be eligible for sitting fees for attending the meetings of the Board and Committees thereof and commission. The payment of the annual commission to the independent directors is based on the performance of the Corporation. The commission payable to the independent directors is approved by the Board and is within the overall limit of 1% of the net profits of the Corporation as approved by the Members of the Corporation. All the said payments will be subject to applicable taxes.

The Corporation shall reimburse you for all out-of-pocket expenses incurred for attending the meetings of the Board and Committee thereof and for discharging the fiduciary obligations towards the Corporation.

Directors' and Officers' (D&O) Liability Insurance

The Corporation has taken a D&O liability insurance policy and pays premium for the same.

Conflict of Interest

In the event of change in circumstances which might give rise to a conflict of interest, we request you to kindly notify the same to the Corporation.



We are confident that the Board and HDFC will benefit immensely from your vast experience and insightful contributions.

With kind regards,

Sd/-

Deepak S. Parekh
Chairman

Encl: Reference Manual for Directors



WITH YOU, RIGHT THROUGH

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

Reference Manual for Directors



Version : 2
January 2018

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This compilation is an extension of the core values of the Corporation - Trust, Integrity, Transparency and Professional service.

Through this Manual, we endeavour to provide you with a ready reference to the various statutory and legal aspects concerning your fiduciary responsibility as a director of the Corporation.

We look forward to your leadership and our continued association with you.

Extraordinary achievements start with unconventional thoughts. Our founder, Late Mr. Hasmukh Thakordas Parekh, was a man who dared to question, “Why can’t Indians have a home of their own with housing finance in the earlier years of their lives? Why should they have to wait till the end of their working careers?” Though the question was simple, the answer was not so. The uphill task notwithstanding, Mr. Parekh was determined to set up his most ambitious enterprise.

Mr. H. T. Parekh’s lifelong dream of helping Indians own their home, as he had seen abroad during his student days, led to the formation of the Corporation in 1977 and as they say, the rest is history.

It was the first of its kind in the country. His setting up of HDFC, without any financial assistance from the Government of India was a milestone in the Indian financial history. It was under Mr. Parekh’s leadership and direction that HDFC grew manifold while being strongly rooted in the principles of integrity, transparency and professionalism.

Mr. H. T. Parekh was a man of few words, and believed that strong views need not be expressed in strong words. He had a keen eye for talent and nurtured it by providing direction and ample learning opportunities.

He never underestimated the power of teamwork. He believed that the success of an organization was possible only with a group of dedicated professionals who shared a common goal to serve, and were willing to take reasonable risks.

HDFC has come a long way since its inception in 1977, overcoming numerous obstacles in the evolution from a fledging start-up to India’s leading provider of Housing Finance. Soon HDFC became a role model not only for the country but for the entire Asian region. His dream of providing better housing and living conditions for people was accomplished with an organization that was modeled on its international peers but was Indian at heart.

Over close to four decades, HDFC has turned the concept of housing finance for the growing middle class in India into a world-class enterprise with excellent reputation for professionalism, integrity and impeccable service.

The Corporation’s primary objective is to enhance residential housing stock in the country through the provision of housing finance in a systematic and professional manner, and to promote home ownership. It aims to increase the flow of resources to the housing sector by integrating the housing finance sector with the overall domestic financial markets.

HDFC’s wide product range includes loans for purchase and construction of a residential unit, purchase of plot, home improvement loans, home extension loans, non-residential premises loans for professionals and loan against property, while its flexible repayment options include Step Up Repayment Facility (SURF) and Flexible Loan Installment Plan (FLIP).

Our Growth Strategies –

- Increase the Return on Equity each year in order to maximise shareholder value.
- Consistently grow the loan book.
- Maintain low Gross Non-Performing Assets (NPAs)
- Maintain a low cost to income ratio by improving operational efficiency.

Products and Services

Loan Products

The Corporation lends to individuals, and companies to finance the construction, repair, development or purchase of residential and non-residential premises in India. It constantly endeavours to improve and expand its existing product portfolio. Its products are designed to satisfy the diverse needs of its customers. It has introduced various innovative lending products at affordable rates of interest to serve such diverse purposes. The Corporation's principal products include:

Individual Loans:

- **Home Loans** : to finance the purchase of property;
- **Home Construction Loan**: Loans for construction of house on a freehold/ lease hold plot or on a plot allotted by a Development Authority
- **Home Improvement Loans** : Loans for internal and external repairs, additions and other structural improvements of homes.
- **Home Extension Loans** : Loans to finance extension of existing home in the form of an additional room, floor and any other extensions to homes.
- **Top-Up Loans** : Loans advanced against the value and security of the customer's existing property for non-housing purposes such as education, medical costs, etc
- **Non-Residential Premises Loans** : Loans provided to professionals such as doctors, chartered accountants and other such professionals to facilitate purchase or construction of their own office premises and/or to renovate their existing office premises.
- **Plot Loans** : Loans to acquire land for construction of a residential unit.
- **Rural Housing Finance** : Loans provided to agriculturist for purchase of home in the rural or in urban areas, based on the agricultural land he/they own and the crops he/they cultivate. This product is also available to salaried and self-employed individuals desiring to purchase/ construct a house of their home town or village.
- **Short Term Bridging Loan** : Loans to meet interim funding requirement for purchase of a new home while awaiting funds locked in from sale of your existing home.

- **Loans against property** : Loans against property to finance business needs, marriage expenses, medical expenses, personal needs and other approved purposes.
- **HDFC Reach** is a home loan Product, to cater the needs of unorganized/ Informal segment of Customers, who have minimal income documents. Target audience for 'HDFC Reach' are customers from unorganized sector such as small/ medium traders, retail shop owners, owners of small manufacturing units, etc, who have minimal income documents, with proper set up and established vintage of business.

Non individual loans :

- **Corporate Loans** including loans provided to approved corporates for financing the purchase or construction of staff accommodation and office premises, and line of credit facilities under which the Corporation provides funds to corporates for onward lending to their employees.
- **Developer Loans** provided to developers to finance the construction of Residential/ Commercial projects.
- **Discounting of Receivables** : Loans to developers against discounting of receivables.

HDFC also has a robust Deposits mobilisation programme. It has received 'AAA' rating for its Deposit products for highest safety from both CRISIL and ICRA for 23 consecutive years thus building trust & confidence amongst investors and key partners and providing attractive & assured returns and impeccable service.

A wide range of products are available to choose from like:

Cumulative Option wherein interest is accrued on an annual basis and paid at the end of deposit tenure.

Non-cumulative Option wherein interest is paid at a fixed frequency i.e. monthly/quarterly/half yearly or annually.

Subsidiaries and Key Associate Companies of HDFC :

Over the years, HDFC has emerged as a financial conglomerate with its presence in the entire gamut of financial services including banking, insurance (life and non-life), asset management, real estate venture capital and more recently education loans.

HDFC Group is a closely knit family strongly rooted in its approach, yet aspirational in its purpose. While housing finance continues to remain HDFC's core business, over the years, it has grown into a large financial conglomerate with diversified businesses. The Corporation's key associate and subsidiary companies hold leadership positions in their respective categories and its newer ventures are fast emerging.

The Corporation's group companies have strong synergies with it, thus enabling HDFC to offer a wide range of financial products and services to cater to needs of stakeholders across different stages of life.

