



HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

POLICY ON

MANAGEMENT OF CONFLICT OF INTEREST

JANUARY 2017

1. OBJECTIVES OF THE POLICY

- 1.1 Housing Development Finance Corporation Limited (**‘HDFC or the Corporation’**) shall continue to remain committed in conducting its business in a manner that ensures that its directors and employees participate in a decision making process that is devoid of conflict of interest.
- 1.2 The purpose of this policy is not to outline all conflict of interest relevant to HDFC but rather address how the Corporation will handle the conflict of interests as they arise.

The objective of the Policy is to:

- **identify** actual or potential conflict of interest of HDFC with its directors and employees which may arise during the course of its business activities;
- **implement** effective organisational and administrative processes to mitigate and prevent conflicts of interest arising and damaging the interest of various stakeholders; and
- **suggest** appropriate safeguards and systems for preventing or managing conflicts and an escalation mechanism.

2. APPLICABILITY

This Policy shall apply to the directors and employees of HDFC with effect from February 1, 2017.

3. CONFLICT OF INTEREST

- 3.1 A situation of conflict of interest would deem to have arisen when a director or an employee’s personal interest is perceived to be inconsistent with or is in conflict with the business interests of the Corporation or that of its subsidiary/associate company.
- 3.2 Accordingly, a conflict of interest arises when an employee or his/her immediate relative or friend receives unfair personal gains that may be detrimental to the Corporation as a result of his/her position or authority.

Illustration:

- Personal workplace relationships (hiring or supervising a closely related person);
- serving on the board of a company which are in the same industry in which HDFC operates;
- pecuniary benefits i.e. receiving discounts, gifts, or services either in cash or cash equivalent;
- related party transactions with firms, companies or bodies corporate for personal gain; and
- trading in securities while in possession of material unpublished information.

4. CONFLICT MANAGEMENT AND PROCEDURES

4.1 Transactions with HDFC and its directors and employees

This Policy is intended for such conflicts to be managed primarily by complying with applicable law and acting in good faith to develop equitable resolutions of such conflicts. It is also imperative that directors and the employees of the Corporation shall act independently.

The directors and the employees will not initiate any transaction on behalf of the Corporation, with any party, other than on an arm's length basis and on terms which are no less favorable to the Corporation than would be obtained in a transaction with an unaffiliated party. It is also intended that the directors and the employees of the Corporation, in their functioning, shall:

- act independently of their respective affiliates;
- maintain proper information barriers and confidentiality of information;
- act in the best interest of the HDFC; and
- act on an arms-length basis.

4.2 Use of HDFC's assets

Every director and every employee during the course of his/her employment of the Corporation are prohibited from using property, information, or position of the Corporation to profit personally, directly or indirectly.

4.3 Competing with the HDFC

Directors and employees should not engage in outside business interests or employment that could in any way conflict with the proper performance of their duties as directors or employees of the Corporation.

4.4 Acquisition and Sale of Real Estate Assets

As HDFC is engaged in the business of housing finance, it is imperative that all dealings by the whole-time directors and other employees and their relatives, with intermediaries in real estate business are above board. Accordingly, every whole-time director and employee shall disclose to HDFC the details of dealings in real estate (acquisition or disposal of real estate assets in any manner whatsoever) that may be entered into by him/ her and/ or by/ through his/ her relatives or acquaintances, and shall intimate the Corporation in the manner as may be prescribed from time to time.

4.5 Trading in securities

The directors and employees of the Corporation must engage in transactions in the securities market in a manner such that the following are adhered to under situations of conflict of interest:

- not to deal in securities while in possession of **material unpublished information**, not to communicate the material unpublished information while dealing in securities on behalf of the Corporation or other any related entity;
- not to contribute in any way to manipulation of demand for or supply of securities in the market or to influence prices of securities; and
- not to share information received from customers or pertaining to them, obtained as a result of their dealings, for their personal interest.

The directors and employees of the Corporation shall *inter alia* strictly adhere to the HDFC Share Dealing Code and the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information so as to deal with situations that could lead to a conflict of interest.

