

**ENVIRONMENTAL, SOCIAL &
GOVERNANCE POLICY
FRAMEWORK**



WITH YOU, RIGHT THROUGH

**HOUSING DEVELOPMENT FINANCE CORPORATION
LIMITED**

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OVERVIEW

The main business of Housing Development Finance Corporation Limited ('the Corporation') is financing by way of loans for the purchase or construction of residential houses, commercial real estate and certain other purposes in India.

As the pioneer of retail housing finance in India, the Corporation stands committed to further increasing home ownership in the country. Since inception, the Corporation has cumulatively financed over 9 million housing units. The mortgage to GDP ratio in India at 11% is considerably lower than many other comparable countries. Thus the mission of the Corporation is enable more Indians to become homeowners and help build a property owning democracy.

The founding principles of the Corporation are *kindness, fairness, effectiveness and efficiency*, based upon which the organisation has been built.

The Environmental, Social and Governance (ESG) framework reiterates the Corporation's commitment to oversee and implement sustainable strategies, policies and practices as a responsible corporate citizen.

APPROACH TO ESG

The overriding ESG approach remains inextricably linked to the primary objective of the Corporation, which is enabling Indians to become homeowners.

Given the increasing focus and rising stakeholder expectations on ESG coupled with the fact that this is still an evolving space with varying standards and frameworks, at this juncture, the Corporation has opted to rely on the collective expertise of the entire board of directors of the Corporation for oversight of the ESG framework.

Further, the board will continue to have oversight on various aspects of ESG through the following board committees:

- Audit & Governance Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility Committee
- IT Strategy Committee
- Risk Management Committee

The executive directors of the Corporation, which also includes the whole-time director in charge of business responsibility and sustainability are collectively

responsible for the vision, strategy and implementation of the ESG framework of the Corporation.

COMMITMENT TO RESPONSIBLE BUSINESS CONDUCT

The Corporation is committed to the principles elucidated in the National Guidelines for Responsible Business Conduct as prescribed by the Ministry of Corporate Affairs. Accordingly, the Corporation shall:

- Conduct and govern itself with integrity in a manner that is ethical, transparent and accountable;
- Offer products and services in a manner that is sustainable and safe;
- Respect and promote the well-being of all its employees and those in its value chains;
- Respect the interests of and be responsive towards all stakeholders;
- Respect and promote human rights;
- Respect, protect and make efforts to restore the environment;
- Engage with the public and/or any regulatory body in a manner that is responsible and transparent;
- Promote inclusive growth and equitable development;
- Engage with and provide value to customers in a responsible manner.

GOVERNANCE

- The Corporation's corporate governance framework is in alignment with the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and corporate governance directions issued by the Reserve Bank of India.
- The ESG framework is designed to oversee the implementation of sustainable strategies, policies and practices and ensure it is aligned with the Corporation's ethos on governance and its core values of honesty, transparency and accountability.

IMBIBING PRINCIPLES OF SUSTAINABILITY

The Corporation endeavours to ensure that sustainability is embedded in all spheres of activity undertaken by the Corporation. Some of the key elements entail:

Responsible Lending

- Incorporate responsible lending practices across all product offerings, undertake environmental and social (E&S) risk assessment for non-individual loans in accordance with the Corporation's Responsible Lending Policy and E&S framework.
- Encourage increased lending for affordable, smart and green housing and enhance other sustainable and inclusive lending opportunities, including supporting various housing finance initiatives of the Government of India to help meet its vision of '*Housing for All*'.
- Engage with green building rating providers and leverage on the Corporation's deep and long-standing relationships with developers to encourage them to build green, energy efficient homes and commercial premises.
- Assess potential climate risks in the existing loan portfolio, identify climate related physical and transition risks, along with mitigation measures and enhance disclosures through various reporting frameworks on a statutory and/or voluntary basis.
- Focus on financial inclusion through the provision of housing finance to economically weaker sections and low income households. Further, encourage women homeownership in the country.
- In the case of construction finance loans, accord key emphasis on environmental approvals and ensure adherence to requisite labour codes, working conditions, occupational health and safety, pollution prevention with regards to waste management and norms on water use permits amongst others.