Details pertaining to the Corporation's subsidiary and its key associate companies are given as follows -

Sr. No.	Name of the Company	Status	Business profile
1.	HDFC Standard Life Insurance Company Limited	Subsidiary	Life Insurance business. Its equity shares are listed on BSE Limited/ National Stock Exchange of India Limited.
2.	HDFC Asset Management Company Limited	Subsidiary	Investment manager to HDFC Mutual Fund. Its Mutual units are listed on BSE Limited/ National Stock Exchange of India Limited.
3.	HDFC ERGO General Insurance Company Limited	Subsidiary	General Insurance business. Its Debt is listed on BSE Limited.
4.	GRUH Finance Limited	Subsidiary	Housing Finance Company registered with National Housing Bank. Its equity shares are listed on BSE Limited/ National Stock Exchange of India Limited.
5.	HDFC Credila Financial Services Private Limited	Subsidiary	Non-Banking Financial Company registered with Reserve Bank of India. Providing Education Loans for higher education. Its Debt is listed on BSE Limited.
6.	HDFC Investments Limited	Wholly owned subsidiary	Non- Banking Financial Company registered with Reserve Bank of India. Carries on the business of investments in stocks, shares, debentures and other securities.
7.	HDFC Holdings Limited	Wholly owned subsidiary	Non- Banking Financial Company registered with Reserve Bank of India. Carries on the business of investments in stocks, shares, debentures and other securities.
8.	HDFC Sales Private Limited	Wholly owned subsidiary	Marketing and Distribution of HDFC Home Loans and other financial products. Corporate Agent for HDFC Standard Life Insurance Company Limited and HDFC ERGO General Insurance Company Limited and HDFC Mutual Fund.
9.	HDFC Education and Development Services Private Limited	Wholly owned subsidiary	Engaged in the provision of education services. (The HDFC School)
10.	HDFC Trustee Company Limited	Wholly owned subsidiary	Trustee to HDFC Mutual Fund.
11.	HDFC Venture Capital Limited	Subsidiary	Carries on the business of managing HDFC Property Fund.

Sr. No.	Name of the Company	Status	Business profile
12.	HDFC Property Ventures Limited	Wholly owned subsidiary	Engaged in advisory services.
13.	HDFC Ventures Trustee Company Limited	Wholly owned subsidiary	Acts as a Trustee for Funds/Trusts – HDFC Property Fund/HDFC Investment Trust/ HDFC Investment Trust II.
14.	HDFC Capital Advisors Limited	Wholly owned subsidiary	Engaged in advisory services, Investment Manager for HDFC Capital Affordable Real Estate Fund-I.
15.	HDFC Pension Management Company Limited	Step-down subsidiary	Pension Fund Management. Wholly owned subsidiary of HDFC Standard Life Insurance Company Limited.
19.	Griha Pte Limited (Singapore)	Step-down subsidiary	Asset Manager. Wholly owned subsidiary of HDFC Investments Limited.
20.	Griha Investments (Mauritius)	Step-down subsidiary	Asset Manager. Wholly owned subsidiary of HDFC Holdings Limited.
21.	HDFC International Life and Re Company Limited (Dubai)	Step-down subsidiary	Reinsurance business (Wholly owned subsidiary of HDFC Standard Life Insurance Company Limited).
22.	HDFC Bank Limited	Associate	Commercial Bank, its equity shares are listed on the BSE Limited/ National Stock Exchange of India Limited. It also has its ADRs listed on the New York Stock Exchange.

HDFC Securities Limited, a stock broking company is a subsidiary of HDFC Bank Limited. It offers a suite of products and services across various asset classes such as equity, gold, debt and real estate.

H T Parekh Foundation:

The H T Parekh Foundation is a Section 8 company, established by HDFC.

The H T Parekh Foundation was established in October 2012 with the aim to undertake, pursue and be concerned with the welfare, betterment and advancement of society as a whole, irrespective of religion, race, community, caste, gender, language or social status. The Foundation is sector agnostic and works across a range of social interventions and development initiatives across India.

The Corporation conducts a significant portion of its Corporate Social Responsibility through the Foundation.

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 on their behalf. 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, ensure regulatory compliance and safeguard 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, aligning the remuneration policy with the long-term interests of the Corporation and its stakeholders and ensuring an orderly plan is in place for effective leadership development and succession.

The detailed functions, duties, responsibilities and power of the Board of Directors of the Corporation in brief is provided herein-after.

FUNCTIONS

[Reference - Regulation 4 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule II to the said Regulations]:

Key Functions of the Board of Directors broadly encompass the following:

- Reviewing and guiding corporate strategy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major investments, acquisitions and divestments.
- Providing strategic guidance for implementation of business policies.
- Monitoring and managing potential conflicts of interest of management, members of the Board of Directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
- Ensuring integrity of financial information, robustness and effectiveness of financial controls, adequacy of risk management system.
- Overseeing internal control processes including legal and regulatory compliance framework of the Corporation.
- Overseeing the process of disclosure and communications.
- Monitoring the effectiveness of governance practices and making changes as and when required.
- Ensuring a transparent nomination process to the Board of Directors with the diversity of thought, experience, knowledge, perspective and gender in the Board of Directors.
- Monitoring and reviewing Board of Director's evaluation framework.
- Selecting, compensating, monitoring and when necessary, replacing key managerial personnel and overseeing succession planning.
- Aligning key managerial personnel and remuneration of Board of Directors with the longer term interests of the Corporation and its shareholders.
- Setting performance objectives and oversee the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

DUTIES AND RESPONSIBILITIES

Duties of the Board:

[Reference - Section 166 of the Companies Act, 2013]:

The duties of the Board of Directors include:

- To act in accordance with the Articles of Association of the Corporation.
- To act in good faith in order to promote the objects of the Corporation for the benefit of its members as a whole, and in the best interests of the Corporation, its employees, the shareholders, and the community and for the protection of environment.
- To exercise his/her duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- Not to involve in a situation in which he/she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Corporation.
- Not to achieve or attempt to achieve any undue gain or advantage either to himself or to his/her relatives, partners, or associates and if such director is found guilty of making any undue gain, he/she shall be liable to pay an amount equal to that gain to the Corporation.
- Not to assign his/her office and any assignment so made shall be void.

Responsibilities of the Board:

[Reference - Regulation 4 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]:

The responsibilities of the Board of Directors include:

- Disclosure of interest (material or otherwise) in any transaction or matter directly affecting the Corporation.
- Maintaining high ethical standards.
- Treating all shareholders fairly.
- Conducting in a manner so as to meet the expectations of operational transparency while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.
- Providing strategic guidance to the Corporation, ensuring effective monitoring of the management and be accountable to the Corporation and its shareholders.
- Setting a corporate culture and the values by which executives throughout HDFC group shall behave.
- Acting on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and its shareholders.
- Encouraging continuing directors training to ensure that they are kept up to date.
- Ensuring that applicable accounting standards have been followed in the preparation of annual accounts.
- Ensuring that the annual accounts are prepared on a going concern basis.
- Ensuring that accounting policies selected have been applied consistently.

BOARD OF DIRECTORS

- Overseeing that proper and sufficient care has been taken for the maintenance of adequate accounting records and for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities.
- Ensuring that the internal financial controls laid down to be followed by the Corporation are adequate and operating effectively.
- Ensuring that the compliance management systems are adequate and operating effectively.

