

POLICY ON APPOINTMENT OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Housing Development Finance Corporation Limited

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CIN: L70100MH1977PLC019916

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Reviewing & Approving Authority:	Board of Directors of the Corporation
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Policy Making Body:	Nomination and Remuneration Committee
Version No.:	1.1
Review Cycle	As recommended by the Board

1. Preamble

- In terms of Section 178 of the Companies Act, 2013, rules made thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the Nomination and Remuneration Committee of Directors (“NRC”) has formulated this Policy on Appointment of Directors and Members of Senior Management (the “Policy”) and the same was approved by the Board at its meeting held on March 19, 2015.
- The Policy applies to the Board of Directors (the “Board”) of the Housing Development Finance Corporation Limited (“Corporation”) and the Senior Management of the Corporation. This amended Policy has been recommended by the NRC and approved by the Board of Directors of the Corporation at its meeting held on January 29, 2019. This Policy shall be effective from February 1, 2019.
- 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.
- This Policy is inter-linked to the Policy for Succession Planning, which ensures smooth succession without impeding the performance in current roles and responsibilities.
- The Board is ultimately responsible for the appointment of Directors and recommending the appointment of Directors to the shareholders for their approval.
- The Board delegates its responsibility for the assessment and selection of suitable candidates for the position of Directors of the Corporation to the NRC, which will submit its recommendations to the Board, in accordance with this Policy.

2. Definitions

For the purposes of this Policy:

‘Executive Board’ shall mean and include the Whole-time Directors of the Corporation appointed by the Board/ Shareholders.

‘Senior Management’ shall mean and include the following:

- Members of Executive Management (i.e., employees one level below the Board);
- KMPs (other than Whole-time Directors);
- Chief Investor Relations Officer, Chief Information Technology Officer; and
- Any other person at the discretion of the NRC.

3. Criteria for Appointment as a Director and Senior Management Positions

- NRC has laid down the skill sets required to be possessed by the Directors of the Corporation considering the nature of its business and industry in which it operates, which are listed hereunder:
 - Industry experience - housing & real estate
 - Financial, Accounting & Audit expertise
 - Proficiency in Economics
 - Information Technology, data analytics, digital platforms, Cyber Security
 - Consumer behaviour, Sales & Marketing
 - Contemporary Corporate Governance
 - Legal & Regulatory Compliance
 - Risk Management
 - Strategic thinking
- NRC should periodically review the composition of the Board of HDFC and map the skill sets possessed by the existing Directors of the Corporation with the skill sets required.
- When recommending a candidate for such appointment, the NRC shall consider:
 - present and potential future needs and requirements of the Corporation and the housing finance sector in which it conducts its business and operations;
 - undertaking a process of due diligence to determine the suitability of the candidate for appointment / continuation as a Director, based upon the 'fit and proper' criteria.
 - the results of assessment of the proposed candidate against a range of criteria formulated by the NRC which include but shall not be limited to skill sets, regional and industry experience, background, integrity, expertise, competencies and other qualities required for the position of a director;
 - the extent to which the proposed candidate is likely to contribute to the overall effectiveness of the Board and work constructively with the existing Directors and Senior Management;
 - gender diversity; and
 - any requirements under applicable laws;
- In addition to the above for appointment of Non-Executive Directors including Independent Director, the NRC shall consider
 - time commitment required from a non-executive Director to properly discharge his fiduciary duties towards the Corporation; and

- the nature of existing positions held by the proposed appointee including other directorships held or other relationships and the impact it may have on the appointee's ability to exercise independent judgment.
- The criteria to be considered when assessing prospective candidates for appointment as Directors shall include the following:
 - highest levels of personal and professional ethics and integrity;
 - high quality attributes such as discipline, objectiveness, sensitivity, creativity;
 - sharing and demonstrating the values of the Corporation;
 - qualification in relevant disciplines (e.g. finance, management, accountancy, legal, housing and information technology) or being a recognised specialist in disciplines or areas relevant to the Corporation and/or its business including but not restricted to experience in accounting and finance, administration, corporate and strategic planning or fund management;
 - possess some of the skill sets as required by the Directors of the Corporation as laid down by the NRC;
 - experience in the management of a diverse organization whether located in India and/or overseas;
 - demonstrable ability to work effectively with the Board;
 - excellent interpersonal, communication and representational skills;
 - demonstrable leadership skills;
 - strong influencing and negotiating skills; and
 - continuous professional development to update knowledge and skills.
- The NRC shall consider the present and future requirements of the Corporation when shortlisting and recommending a candidate for Senior Management position. When recommending such candidate, the NRC shall consider:
 - the results of assessment of the proposed appointee against a range of criteria formulated by the NRC which include but not limited to skill sets, regional and industry experience, background, integrity and other qualities required to operate successfully in the said position;
 - the extent to which the proposed appointee is likely to contribute to the

Corporation and work constructively and effectively;

