



HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

CORPORATE SOCIAL RESPONSIBILITY POLICY

MARCH 2017

Housing Development Finance Corporation Limited

Regd. Office: Ramon House, 169 Backbay Reclamation, Churchgate, Mumbai 400 020.

Corp. Office: HDFC House, 165-166 Backbay Reclamation, Churchgate, Mumbai 400 020.

DOCUMENT VALIDATION NOTE

Housing Development Finance Corporation Limited ('the Corporation' or 'HDFC') is a public limited company incorporated on October 17, 1977, under the Companies Act, 1956 (Corporate Identity Number L70100MH1977PLC019916). It is registered as a Housing Finance Company with the National Housing Bank ('NHB') under the NHB Act, 1987. The equity shares of the Corporation are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

In terms of the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 ('CSR Rules'), the Corporation has formulated and adopted this Corporate Social Responsibility ('CSR') Policy.

Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, requires the Corporation to constitute a CSR Committee of Directors, adopt a CSR Policy, spend at least 2% of its average net profits made during the immediately preceding three financial years towards CSR activities as set out in Schedule VII to the Companies Act, 2013 and confirm compliance thereof in the Annual Report.

Accordingly, the Board of Directors at its Meeting held on July 21, 2014 approved and adopted the Corporation's Corporate Social Responsibility Policy ('CSR Policy').

The CSR Policy, post review by the CSR Committee and per its recommendation, has been amended by the Board of Directors of the Corporation at its meeting held on March 3, 2017.

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I. BACKGROUND

Corporate Social Responsibility is a company's sense of responsibility towards the community and environment in which it operates. It is the continuing commitment by a business to behave ethically and contribute to the economic development of communities who are unequally endowed.

The Corporation believes in conducting its business responsibly, fairly and in a transparent manner. It continually seeks ways to bring about an overall positive impact on the society and environment where it operates. HDFC has been making consistent efforts over the years towards economic and social upliftment of the marginalized sections of society.

Though this Policy has been formally formulated and adopted in terms of Section 135 of the Companies Act, 2013 and the CSR Rules to undertake CSR activities, the Corporation right from its inception, has made consistent efforts to maintain an active corporate social responsibility portfolio.

II. SHELTER ASSISTANCE RESERVE

The Corporation in 1988 established a fund called `Shelter Assistance Reserve ('SAR'), with the main objects of participating and supporting worthwhile projects undertaken by non-governmental organizations ('NGO'), community groups, local bodies and others, in order to encourage activities related to the shelter problem in general, and the shelter needs of the poorer and economically weaker sections of the society in particular.

Since 1988, the Corporation has been transferring a part of its net profits to SAR for social activities, which grew over time to include sectors over and above 'providing shelter' to economically weaker sections of the society.

Post enactment of the Companies Act, 2013 and notification of CSR Rules, SAR is being used *inter-alia* for funding various development and grassroot level organisations for the purposes as mentioned under Schedule VII to the Companies Act, 2013 and in accordance with this Policy.

III. H T PAREKH FOUNDATION

To commemorate the enormous contribution of late Shri H. T. Parekh, the Founder Chairman of the Corporation to the development of housing finance and other financial & development sectors in India, HDFC has incorporated the H T Parekh Foundation ('Foundation') as a not-for-profit company licensed under the erstwhile Section 25 of the Companies Act, 1956 (corresponding to Section 8 of the Companies Act, 2013).

The Foundation has been incorporated with the aim to undertake, pursue and be concerned with the welfare, betterment and advancement of society as a whole across multiple social sectors. This will be carried out either through direct programme implementation by the Foundation or through partnerships with NGOs, community bodies and local organisations located across India, with an impeccable track record of community service, performance and accountability towards achieving its goals. The scope of objectives has been kept as wide as possible, so as to allow the Foundation to respond to different situations and challenges appropriately and flexibly.

IV. **OBJECTIVE**

The main objective of this CSR Policy is to lay down guidelines to make CSR a key business process and support programmes aimed at economic development of communities who are unequally endowed. It aims in enhancing welfare measures of the society based on the immediate and long term social and environmental consequences of the Corporation's activities in India.

This Policy specifies the projects and programmes that can be undertaken in terms of Schedule VII to the Companies Act, 2013 and which the Corporation plans to undertake during the implementation years, specifies the modalities of execution and the implementation mechanism.

The scope of the Policy has been kept as wide as possible, so as to allow the Corporation to respond to different situations and challenges appropriately and flexibly, subject to the activities enumerated in Schedule VII of the Companies Act, 2013. However, no contribution will be made for any projects undertaken outside India.

V. **ROLE OF CSR COMMITTEE**

The Board of Directors of the Corporation has constituted a CSR Committee of Directors. The CSR Committee will play the following role in fulfilling the Corporation's CSR objectives:

- Formulate and review the CSR Policy and recommend the same to the Board for its approval;
- Recommend the amount of expenditure to be incurred on the CSR activities;
- Review the CSR projects/ programmes from time to time;
- Ensure overall governance and compliance for CSR; and
- Annually report to the Board of Directors of HDFC, the status of the CSR activities and contributions made by the Corporation.

The overall execution of the Policy and day-to-day administration will be the responsibility of the CSR team and other senior persons in the Corporation, working under the guidance of the CSR Committee to ensure that the CSR initiatives are in line with this Policy.

VI. PARTNERING ORGANISATIONS

The Corporation would be undertaking the CSR activities primarily through contributions to the Foundation or through implementing agencies or through collaborative projects with other corporates or contributions to specific funds maintained by the Central/ State Government of India, like Prime Minister's Relief Fund etc.