POWERS

[Reference - Section 179 of the Companies Act, 2013]:

The following matters can be approved by the Board of Directors only by passing a resolution at a board meeting. These matters cannot be passed by way of a circular resolution:

- (a) making calls on shareholders in respect of money unpaid on their shares;
- (b) authorising buy-back of securities;
- (c) issuance of securities, including debentures, whether in or outside India;
- (d) borrowing;*
- (e) investments;*
- (f) granting loans or giving guarantee or providing security in respect of loans;*
- (g) approval of financial statement and the Board's report;
- (h) diversifying the business;
- (i) approval of amalgamation, merger or reconstruction;
- (j) acquisition of a company or a controlling or substantial stake in another company;
- (l) appointment or removal of key managerial personnel; and
- (m) appointment of internal auditor and secretarial auditor

*can be delegated, to any committee of directors or any director(s) or senior executive(s) of the Corporation.

DIRECTORS' & OFFICERS' LIABILITY INSURANCE

The Directors' & Officers' Liability Insurance policy provides cover for the personal liability of directors and officers arising due to certain acts in their capacity as a director and/or officers. Defence costs are also covered and are payable in advance of final judgment.

The Corporation has taken Directors' & Officers' Liability Insurance policy. This policy provides protection for claims brought against directors for actual or alleged breach of duty, neglect, misstatements or errors in their capacity as a director of the Corporation.

MAXIMUM NUMBER OF DIRECTORSHIPS

A) Director

[Reference - Section 165 of the Companies Act, 2013]:

Type of Company	Maximum Number of Directorships	Remarks
Public	10	Includes private companies that are either holding or subsidiary of a public company.
Public + Private	20	Not for profit, dormant company and foreign companies are not included.

Independent Director

[Reference - Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]:

Appointee Director	Maximum Number of Directorships	Maximum Number of Independent Directorships	Remarks
not serving as a whole time director in any listed company	10	7	Such a director can hold office in 10 listed companies in a non-executive capacity. However, he may be appointed as an independent director only in a maximum of 7 of the 10 companies.
serving as a whole time director in any listed company	10	3	Such a director can hold office in 10 listed companies including the company in which he is a whole-time director. However, he appointed as an independent director only in a maximum of 3 of the 10 companies.

MAXIMUM NUMBER OF COMMITTEE MEMBERSHIPS

[Reference - Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]:

Maximum Number of Memberships	Maximum of Chairmanships	Number Type of Committees included
10 (including chairmanship)	5	- Audit and - Stakeholders Relationship (Private, not for profit and foreign companies are excluded).

REQUIREMENT

[Reference - Section 149 of Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]:

Type of Companies	Nature of Chairman	Minimum Number of Independent Directors
Listed Public Companies	Executive Non-executive	50% of the total directors 1/3rd of the total directors
Other Public Companies - Paid-up capital Rs. 10 crore - Turnover of Rs. 100 crore - Aggregate outstanding loans, debentures and deposits of Rs. 50 crore	-	2

The following classes of unlisted public company shall not be covered under above criteria:-

- (a) a joint venture;
- (b) a wholly owned subsidiary; and
- (c) a dormant company as defined under section 455 of the Act.”]

CRITERIA

[Reference - Section 149 of Companies Act, 2013 and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]:

A director who satisfies the following criteria shall qualify to be an Independent Director of the Corporation:

- (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (b) (i) who is or was not a promoter of the Corporation or subsidiary or associate company;
(ii) who is not related to promoters or directors in the Corporation, its subsidiary or associate company;
- (c) who has or had no pecuniary relationship, other than remuneration as such director or having transaction exceeding 10% of his total income or such amount as may be prescribed, with the Corporation, its subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (d) none of whose relatives –
 - (i) is holding any security of or interest in the Corporation, its subsidiary or associate company during the two immediately preceding financial years or during the current financial year: Provided that the relative may hold security or interest in the Corporation of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the Corporation, its subsidiary or associate company or such higher sum as may be prescribed.)
 - (ii) is indebted to the Corporation, its subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
 - (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the Corporation, its subsidiary or associate company, or their promoters for

INDEPENDENT DIRECTORS

such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or

- (iv) has any other pecuniary transaction or relationship with the Corporation, or its subsidiary, or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);]
- (e) who, neither himself nor any of his/her relatives –
- (i) holds or has held the position of a key managerial personnel or is or has been employee of the Corporation or its subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he/she is proposed to be appointed.
Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.
- (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he/she is proposed to be appointed, of –
- (A) a firm of auditors or company secretaries in practice of the Corporation or its subsidiary or associate company; or
- (B) any legal or a consulting firm that has or had any transaction with the Corporation, its subsidiary or associate company amounting to 10% or more of the gross turnover of such firm;
- (iii) holds together with his/her relatives 2% or more of the total voting power of the Corporation; or
- (iv) is a Chief Executive or director, by whatever name called, of any non-profit organization that receives 25% or more of its receipts from the Corporation, any of its promoters, directors or its subsidiary or associate company or that holds 2% or more of the total voting power of the Corporation; or
- (v) is a material supplier, service provider or customer or a lessor or lessee of the Corporation;
- (f) who is not less than 21 years of age.
- (g) who possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the Corporation's business.
- (h) Pecuniary Relationship shall mean:
- Transactions not in the ordinary course of business of the Corporation or at arm's length price;
 - Receipt of remuneration other than by way of sitting fees, reimbursement of expenses for participation in the board and other meetings and remuneration in the form of commission.

GUIDELINES OF PROFESSIONAL CONDUCT

[Reference - Schedule IV to the Companies Act, 2013]:

An Independent Director shall:

- uphold ethical standards of integrity and probity;
- act objectively and constructively while exercising his/her duties;
- exercise his/her responsibilities in a bona fide manner in the interest of the Corporation;

INDEPENDENT DIRECTORS

- devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the Corporation as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- avoid abusing his/her position to the detriment of the Corporation or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- refrain from any action that would lead to loss of his/her independence;
- where circumstances arise which make an independent director lose his/her independence, the independent director must inform the Board immediately; and
- assist the Corporation in implementing the best corporate governance practices.

ROLE AND FUNCTIONS

[Reference - Schedule IV to the Companies Act, 2013]:

The independent directors of the Corporation shall:

- help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- bring an objective view in the evaluation of the performance of Board and management;
- scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- safeguard the interests of all stakeholders, particularly the minority shareholders;
- balance the conflicting interest of the stakeholders;
- determine appropriate levels of remuneration of whole-time directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of whole-time directors, key managerial personnel and senior management; and
- moderate and arbitrate in the interest of the Corporation as a whole, in situations of conflict between management and shareholder's interest.

DUTIES

[Reference - Schedule IV to the Companies Act, 2013]:

The Independent Directors shall:

- undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Corporation;
- seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Corporation;

INDEPENDENT DIRECTORS

- strive to attend all meetings of the Board of Directors and of the committees of which he/she is a member;
- participate constructively and actively in the committees of the board in which they are chairpersons or members;
- strive to attend the general meetings;
- where they have concerns about the running of the Corporation or a proposed action, ensure that these are addressed by the board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the board meeting;
- keep themselves well informed about the Corporation and the external environment in which it operates;
- not to unfairly obstruct the functioning of an otherwise proper board or its committees;
- pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Corporation;
- ascertain and ensure that the Corporation has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- report concerns about unethical behaviour, actual or suspected fraud or violation of the Corporation's code of conduct or ethics policy;
- acting within his/her authority, assist in protecting the legitimate interests of the Corporation, shareholders and its employees; and
- not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the board or required by law.