Sustainable Finance

- Endeavour to increase the pool of sustainable finance from both, wholesale sources and retail sources. For example, external commercial borrowings or refinance lines from the National Housing Bank for on-lending towards green and affordable housing and raising retail green and sustainable deposits for

utilisation towards sustainable lending activities as identified under the Sustainable Development Goals (SDGs).

Sustainable Operations

- The Corporation is committed to adopting de-carbonisation¹ strategies for its operations.
- Increase installation of solar panels in owned office premises.
- Incorporate/retrofit energy efficient equipment and fixtures and water saving devices in office premises.
- Enhance disclosures on greenhouse gas (GHG) emissions, measure and strive to improve metrics such as emissions, energy, water, waste generation, amongst others.
- Sensitise employees to imbibe climate conscious decisions in all spheres of activity. (Eliminated use of plastic water bottles in office premises, reduced consumption of paper cups, segregation of wet, plastic and dry waste.)
- Increase digitalisation initiatives to reduce paper consumption.
- Adopt sustainable procurement practices in the supply chain.
- Support conservation and protection of the environment through Corporate Social Responsibility (CSR) projects focused on ecological restoration, clean energy, afforestation, sanitation, waste management, amongst others.
- Pledge to a net zero emissions pathway through increased use of renewables, carbon sequestration, carbon offsets and reduction in energy intensity metrics.

Responsibility to People

Employees

- Employees are the Corporation's greatest assets. Since inception, the Corporation has followed the principle of '*learning by doing.*'

¹ India has pledged that by 2030 it will increase its non-fossil energy capacity to 500 GW, meet 50% of its energy requirements from renewables, reduce total projected carbon emissions by 1 billion tonnes and reduce the carbon intensity of the economy by less than 45% and achieve net-zero carbon emissions by 2070. India is also positioning itself as a global hub for production as well as export of green hydrogen.

- The Corporation has always followed an open-door policy and lays emphasis on a values based work culture. The Corporation has zero tolerance to impropriety.
- Adherence to the Code of Conduct of the Corporation.
- The Corporation is committed to ensuring a work environment that is non-discriminatory.
- Respect human rights, equal opportunities, diversity and prioritise health and safety and employee wellness.
- Strong emphasis on training and development and skill upgradation.
- Employee stock options offered to each and every employee in the organisation.
- The Corporation has since inception followed a zero lay-off policy, wherein not a single employee's services has ever been terminated due to business or economy related circumstances.

Customers

- Commitment to being a strong customer centric organisation.
- Committed to providing housing finance solutions to all credit worthy customers from all income categories – be it economically weaker sections, low income group, middle-income group or high income group.
- Focus on inclusion through the provision of loans for affordable housing and encouraging women homeownership.
- Adherence to the principles of fairness and transparency in all dealings with customers.

Responsible Corporate Citizen

- With technology becoming more ubiquitous in all spheres of business activity, 'trust' is paramount in all digitalisation initiatives. The Corporation is committed to using technology responsibly to ensure data security and customer privacy.

- Nurture a culture of anti-corruption/anti-bribery in all spheres of activity undertaken by the Corporation.
- Support local vendors where feasible and ensure adherence to the principles as elucidated in the Code of Conduct of the Corporation in any dealings with third party providers and its supply chain.
- Engage with industry bodies, regulators and the government on providing inputs on development of public policies in areas where the Corporation has expertise. The Corporation, however, shall not engage in any lobbying activities.
- The Corporation recognises the central government, state governments and local level authorities as critical stakeholders.
- Through the H T Parekh Foundation, undertake philanthropic activities aimed at enhancing the quality of life of people from marginalised and vulnerable communities to help create a more inclusive society. The key SDGs identified include:
 - SDG 2: Zero hunger
 - SDG 3: Good health and well being
 - SDG 4: Quality education
 - SDG 6: Clean water and sanitation
 - SDG 8: Decent work and economic growth
 - SDG 11: Sustainable cities and communities
- Engage with shareholders, potential investors and other stakeholders on ESG initiatives and developments of the Corporation.