- the present and potential future needs and requirements of the Corporation and the housing finance sector in which it conducts its business and operations; and
 - the factors which may adversely impact the ability of the candidate to fulfill his/her duties.
- No person shall be appointed as a Director of the Corporation unless he/she has been allotted the Director Identification Number (DIN) and he furnishes to the Corporation declarations under applicable laws for the time being in force and files consent to act as a Director.
 - The criteria to be considered when assessing prospective candidates for a Senior Management position shall include the following:
 - highest levels of personal and professional ethics and integrity;
 - demonstrable leadership skills;
 - specialist knowledge, qualification and/or experience required for the Senior Management position in question;
 - good interpersonal relationships;
 - demonstrating intelligence, maturity and wisdom;
 - possesses managerial abilities such as effective communication skills, action focus, people engagement, cultural sensitivity, flexibility, team player, strategic thinking, etc.;
 - sharing and demonstrating the values of the Corporation; and
 - ability to significantly contribute towards achievement of the strategic and business objectives of the Corporation.
 - In addition to such requirements as may be specified under this Policy, the Independent Directors shall also fulfill the applicable requirements prescribed under Section 149 of the Companies Act, 2013 and the rules and regulations made there under), the provisions of the Listing Regulations and other applicable laws as modified or amended or supplemented, from time to time.
 - No person shall be considered for appointment/ reappointment as a Director of the Corporation, if he is disqualified to be appointed/ re-appointed as such in terms of the provisions of Section 164 of the Companies Act, 2013 or under any other applicable law or whose name appears in the list of wilful defaulters published by Reserve Bank of India.

- No person shall be considered for appointment as a Director of the Corporation, if he/she exceeds the maximum number of directorships as prescribed under applicable laws.

4. Board Nomination Process

- The selection procedure to be followed for the appointment of persons to the Board is as below:
 - NRC to identify the requirement of appointment of Directors and the skill sets to be possessed by such Director.
 - For the positions of Whole-time Directors, the NRC in consultation with the Chairman and the other Whole-time Directors shall identify an internal candidate to be appointed for such position. In case of non-availability of an internal candidate and the internal candidate not fulfilling the criteria as mentioned, the NRC shall look at an external candidate either on its own or through an external agency and recommend the same to the Board.
 - For the positions of Independent Directors or other Non-Executive Directors, the NRC to select the candidate possessing the required skill sets and recommend the same to the Board.

5. Selection Process for Senior Management

- The selection procedure to be followed for the appointment of persons at the Senior Management positions is as below:
 - In case of vacancy/opening at Senior Management position, the NRC in consultation with the Executive Board shall identify and short list employees to fill such vacancy, who may meet the criteria mentioned in this Policy.
 - The above vacancy/opening may be filled by selecting an employee within the same location/ function or through a lateral transfer of an employee from another location/ function. In the event that there are no suitable internal candidates within the Corporation for the said position, the NRC may select an external candidate.

6. Appointment Procedure

- A person recommended by NRC as a director shall be appointed by the Board, in accordance with the relevant provisions of the Companies Act, 2013, rules made there under and Listing Regulations.
- Every Director shall be appointed/ re-appointed by the Corporation at the general meeting on the recommendation of the Board.

- The NRC shall ensure that the appointment/ re-appointment of Directors of the Corporation is as per the terms of this Policy and recommendations of candidates are made to the Board for appointment.
- Member of Senior Management will be appointed by the NRC except for KMPs who shall be appointed by the Board on the recommendation by the NRC.

7. Letters of Appointment

- The Corporation shall issue a formal letter of appointment to the person appointed as a Director of the Corporation. The letter of appointment to be issued to the Independent Directors shall inter-alia set out the matters as stated in Schedule IV of the Companies Act, 2013.
- Letters of Appointment to Senior Management will be issued by the Vice Chairman & CEO or the Managing Director or the Head – Human Resource of the Corporation.

8. Evaluation Procedure

- The NRC shall develop such assessment criteria as it shall deem fit for the purposes of undertaking performance evaluation of the Directors and the Board as a whole. The NRC shall undertake an annual performance evaluation of all Directors of the Corporation based on the relevant assessment criteria developed by it.
- The evaluation of Senior Management will be done by the NRC in consultation with the Chairman, Vice Chairman & CEO and/or the Managing Director of the Corporation.

9. Removal

- Due to reasons for any disqualification mentioned in the Companies Act, 2013 or under any other applicable law, rules and regulations there under and / or for any disciplinary reasons and subject to such applicable laws, rules and regulations, the NRC may recommend, to the Board, with reasons recorded in writing, removal of any Director, KMP or Senior Management.
- An Independent Director of the Corporation may be removed before the expiry of his tenure only by passing a resolution with requisite majority by the shareholders of the Corporation.

10. Policy Review

This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013 or Listing Regulations or as may be otherwise prescribed by the NRC/Board from time to time.