SEPARATE MEETINGS

[Reference - Schedule IV to the Companies Act, 2013 and Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]:

The independent directors of the Corporation will hold at least one meeting in every financial year without the presence of non-independent directors. At the said meeting the independent directors would:

- review the performance of non-independent directors and the Board as a whole;
- review the performance of the Chairman of the Corporation; and
- assess the quality, quantity and timeliness of flow of information between the management of the Corporation, board and the committees.

RE-APPOINTMENT

An independent director shall be eligible to be re-appointed for another term of up to 5 (five) consecutive years subject to approval of the Board of Directors of the Corporation based on evaluation of performance and approval of shareholders' by way of special resolution.

INITIAL

At the time of joining the board:

Form/Letter	Particulars	Annexure
Form DIR-2	Consent to act as a Director	O
Form MBP-1	<input type="checkbox"/> Disclosure of interest (including shareholding interest) or concern in: <ul style="list-style-type: none"> • any company (Public/Private/Section 8/ Foreign) • firms • association of individuals <input type="checkbox"/> Firms/ LLPs in which the relatives of the Director are a Partner / Sole Proprietor. <input type="checkbox"/> Private Company(ies) in which the Director is a Member. <input type="checkbox"/> Public/ Private Companies in which the Director, along with his/her relatives hold more than 2% of its paid- up share capital. <input type="checkbox"/> Public Companies in which the Director is a member in the Committee of the Board of Directors (Audit and Stakeholders Relationship Committee). <input type="checkbox"/> Membership in other Committees. <input type="checkbox"/> List of Relatives.	P
Form DIR-8	Details of directorships held during the last three years including the resigned ones. <i>Foreign companies are not required to be included.</i>	Q
Declaration by an Independent Director	Confirmation on meeting the criteria of independence.	R
HDFC Share dealing Code	Details of shareholding in HDFC at the time of appointment.	B
Fit & Proper Criteria	Deed of Covenants under NHB Directions	M
	Declaration and Undertaking under NHB Directions	M

DISCLOSURES/DECLARATIONS

CONTINUAL

Form/Letter	Particulars	Annexure
Form MBP-1	Change in any particulars that were disclosed earlier in Form MBP-1. <i>To be informed at the first board meeting immediately after change.</i>	P
Dealing in the Securities of HDFC	Inform the details of dealing to the Company Secretary and at insidertrading@hdfc.com for preparation and submission of necessary disclosures with the stock exchanges.	B

ANNUAL

Form/Letter	Particulars	Annexure
Form MBP-1	General disclosure of interest containing details as mentioned above.	P
Form DIR-8	Details of directorships held during the last three years including the resigned ones. <i>Foreign companies are not required to be included.</i>	Q
Declaration by an Independent Director	Confirmation on continue to meet the criteria of independence.	R
Code of conduct	Declaration confirming compliance with the Code of Conduct by the Non- Executive Director.	A
Fit & Proper Criteria	Annual Declaration confirming Fit and Proper criteria	

NOTICE CONVENING A MEETING

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.

Senior management is invited to attend the board meetings so as to provide additional inputs to the matters being discussed by the board. Other experts, if required, are also invited to make presentation before the board on specific matters.

FREQUENCY OF MEETINGS

The board meets at least once in 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.

Additional meetings are also convened to discuss various matters including risk management, corporate governance and review of the operations of the subsidiary companies.

QUORUM

Board Meeting - minimum 1/3rd of the total board strength or 4 directors whichever is higher, including atleast one independent director.

Participation through video conference is counted for the purpose of quorum except for the meeting convened for approval of annual financial statements and certain other matters. However, participation through audio/tele-conference means shall not be counted for the purpose of calculation of quorum.

ATTENDANCE

The directors are expected to be present at the meeting from the appointed time till the conclusion of the meeting. Any exception shall be with the permission of the Chairman.

If for any reason the directors are unable to attend a particular meeting, a request for leave of absence should be sent to the Chairman or Company Secretary in advance for recording the same in the minutes of the meeting.

As per the provisions of the Companies Act, 2013 in case a director absents himself from all the meetings of the Board of Directors held during a period of 12 months with or without seeking leave of absence of the Board, his office will become vacant.

AGENDA AND NOTES FOR THE MEETING

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 adequate information that is required for an informed decision making. The members of the board have access to all information of the Corporation.

The board papers, agenda and other explanatory notes are circulated to the directors well in advance. The members of the board are also free to recommend inclusion of any matter in the agenda for discussion. In case any director wishes to recommend inclusion of any matter, he/ she can contact either the Chairman or whole-time directors or the Company Secretary of the Corporation.

Where it is not possible to send the agenda notes in advance or some new matters crop up after the initial agenda including the notes have been circulated, a supplementary agenda is circulated to the directors to enable them to participate in the discussions on the matter as also in decision making.

DECISIONS AND MINUTES

Generally all matters requiring board approval are decided collectively by the board/ committee thereof. In case some directors require additional information, the decision is postponed till the said information is furnished so that a decision, which is in the best interest of the Corporation is taken.

In case any director wishes to record his dissent on any matter, he can communicate the same to the Chairman of the Corporation.

The Company Secretary based on the items transacted at the board/ committee meetings prepares the draft minutes of such meetings. The draft minutes of each meeting are thereafter circulated to all board/ committee members, for their comments, within fifteen days from the date of the meeting. The directors, whether present at the meeting or not, may communicate his/ her comments, if any, in writing on the draft minutes.

Once the minutes are finalised and entered in the Minutes Book within thirty days from the date of the meeting. The said minutes are placed at the next meeting of the board/ committee, for confirmation and signing by the Chairman. Thereafter, the certified copies of the signed minutes are circulated to the respective directors.

RESOLUTION BY CIRCULATION

In case of items that are urgent in nature and cannot wait till the next board/ committee meeting, the said item can be approved by way of circulation. In such cases, a detailed note along with draft resolution will be circulated to the concerned directors for their information and approval. However, matters listed under "Powers of the Board" cannot be passed through circulation.

On receipt of the approval of the majority of directors or members of the concerned committee, the resolution will be deemed to have been passed.

To enable better and more focused attention on the affairs of the Corporation, the Board of Directors has delegated certain matters to its committees. These committees prepare the groundwork for decision-making and report the same to the Board at its subsequent meetings.

The Board of Directors of the Corporation, over the years, has constituted various committees of directors either voluntarily or in compliance with certain regulatory requirements. Some of these committees are constituted to discharge a management function.

Composition and detailed terms of reference of certain Committees of Directors (other than those constituted to discharge a management function) as approved by the Board, from time to time, is provided hereunder:

AUDIT COMMITTEE (vide Board resolution dated May 6, 2014)

Constitution:

- (i) The Audit Committee of Directors of the Corporation, (Audit Committee) shall comprise of a minimum of three directors, with independent directors forming 2/3rd of its total strength.
- (ii) The independent directors shall meet the criteria prescribed under Section 149(6) of the Companies Act, 2013 and Clause 49 I (iii) of the Listing Agreements relating to Corporate Governance, as amended, from time to time.
- (iii) All members of the Audit Committee including its Chairman shall have the ability to read and understand financial statements and at-least one member should have accounting or related financial management expertise.
- (iv) The Chairman of the Audit Committee shall be present at the Annual General Meeting (AGM) to answer shareholders queries.
- (v) The Company Secretary of the Corporation shall act as the Secretary to the Audit Committee.