CODES & POLICIES

The Corporation has various board approved policies and codes, many of which form an integral part in building the Corporation's overall ESG strategy.

The link of some of the codes and policies hosted on the Corporation's website is given below:

<https://www.hdfc.com/investor-services#codes-policies>

DISCLOSURES & TARGETS

The Corporation is committed to enhancing disclosures on ESG/non-financial parameters through a combination of statutory and voluntary reporting.

The key reports on ESG of the Corporation include:

- Report of Directors on Corporate Governance
- Annual Report on Corporate Social Responsibility Activities
- Business Responsibility and Sustainability Report
- Integrated Report
- Social Initiatives Report
- Review of Sustainability Initiatives of the Corporation by a Third Party

The link of ESG disclosures/reports hosted on the Corporation's website is given below:

<https://www.hdfc.com/investor-relations#environmental-social-and-governance>

The Corporation has set targets on various ESG metrics which shall serve as a guidepost in determining the Corporation's overall ESG strategy.

These guideposts would be periodically reviewed, benchmarked against comparable peers and course corrected where required or enhanced based on various evolving scenarios.

The disclosures and targets on ESG metrics shall form part of the statutory and/or voluntary reporting by the Corporation.

The Corporation shall ensure that its ESG targets shall be:

- Honest, realistic and responsible;
- Pertinent and core to the nature of the business of the Corporation; and
- In alignment with similar goals set by the Corporation, country, state and/or any other statutory body, as may be applicable.

POLICY REVIEW

This policy shall be reviewed and updated on a periodic basis or as and when deemed necessary.

EMBEDDING ESG ACROSS ALL FUNCTIONS

Role	Key ESG Metrics
Board of Directors + Board Committees	Oversight of the ESG Framework
Executive Directors	Strategy and implementation of the ESG framework
Functional heads	Specific ESG metrics, as identified
Lending Operations: Individual & Non- individual	Increase affordable, smart, green homes, inclusive lending, conduct E&S due diligence, negative screening for E&S, develop and offer lending products that meet identified SDG goals
Resources: Wholesale & Retail	Raise funds for on-lending towards green, smart affordable housing and other identified SDG goals
Human Resources	Human rights, diversity, inclusion, equal opportunity, employee well being
Training & Development	Training and development, skill enhancement, sensitisation on ESG-related issues
Legal	Anti-money laundering, anti-corruption, KYC, data protection, E&S covenants
Information Technology/IT User Support Groups	Data/cyber security, customer privacy, responsible use of digitalisation in products and processes. Procurement of energy efficient IT equipment and safe disposal of e-waste.
Facilities Management	Measuring and reducing GHG emissions, procurement of energy efficient equipment, installations of solar panels, responsible waste disposal mechanisms and facilitating climate conscious practices in office premises.
Management Services & Investor Relations	Engage with investors, ESG analysts and ESG rating providers and report on ESG parameters on a statutory and/or voluntary basis.
Customer Engagement	Timely response to all customer queries and grievances
Communications	Internal and external ESG campaigns, brand management.
Compliance &	Ensure statutory compliance on ESG reporting.

Role	Key ESG Metrics
Policy Implementation & Process Management	Review implementation of policies pertaining to ESG and efficacy of data being reported on various non-financial parameters.
Risk Management	Evaluate the impact of climate risk on the lending portfolio and identify physical and transitory risks and mitigation measures.
ESG Champions	Volunteers who proactively undertake ESG related and community service initiatives, champion sustainable practices in their respective offices and engage in knowledge sharing on ESG.
H T Parekh Foundation	Corporate Social Responsibility initiatives of the Corporation – with key focus sectors being education, health, livelihoods, persons with disabilities and environmental sustainability.