The Foundation in turn will execute the CSR responsibilities of HDFC either (i) directly, by executing and implementing programmes permitted under Schedule VII and approved by the CSR Committee or (ii) by entering into partnerships with implementing organisations registered in India and having a track record of service, performance, governance and accountability.

All the aforementioned organisations including the Foundation will be referred as "Partnering NGOs" in this Policy.

VII. CSR AMOUNT

The Corporation shall endeavour to spend in every financial year, at least 2% of its average net profits made during the 3 immediately preceding financial years, in pursuance of its corporate social responsibility and subject to Section 135 of the Companies Act, 2013 and the Rules made thereunder from time to time.

VIII. SPENDING OF CSR AMOUNT

The CSR Committee will decide on the following with regard to spending of CSR amount:

- Percentage of total amount to be contributed to the Foundation for undertaking earmarked projects;
- Percentage of total amount to be used for directly funding implementing organizations and/or for collaborative projects with corporates, if any;
- Amount to be contributed towards the Corpus of the Foundation;
- Any surplus arising from CSR projects or programs or activities will not form part of the business profits of the Corporation;

- Any income arising from the contributions received by the Foundation and surplus arising out of the CSR activities will be used for CSR projects only; and
- Amount to be contributed for building the capacities of the CSR personnel. Such expenditure, including expenditure on administrative overheads, will be subject to the limits prescribed under the Companies Act, 2013 and CSR Rules.

IX. CSR ACTIVITIES / PROJECTS

Schedule VII to the Companies Act, 2013 lists down the activities which may be included by companies in their CSR policies. The said activities are comprehensive and largely cover most social and development sectors.

The Corporation plans to focus its CSR initiatives and adopt a structured approach to the following **core areas** of intervention.

1. Education

This would include initiatives in the field of primary and secondary education, formal and non-formal literacy programmes, scholarships, digital literacy initiatives, teachers training & skills upgradation, vocational training and other holistic education initiatives for rural & urban youth.

2. Healthcare

This would include initiatives to support affordable healthcare, including awareness & preventive programmes for various communicable & non-communicable diseases, public & community health initiatives for the underprivileged sections of society, addressing malnutrition amongst women & children, provision of clean & safe drinking water to communities etc.

3. Skilling & Livelihood

This would include initiatives for supporting women, unemployed / dropout youth and rural youth for sustainable livelihood initiatives, by assisting such persons with skill training (technical and non-technical), vocational and lifeskills training, to enable them to generate livelihoods and in turn contribute to the economy.

4. Water conservation

This would include partnerships with experienced grassroot level organisations and technical consultants for watershed management structures to be constructed across drought prone areas in the country, including capacity building & training programmes for local communities in such areas to ensure long term water security.

5. Sanitation

This would include partnerships with organisations having domain expertise in the field of providing comprehensive sanitation programmes in schools, urban slums and rural areas, involving behavioural change & awareness towards hygiene and sanitation habits.

6. Support to the Differently abled

This would include initiatives towards special education, vocational training and rehabilitation of physically and mentally challenged children/adults, to make them economically independent and contributing members of society.

However, the Corporation may directly or through partnerships with select organisations, undertake development activities across other sectors such as child welfare, promotion of the arts, promotion of sports, environmental sustainability or any others, with the main objective of betterment of society.

X. PROCESS FOR UNDERTAKING CSR ACTIVITIES / PROJECTS

The following procedure is required to be adhered to while undertaking/ funding CSR activities:

- Execution of Grant letters with all Partnering NGOs, which would detail the key roles, responsibilities and liabilities of each of the parties signing the Grant Letter;
- The contribution would be for a project or programme as identified by the Corporation, either for a single year or multi-years, depending on the scale and needs of the project/programme. The Corporation will evaluate the Partnering NGOs based on its internal screening criteria, credibility and ability to execute the project/programme effectively;
- The disbursement of the contribution amount by the Corporation to the Partnering NGOs shall be made only if they have requisite approvals and registrations as required under the Income Tax Act, 1961 and other applicable laws in India; and
- The disbursement will be made only upon receipt of a proposal from the Partnering NGOs specifying the budget that is required and the activity for which it is required.

XI. MONITORING

The Corporation shall be entitled to receive the following information from the Partnering NGOs:

- Annual Report with audited financial statements;
- Operational / progress reports from time to time;
- Copies of any other reports or communications received from the auditors relating to its financial position or affairs which is of a material nature; and
- Any information or circumstance which may affect or jeopardise the implementation of the activities or the project of the Partnering NGOs in general.

To ensure steady progress and proper utilization of CSR amount, the following monitoring mechanism may be adopted depending upon the size of contribution and the Partnering NGOs:

- Periodic Field visits by the CSR team;
- Undertaking sample audits of the projects/ activities; and
- Review of the reports including impact assessment reports, submitted by the Partnering NGOs.

The CSR Committee may engage external agencies to evaluate the CSR projects and monitor its progress. The Committee would constantly monitor the implementation of the CSR projects and the utilization of the CSR amount.

XII. REPORTING

The CSR Committee shall report to the Board of Directors of the Corporation, the status of the CSR projects/ activities undertaken by the Corporation as part of the Annexure to the Directors' Report, in the Corporation's Annual Report.

The Corporation shall upload this Policy, Annual Report on CSR activities and all other information as statutorily required on its website, www.hdfc.com.