Meetings:

- (i) The Audit Committee shall meet at least 4 times in a year and gap between 2 meetings shall not exceed 4 months.
- (ii) The quorum for Audit Committee meetings shall be 1/3rd of the total strength or 2 members whichever is higher, subject to the presence of at least 2 independent directors.
- (iii) The Audit Committee shall meet in person, except in extraneous circumstances the Audit Committee may meet through video conferencing or other audio visual means, in accordance with the procedure prescribed in the Companies (Meetings of Board and its powers) Rules, 2014.
- (iv) The Members of the Audit Committee (who are non-whole-time directors of the Corporation), shall be entitled to sitting fees for attending meetings of the Audit Committee, as may be fixed by the Nomination & Remuneration Committee/ Board, from time to time.

COMMITTEES

- (v) The minutes of the meetings of the Audit Committee shall be recorded and maintained in accordance with the relevant provisions of the Companies Act, 2013, or any enactment or amendment or modification thereto and applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

Invitees:

- (i) The Vice Chairman & CEO, Managing Director, the Executive Director, Members of the Executive Management, Head of Internal Audit Function and other concerned executives of the Policy Implementation & Process Monitoring, Accounts, Treasury, Recoveries Departments of the Corporation, shall endeavor to attend the meetings of the Audit Committee.
- (ii) The Audit Committee may also invite such other executives of the Corporation to be present at the meetings, but the meetings may also be held without their presence.
- (iii) The Statutory Auditor and the Internal Auditors may be invited, if necessary, and shall have the right to be heard at the meetings of the Audit Committee when it considers their report but shall not have right to vote.

Role:

The role of the Audit Committee shall include the following:

- (i) The following matters as specified under the Companies Act, 2013 and Rules and the revised provisions of Clause 49 (III) made thereunder:
- a. Recommend to the Board the appointment, remuneration and terms of appointment of auditors of the Corporation;
 - b. Review and monitor the auditors independence and performance and effectiveness of the audit process;
 - c. Examination of the financial statement and the auditors report thereon;
 - d. Approval or any subsequent modification of transactions of the company with related parties;
 - e. Scrutiny of inter corporate loans and investments;
 - f. Valuation of undertakings or assets of the company, wherever it is necessary;
 - g. Evaluation of the internal financial controls and risk management systems;
 - h. Monitoring end use of funds raised through public offers and related matters;
[Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.]

COMMITTEES

- i. Ensure establishment and proper functioning of the system for storage, retrieval, display or print out of the electronic records in respect of books of accounts of the Corporation, maintained in electronic mode;
 - j. Oversee the vigil mechanism and review the safeguards in place against victimization of employees and directors who avail of such mechanism and ensure adequate provision is there to provide direct access to the Chairman of the Audit Committee, in appropriate or exceptional cases; and
 - k. Any other issue within terms of reference under the relevant provisions of the Companies Act, 2013 and the Rules made there under, as amended from time to time.
- (ii) Matters as specified solely under the revised Clause 49 III of the Listing Agreement relating to Corporate Governance:
- a. Oversight of financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible.
 - b. Recommend to the Board, appointment, re-appointment, if required removal/ replacement of Auditor and fixation of their fees.
 - c. Approve payments to be made in respect of any other services rendered by Auditors.
 - d. Review with the Management, the annual financial statements and auditor's report, before submission to the Board for its approval, with particular reference to:
 - Matters to be included in directors responsibility statement under Sec. 134 of the Companies Act, 2013.
 - Changes if any, in accounting policies and practices.
 - Major accounting entries involving estimates based on exercise of judgment management.
 - Significant adjustment made in financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of related party transactions.
 - Qualifications in auditors report.
 - e. Management Discussion and Analysis of the financial conditions and results of operations.
 - f. Review with management, the quarterly financial statements before submission to the Board for their approval.
 - g. Management letters/ letters of internal control weaknesses issued by the statutory auditors, if any.
 - h. Internal audit reports relating to internal control weaknesses.
 - i. Review with management, performance of internal/external auditor and adequacy of internal control systems.

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- j. Review with management of the adequacy of the internal audit function, including structure of internal audit department, staffing and seniority of the official heading the department, reporting structure and frequency of audit.
- k. Appointment, removal and terms of remuneration of the Chief Internal Auditor, if any, shall be subject to review by the Audit Committee.
- l. Discuss with internal auditors' significant findings and follow up thereon.
- m. Review findings of internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
- n. Discuss with statutory auditor nature and scope of audit and post audit discussions relating to any area of concern.
- o. To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders [in case of non-payment of declared dividends] and creditors.
- p. To approve the appointment of the Chief Financial Officer (CFO) (whole-time finance director or any other person heading the finance function or discharging that function), after assessing the qualification, experience and background etc. of the candidate.
- q. Statement of significant related party transactions.

(iii) Other matters:

Review of adherence to compliance with the KYC & AML Policy of the Corporation, assess the efficacy of the measures taken by the Corporation to prevent instances of material non-adherence and review serious lapses or intentional circumvention of prescribed procedures and guidelines laid by the Corporation in respect of KYC norms, by any employee or branch or department or agent, as the case may be.

Powers:

The Audit Committee be and is hereby vested with the following powers:

- (i) Investigate any activity within the terms of reference.
- (ii) Seek information from employees.
- (iii) Obtain outside legal counsel or other professional advice and secure their attendance if necessary.
- (iv) Call for comments of the auditors on the internal control systems, scope of audit, including observations of auditors and review of financial statements before their submission to the Board and also discuss any related issues with the internal and statutory auditors and the management of the Corporation.
- (v) Investigate any matter in relation to the items stated in sub-clause (a) to (h) above or referred to it by the Board and for this purpose to obtain professional advice from external sources and have access to full information contained in the records of the Corporation.

Report:

The minutes of the meeting of the Audit Committee duly approved by the Chairman, shall be tabled at the meeting of the Board of Directors of the Corporation for its noting.

Review & Authority:

The terms of reference of the Audit Committee shall be reviewed periodically to reassess its adequacy. Any amendments to the constitution or to these terms of reference shall be subject to the approval of the Board of Directors of the Corporation.

NOMINATION & REMUNERATION COMMITTEE (vide Board resolution dated May 6, 2014)

Constitution:

- (i) The Nomination & Remuneration Committee shall comprise of 3 or more non-executive directors, out of which not less than one half shall be independent directors.
- (ii) The independent directors shall meet the criteria prescribed under Section 149(6) of the Companies Act, 2013 and Clause 49 I (iii) of the Listing Agreements relating to Corporate Governance, as amended, from time to time.
- (iii) The Chairman of the NRC shall be present at the Annual General Meeting (AGM) to answer shareholders queries.