5. REPORTING AND DISCLOSURE

Every director or every employee of the Corporation shall notify the Vice Chairman & CEO of any personal conflict of interest relationship which may involve the Corporation. Every director or employee shall also notify the Vice-Chairman & CEO or the Managing Director of any conflict of interest of a non-personal nature involving the Corporation or its business arrangements. The Vice-Chairman & CEO or the Managing Director shall analyse conflict of interest, perceived or otherwise, in order to determine an appropriate course of action.

6. MITIGATION OF CONFLICTS OF INTEREST

6.1 Certain conflicts may have a serious potential impact on HDFC or its stakeholders and the only way to adequately manage such conflicts will be to avoid them. However, it is not practical to avoid all conflicts of interest regardless of the impact. Therefore, all conflicts of interest must be adequately assessed for impact and then must be acted upon appropriately.

6.2 **Depending on the circumstances and the nature of any given conflict, it may be appropriate to:**

6.2.1 Conduct the transaction after implementing procedures that would enable appropriate management of the situation in order to avoid damaging the interest of various stakeholders in question;

6.2.2 Avoid conducting the transaction that would potentially generate a conflict of interest; and

6.2.3 Inform the concerned stakeholder in the event that certain conflicts of interest cannot be properly addressed and communicate the necessary information about the type and origin of the conflict of interest to the stakeholder, so that they can make a fully informed decision regarding the proposed transaction.

6.3 In the event, a decision has been taken to intimate the conflict of interest to the Corporation in respect of the stakeholder, the disclosure must be made in writing and contain at least the following information:

6.3.1 Measures that have been taken to avoid or mitigate the conflict; and

6.3.2 Detailed description of the nature of relationship and arrangements with the third party which give rise to conflict of interest in a manner that would enable him/her to understand the exact nature of the conflict of interest arising out of the situation.

6.4 Manner of Conduct

To address any conflict of interest, the directors and employees shall be guided by the following ways in their day to day dealing with the stakeholders:

6.4.1 To first prioritise the interests of the stakeholder;

6.4.2 To employ fairness and reasonableness in business dealings and relationships and disclose and manage conflict of interest;

6.4.3 To demonstrate exemplary professional conduct through action;

6.4.4 To provide business services competently by maintenance of skills, ability and knowledge; and

6.4.5 To protect the confidentiality of the information provided by the stakeholder.

7. ESCALATION MECHANISM.

To manage other conflict of interest, the same must be escalated to the Vice-Chairman & CEO or the Managing Director of the Corporation or suitable representatives from the Senior Management together with a recommendation as to the measures to be taken to mitigate the non-compliance.

Directors and employees are encouraged to consult the following authorities for guidance, if in doubt, about how to evaluate and address a conflict of interest:

Type of conflict	Contact for additional guidance
Pecuniary benefits/ remuneration	Vice Chairman or Managing Director
Outside affiliations/business interest/ directorship in competing entities	
Corporate opportunities	
Related Party Transactions	Head – Accounts Company Secretary
Payments, receipts of gifts/ favours from others	Head – Human Resources
Acquisitions and sale of real estate assets	Head – Human Resources
Trading in securities	Compliance Officer

8. COMMUNICATION OF POLICY AND PROCEDURES TO ALL CONCERNED

HDFC shall communicate to the directors and employees about the scope and procedures prescribed under the Policy. HDFC shall also educate its directors and employees of the conflict of interest situations and the requirement of compliance with the guidelines specified in the Policy.

All the directors and employees have a duty to read and understand this Policy and to be aware of potential conflicts of interest.

The provisions of this Policy shall be in addition to the provisions, if any, contained in any other code/ policy formulated and adopted by the Corporation from time to time, in so far as it deals with situations of conflict of interest. This Policy shall be subject to review and revision at such time or times as and when the whole-time directors of the Corporation may deem so appropriate.

9. CONSEQUENCES OF NON-COMPLIANCE

Failure to comply with the provisions of this Policy by any director or employee shall tantamount to misconduct and shall result in disciplinary action being initiated against such person, irrespective of whether or not the engagement contract of such person specifically authorises such disciplinary action.