Meetings:

- (i) The NRC shall meet at such times as the Chairman or any Member of the Committee may deem appropriate.
- (ii) The quorum for meetings of the NRC shall be at-least two Members.
- (iii) The NRC shall meet in person, except in extraneous circumstances they may meet through video conferencing or other audio visual means, in accordance with the procedure prescribed in the Companies (Meetings of Board and its powers) Rules, 2014.
- (iv) The Members of the NRC shall be entitled to sitting fees for attending meetings of the Committee, as may be fixed by the Board, from time to time.
- (v) The minutes of the meetings of the NRC shall be recorded and maintained in accordance with the relevant provisions of the Companies Act, 2013, or any enactment or amendment or modification thereto and the applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

Invitees:

The NRC may invite such of the whole-time directors and/ or other executives of the Corporation as it may deem appropriate to be present at its meetings.

Role:

The NRC shall consider and review the following matters and perform such other duties that may be assigned to it by the Board, from time to time, including but not limited to:

Nomination

- (i) The NRC shall identify persons who are qualified to become Directors of the Corporation and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.
- (ii) The NRC shall formulate and recommend to the Board the criteria for determining qualifications, positive attributes and independence of a director and for evaluating their performance as well as on Board Diversity.
- (iii) The NRC shall carry out evaluation of every director's performance based on the criteria formulated by it and duly approved by the Board.
- (iv) The NRC shall review and ensure that the persons who are proposed to be appointed/ re-appointed as the whole-time directors of the Corporation meets the conditions as set out in Section 166 read with Part I to Scheduled V to the Companies Act, 2013 or any re-enactment or amendment or modification thereto.

Compensation:

- (i) The NRC shall formulate and recommend to the Board a Remuneration Policy for all directors, Key Managerial Personnel, Senior Managerial Personnel and other employees of the Corporation.
- (ii) Whilst formulating the said Policy, the NRC shall ensure the following:
 - a. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - b. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
 - c. Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Corporation and its goals; and
 - d. The said Policy shall be disclosed in the Directors' Report.

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- (iii) Review and approve the payment of remuneration of the whole-time directors and the Chairman of the Corporation and ensure that such remuneration is within the overall limits as set out in Sections 197, read with Schedule V and other applicable provisions of the Companies Act, 2013 or any re-enactment or amendment or modification thereto and subject to such terms and conditions, as may be approved by the shareholders of the Corporation, from time to time.
- (iv) Review and recommend to the Board the sitting fees payable to the non-executive directors of the Corporation for attending meetings of the Board or Committee(s) thereof and any increase thereof, within the overall limits prescribed under the Companies Act, 2013, from time to time.
- (v) Review and recommend to the Board the payment of profit related commission to the non-executive directors of the Corporation within the overall limits as may be approved by the shareholders of the Corporation, in terms of Section 197 of the Companies Act, 2013.
- (vi) The NRC shall review the disclosure made with regard to the Corporation's policy on directors' appointment and remuneration including criteria for determining qualification, positive attributes, independence and other matters as specified in Section 178(3) of the Companies Act, 2013, in the Directors' Report, in terms of Section 134 (1) (e) of the Companies Act, 2013.
- (vii) The NRC shall ensure that the remuneration payable to the directors is within the overall limits as set out in Sections 197, read with Schedule V and other applicable provisions of the Companies Act, 2013 or any re-enactment or amendment or modification thereto and the terms as approved by the shareholders of the Corporation, from time to time.
- (viii) The NRC shall have the authority to formulate, adopt, administer, enforce and modify the employee stock option schemes of the Corporation, including grant of options to eligible employees under the schemes, in accordance with the provisions of SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 and other applicable laws.
- (ix) The NRC shall perform such other functions as may be required under the relevant provisions of the Companies Act, 2013, the Rules made there under or Clause 49 of the Listing Agreements relating to Corporate Governance or any other applicable laws, as amended from time to time.

Powers:

The NRC shall be vested with the following powers:-

- (i) To obtain advice from auditors or lawyers or experts as it may deem appropriate and to secure their attendance.
- (ii) To call for records, documents or seek explanations from Officer(s) of the Corporation or auditors or lawyers or experts as it may deem appropriate, whether or not as part of any investigation into violation of the policies of the Corporation.

Report:

The Chairman of the NRC shall apprise the Board on the recommendations made by it on any matter under these terms of reference.

Review & Authority:

The terms of reference of the NRC shall be reviewed periodically to reassess its adequacy.

STAKEHOLDERS RELATIONSHIP COMMITTEE: (vide Board resolution dated October 26, 2015)

Constitution:

- (i) The Committee shall comprise of at-least 3 directors including a Chairman who shall be a non-executive director.
- (ii) The Chairman of the Committee shall be present at the Annual General Meeting (AGM) to answer shareholders queries. In the absence of the Chairman, any member of the Committee shall be present at the AGM to answer the shareholder queries.
- (iii) The Company Secretary of the Corporation shall act as the Secretary to the Committee.

Meetings:

- (i) The Committee shall meet on a quarterly basis and the gap between two meetings shall not exceed more than 4 months.
- (ii) The quorum for the Committee meetings shall be 1/3rd of the total strength or 2 members whichever is higher.
- (iii) The Committee shall meet in person, except in extraneous circumstances the Committee may meet through video conferencing or other audio visual means, in accordance with the procedure prescribed in the Companies (Meetings of Board and its powers) Rules, 2014.
- (iv) The Members of the Committee shall be entitled to sitting fees for attending meetings of the Committee, as may be fixed by the Board, from time to time.
- (v) The minutes of the meetings of the Committee shall be recorded and maintained in accordance with the relevant provisions of the Companies Act, 2013, or any enactment or amendment or modification thereto and the applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

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Invitees:

- (i) In addition to the Company Secretary, the Committee may invite such officers of the Secretarial, Treasury and Deposit Departments of the Corporation to participate in the meeting, but such meetings may also be held without their presence.
- (ii) The Secretarial Auditor may be invited if necessary and shall have the right to be heard at the meetings of the Committee, but shall not have right to vote.

Role:

The role of the Committee shall include the following:

- (i) Review the mechanism adopted for redressing the grievance of shareholders, debenture holders and deposit holders and other security and the status of such redressal;
- (ii) Review of the activities of the Secretarial Department of the Corporation inter alia adherence to Service Standards and Standard Operating Procedures relating to the various services rendered by the Investor Services Department, various initiatives taken to inter alia reduce quantum of unclaimed dividends, status of claims received and processed for unclaimed shares, uploading of data relating to unclaimed deposits/ dividends on the website of Investor Education & Protection Fund and the Corporation;
- (iii) Review status of compliances with laws applicable to the Secretarial Department and its risk profile;
- (iv) Review the Action Taken Report in respect of recommendations made by the Committee/ Management;
- (v) Review the status of the litigation(s) filed by/ against the security holders of the Corporation;
- (vi) Review the mechanism adopted to review, monitor and report transactions relating to securities which may be suspicious from a money laundering perspective, in accordance with the KYC & AML Policy relating to securities of the Corporation; and
- (vii) The Committee shall perform such other functions as may be required under the relevant provisions of the Companies Act, 2013, the Rules made there under and Clause 49 of the Listing Agreement relating to Corporate Governance, as amended from time to time.

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Powers:

The Committee be and is hereby vested with the following powers to enable them to discharge their duties in terms of this reference:

- (i) Investigate any activity within the terms of reference.
- (ii) To obtain advice from auditors or lawyers or experts as it may deem appropriate and to secure their attendance.
- (iii) To call for records, documents or seek explanations from Officer(s) of the Corporation or auditors or lawyers or experts as it may deem appropriate, whether or not as part of any investigation into violation of the policies of the Corporation.

Report:

The minutes of the meeting of the Committee duly approved by the Chairman, shall be tabled at the meeting of the Board of Directors of the Corporation for its noting.

Review & Authority:

The terms of reference of the Committee shall be reviewed periodically to reassess its adequacy.

Any amendments to the constitution or to these terms of reference shall be subject to the approval of the Board of Directors of the Corporation.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE: (vide Board resolution dated May 6, 2014)

Constitution:

- (i) The CSR Committee shall comprise of atleast 3 directors out of which one shall be an independent director.
- (ii) The Chairman of the Committee shall be present at the Annual General Meeting (AGM) to answer shareholders queries. In the absence of the Chairman, any member of the Committee shall be present at the AGM to answer the shareholder queries with regard to CSR activities.

Meetings:

- (i) The CSR Committee shall meet at least twice in every financial year or at such frequencies as the Chairman of the CSR Committee deem appropriate.

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- (ii) The quorum for meetings of the CSR Committee shall be at least two members.
- (iii) The Committee shall meet in person, except in extraneous circumstances the CSR Committee may meet through video conferencing or other audio visual means, in accordance with the procedure prescribed in the Companies (Meetings of Board and its powers) Rules, 2014.
- (iv) The Members of the Committee shall be entitled to sitting fees for attending meetings of the Committee, as may be fixed by the Board, from time to time.
- (v) The minutes of the meetings of the CSR Committee shall be recorded and maintained in accordance with the relevant provisions of the Companies Act, 2013, or any enactment or amendment or modification thereto and the applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

Invitees:

- (i) The CSR Committee may invite such officers of the Corporation and/ or representatives of H T Parekh Foundation or any other NGO, as deemed appropriate to attend and participate at its meetings.
- (ii) The CSR Committee may also meet without any of the said officers/ representatives.

Role:

The terms of reference of the CSR Committee will be to -

- (i) Formulate and recommend to the Board, a Corporate Social Responsibility Policy (CSR policy) which shall inter alia indicate the activities/ projects/ programs that will be undertaken directly by the Corporation and/ or through the Foundation and/ or through any other entity involved in CSR activities in any of the areas as specified in Schedule VII to the Companies Act, 2013 in terms of the provisions of Section 135 of the Act and the CSR Rules.
- (ii) Recommend to the Board, the amount of expenditure to be incurred on each of the CSR activities/ projects/ programs during each financial year.
- (iii) Approve and decide the areas where such CSR activities/ can be adopted, by giving preference to areas where the branches/ service centers of the Corporation are situated, subject to the terms and conditions or limits specified by any statutory/ regulatory authority, in this regard.
- (iv) Review/ ratify/ approve activities/ projects/ programs to be undertaken by the Corporation either directly or through the Foundation and/ or through any other entity involved in CSR activities and determine the amounts to be allocated for each such activities/ projects/ programs, in such manner and at such frequency, as deemed appropriate.

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- (v) Formulate and adopt a transparent monitoring mechanism for the activities/ projects/ programs undertaken/ proposed to be undertaken by the Corporation or indirectly through the Foundation or through any other entity, in respect of the amounts allocated/ spent by it and its end use, in pursuance of the CSR Policy.
- (vi) Implement and monitor the CSR Policy, the projects undertaken by the Corporation and/or through the Foundation or other credible partnering organization(s) and update the Board the changes / recommendations to the CSR Policy as deemed appropriate from time to time.
- (vii) To ensure that any recommendations made by the Board with regard to the amounts allocated for each CSR activity, monitoring of its end-use or any matter connected with regard and arising out of the CSR Policy is implemented and an action taken report submitted to the Board for their review.
- (viii) Approve the CSR report containing the disclosures as mandated under the CSR norms, before it is presented to the Board for its approval and inclusion in the Directors' report.
- (ix) Provide for the manner in which the activities relating to CSR initiated by the Corporation including end use of funds by the Foundation or other NGOs can be conducted.
- (x) To do all such acts, deeds, matters and things to ensure compliance with CSR norms and the CSR Policy, as amended, from time to time.

Powers:

- (i) The Committee has the authority to investigate into any matters concerning with or arising out of CSR norms.
- (ii) The Committee is authorised to obtain third party opinion on any matter on any matter concerning the CSR norms or the CSR policy of the Corporation, as deemed appropriate and secure their attendance.
- (iii) To call for records, documents or seek explanations from Officer(s) of the Corporation or auditors or lawyers or experts as it may deem appropriate, whether or not as part of any investigation into violation of the policies of the Corporation.

Report:

- (i) The minutes of the meetings of the CSR Committee shall be tabled at the subsequent meeting of the Board of Directors of the Corporation.
- (ii) The CSR Committee shall review the implementation of CSR Policy and shall update the Board of Directors of the Corporation, regarding its activities and practices adopted and provide for improvements/ actions required to be undertaken/omitted.
- (iii) In the event the Corporation has not spent the minimum required amount (i.e. 2% of the average net

profits of the Corporation for the three years preceding the relevant financial year as contemplated under the CSR Rules), the CSR Committee shall submit a report specifying the reasons for not being able to spend the amounts so allocated, to the Board.

- (iv) The CSR Committee's activities during the year shall be disclosed in the Annual Report of the Corporation in the format prescribed under the CSR Rules.

Review & Authority:

The terms of reference of the CSR Committee shall be reviewed periodically to reassess its adequacy.

RISK MANAGEMENT COMMITTEE (vide Board resolution dated October 22, 2014)

Constitution:

- (i) The Risk Management Committee (RMC) shall comprise of directors and Senior Managerial personnel representing various functions of the Corporation. The Committee shall comprise minimum of 3 members.
- (ii) The Company Secretary of the Corporation shall act as the Secretary to the RMC.

Meetings:

- (i) The RMC shall meet at least twice in a financial year.
- (ii) The quorum for the meetings of the RMC shall be atleast three members.

Invitees:

The Chairman may invite such other personnel of the Corporation to be present at the meetings.

Roles & Responsibilities:

The Committee shall formulate a Risk Management Framework & Risk Management Policy in line with the strategic objectives laid by the Board and-

- (i) Formulate a Risk Management Framework & Risk Management Policy in line with the strategic objectives laid down by the Board;
- (ii) Ensure that appropriate methodology, processes and systems are in place to monitor, evaluate and report risks associated with the business of the Corporation;
- (iii) Review the adequacy of the existing measures to mitigate risks covering various functions of the Corporation;

COMMITTEES

- (iv) Evaluate and approve mitigation measures that may be recommended by the Risk Manager(s) in respect of any function and review the action taken for its implementation on an ongoing basis;
- (v) Build risk awareness culture within the Corporation;
- (vi) Review, subject to the approval of the Board, amend any of the provisions of the Risk Management Framework;
- (vii) Evaluate and frame policies to counter 'new risk' or 'contingencies' that may be reported by the Risk Manager(s).

Monitoring and Review:

- (i) Evaluate the methodology adopted by branches / functions for assessing and evaluating risk and the manner in which the risks are being monitored, assessed and reported;
- (ii) Ensure compliance by the constituents of the Risk Management Organization with the provisions of the Risk Management Framework; and
- (iii) Develop and enforce a strong management information system to evaluate, monitor and report the risks impacting the business of the Corporation.

Reporting:

Periodically report to the Working Directors, Audit Committee and the Board of Directors on the risk profile of the Corporation, adequacy of the mitigation measures in terms of the Risk Management Framework.

Authorities:

- (i) Retain services of external consultants for redressing issues relating to and arising from risk management framework;
- (ii) Secure the attendance at its meetings of any personnel of the Corporation for the purpose of investigating or reviewing any issue concerned with management of risks associated with the business of the Corporation; and
- (iii) Call for any information, documents from any personnel of the Corporation for ascertaining the adherence to the policies, procedures and standards laid for monitoring evaluating and reporting of risks.

The terms of reference of the Risk Management Committee shall be reviewed periodically to reassess its adequacy. Any amendments to the constitution or to these terms of reference shall be subject to the approval of the Board of Directors of the Corporation.

APPOINTMENT

The Board of Directors of a company is vested with authority to appoint an additional director or an alternate director or a director in casual vacancy. Independent directors, whole-time directors and directors whose office is liable to be retire by rotation are appointed by shareholders at general meetings.

An additional director holds office only up to the date of the next annual general meeting, and can be appointed as a director who office shall be liable to retire by rotation by the shareholders at the next annual general meeting. Alternate director holds office till the date on which the original director returns to India. Director appointed in casual vacancy holds office till the date up to which the director in whose place he is appointed would have held office, if it had not been vacated.

The Corporation has formulated and adopted the Policy on Appointment of Directors and Members of Senior Management. The primary objective of the Policy is to provide a framework and set standards for the appointment of talented and self-motivated directors and Members of Senior Management who should have the capacity and ability to lead the Corporation towards achieving its stated goals and strategic objectives taking into account the interest of all stakeholders.

The Nomination and Remuneration Committee of Directors is responsible for identifying individuals who are suitably qualified to become directors of the Corporation and making recommendations to the Board for their appointments. The detailed criteria and the process of selection and appointment is covered under the Policy on Appointment of Directors and Members of Senior Management.

PERFORMANCE EVALUATION

The performance of the board as a whole, its committees and of its respective members individually will be evaluated on an annual basis as per the board evaluation process established by the Nomination and Remuneration Committee. Every year, the Nomination and Remuneration Committee reassesses the methodology and criteria to evaluate the performance of the board and its committees as well as the performance of each director individually.

APPOINTMENT, REMUNERATION AND CESSATION

The evaluation process that the Corporation may adopt, every year, is depicted in the following table:

Evaluation of	Board as a whole	Independent Directors	Non-executive Directors	Whole-time Directors	Chairperson	Committees
Evaluated by						
Nomination and Remuneration Committee	-	✓	✓	✓	-	-
Independent Directors	✓	✓	✓	✓	✓	✓
Non-executive Directors	✓	✓	✓	✓	✓	✓
Executive Directors	✓	✓	✓	✓	✓	✓
Board of Directors	✓	✓	✓	✓	✓	✓

The outcome of the evaluation is reviewed by the Nomination and Remuneration Committee, independent directors at a separate meeting without the presence of non-independent directors and the Board. Requisite action plan is prepared for areas for improvement identified, if any, during the evaluation process.

REMUNERATION AND RE-IMBURSEMENT OF EXPENSES

The remuneration paid to non-executive directors is governed by the Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and Other Employees. As per the said Policy, key elements of remuneration of non-executive/ independent directors are commission and sitting fees, subject to overall limit as prescribed in the applicable laws.

Sitting Fees:

The non-executive directors (including independent directors) of the Corporation are being paid a sitting fee of Rs. 1,00,000 for attending each meeting of the Board of Directors and its Committees thereof, except for some Committees, wherein the concerned members have expressly waived the receipt of sitting fees.

Sitting fee of Rs. 1,00,000 is also paid to independent directors for attending the separate meeting of the independent directors.

Commission:

The payment of the annual commission to the non-executive directors is based on the performance of the Corporation and is decided by the Board. Mr. Deepak S. Parekh being the Chairman of the Corporation is paid commission higher than the other non-executive/ independent directors as he continues to play a key role at the Board, is a member of key committees and represents the business interest of the Corporation at various forums.

However, the commission payable to the non-executive directors shall be within the overall limits of 1% of the net profits of the Corporation as approved by the shareholders of the Corporation.

Re-imbusement of expenses:

Expenses incurred by the directors towards attending the meeting of the Board or Committee thereof are reimbursed by the Corporation. Such expense includes air-fare towards travelling from and to the city where the meeting is held and accommodation charges.

The Corporation also reimburses the expenditure incurred by the directors towards fulfillment of any obligation or duties towards the Corporation.

Further, the Corporation maintains the office of the non-executive Chairman and reimburses expenses incurred in performance of his duties.

CESSATION AS A DIRECTOR

A director may cease to hold office in several ways as follows –

Retirement:

The independent directors of the Corporation are appointed for a period of 5 consecutive years, from the date of such appointment and are not liable to retire by rotation.

The non-executive chairman, managing directors and whole-time director of the Corporation are liable to retire by rotation.

Resignation:

A director may resign, any time, by giving a notice in writing along with detailed reasons for such resignation, to the Corporation.

The said resignation shall be effective from the date on which the notice is received by the Corporation or the date, if any, specified by the director in such notice, whichever is later.

Vacation of office as a Director/ Disqualifications:

The office of a director shall become vacant in case the director:

- Incurs any of the disqualifications as mentioned below:

[Reference - Section 164 of the Companies Act, 2013]:

- he is of unsound mind and stands so declared by a competent court;
- he is an undischarged insolvent;
- he has applied to be adjudicated as an insolvent and his application is pending;
- he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence;
- an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;
- he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- he has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years;
- he has not been allotted Director Identification Number; or
- he is or has been a director of a company which –
 - (a) has not filed financial statements or annual returns for any continuous period of three financial years; or
 - (b) has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, and five years have not elapsed from the date on which the said company failed to do so.

Where a person is appointed as a director of a company which is in default of above clause (a) or clause (b), he shall not incur the disqualification for a period of six months from the date of his appointment and upon such disqualification the office of the director shall become vacant in all the companies, other than the company which is in default for same.

APPOINTMENT, REMUNERATION AND CESSATION

- (a) Absents himself from all the meetings of the Board of Directors held during a period of 12 months with or without seeking leave of absence of the Board.
- (b) Acts in contravention of the provisions of section 184 of the Act relating to entering into contracts or arrangements in which he is directly or indirectly interested.
- (c) Fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested.
- (d) Becomes disqualified by an order of a court or the Tribunal.
- (e) Convicted by a court of any offence, whether involving moral turpitude or otherwise and sentenced in respect thereof to imprisonment for not less than 6 months.

The office shall not be vacated by the director in case of orders referred to in clauses (d) and (e)-

- (i) for thirty days from the date of conviction or order of disqualification;
- (ii) where an appeal or petition is preferred within thirty days as aforesaid against the conviction resulting in sentence or order, until expiry of seven days from the date on which such appeal or petition is disposed of; or
- (iii) where any further appeal or petition is preferred against order or sentence within seven days, until such further appeal or petition is disposed of.

- (f) He is removed in pursuance of the provisions of Companies Act, 2013.
- (g) Having been appointed a director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that company.