

Business Responsibility Report

PART A: COMPANY PROFILE

HDFC was incorporated in October 1977 as a public limited company specialising in providing housing finance primarily to individual households and corporates for the purchase and construction of residential housing. Prior to 1977, retail mortgage finance was unknown in India. There were no foreclosure norms, no credit bureau and no easy access to long-term finance in India. HDFC is India's first retail housing finance company and is currently one of the largest originators of housing loans in the country with cumulative loan disbursements of Rs. 5,48,553 crore. It has financed approximately 4.7 million homes.

HDFC group is considered as a financial conglomerate in India with presence in housing finance, banking, life and general insurance, asset management, venture capital and education loans. HDFC's key associate and subsidiary companies include HDFC Bank Limited, HDFC Standard Life Insurance Company Limited [HDFC Life], HDFC ERGO General Insurance Company Limited, HDFC Asset Management Company Limited, GRUH Finance Limited, HDFC Venture Capital Limited and Credila Financial Services Private Limited.

As part of its developmental initiatives, HDFC has promoted institutions in various fields including credit rating, consumer finance, leasing, infrastructure and IT-enabled services.

HDFC's distribution network spans 354 outlets, which include 87 offices of its distribution company, HDFC Sales Private Limited (HSPL). In addition, it covers several locations through outreach programmes. Distribution channels form an integral part of the distribution network of HDFC with home loans being

sourced through HSPL, HDFC Bank Limited and other third party direct selling associates. Credit, legal and technical checks are closely monitored in-house to ensure that the quality of loans given out is of the highest standards. HDFC has established offices in London, Dubai and Singapore and service associates in Kuwait, Oman, Qatar, Abu Dhabi and Saudi Arabia so that it can cater to the demands of non-resident Indians.

In January 2014, HDFC shifted its corporate office to HUL House, H. T. Parekh Marg, 165-166 Backbay Reclamation, Churchgate, Mumbai 400 020. However, its registered office shall continue to be situated at Ramon House, H. T. Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai 400 020. All contact details of HDFC remain unchanged.

HDFC is engaged in Housing Finance (NIC code: 65922) and its Corporate Identity Number (CIN) is L70100MH1977PLC019916.

HDFC's website is www.hdfc.com.

PART B: FINANCIAL HIGHLIGHTS IN THE LAST FINANCIAL YEAR

The audited annual accounts of HDFC form part of its annual report. Further details on the financial information are given in the Directors' Report and the Management Discussion and Analysis Report which is part of the annual report. HDFC follows the financial year of April 1 to March 31 each year.

As on March 31, 2014, HDFC has 21 subsidiary companies and 3 step down subsidiaries.

Subsidiary companies

1. HDFC Developers Limited;
2. HDFC Investments Limited;
3. HDFC Holdings Limited;

4. HDFC Asset Management Company Limited;
5. HDFC Trustee Company Limited;
6. HDFC Realty Limited;
7. HDFC Standard Life Insurance Company Limited;
8. HDFC ERGO General Insurance Company Limited;
9. GRUH Finance Limited;
10. HDFC Sales Private Limited;
11. HDFC Ventures Trustee Company Limited;
12. HDFC Venture Capital Limited;
13. HDFC Property Ventures Limited;
14. Credila Financial Services Private Limited;
15. HDFC Education and Development Services Private Limited;
16. H T Parekh Foundation;
17. Windermere Properties Private Limited;
18. Grandeur Properties Private Limited;
19. Winchester Properties Private Limited;
20. Pentagon Properties Private Limited; and
21. Haddock Properties Private Limited.

Step-down subsidiary companies

1. HDFC Pension Management Company Limited;
2. Griha Investments, Mauritius; and
3. Griha Pte Limited, Singapore.

The said subsidiary companies have their own Business Responsibility (BR) initiatives and generally do not participate in the BR initiatives of HDFC.

PART C: BUSINESS RESPONSIBILITY INFORMATION

Mr. Deepak S. Parekh is the non-executive Chairman of HDFC.

Mr. Keki M. Mistry, Vice Chairman & Chief Executive Officer, Ms. Renu Sud Karnad, Managing Director and Mr. V. Srinivasa Rangan, Executive Director are responsible for its day-to-day administration and operations. Brief profile of the Directors and the details of senior management are provided elsewhere in this annual report.

HDFC has prepared a Business Responsibility Report (BRR) based on the circular on 'Business Responsibility Reports' issued by the Securities and Exchange Board of India, in August 2012.

In the course of its operations over the years, HDFC has formulated various in-house policies and guidelines pertaining to the principles enunciated in this report. It has also formulated a comprehensive policy on Business Responsibility (BR) Reporting norms. Mr. V. Srinivasa Rangan, Executive Director will oversee the implementation of the BR policy. Mr. P. K. Bhalla, Head-Human Resources is the BR – Head and is assisted by a team having multi-disciplinary backgrounds. The BR policy will be reviewed periodically and the BRR will be uploaded on the website of HDFC, a physical copy of which will be made available to the shareholders on request.

The details of Mr. V. Srinivasa Rangan are listed below:

Sr. No.	Particulars	Details
1	DIN Number	00030248
2	Name	V. Srinivasa Rangan
3	Designation	Executive Director
4	Telephone Number	+91 22 2204 3692
5	E-mail	vsrangan@hdfc.com

Detailed information on each of the nine principles is provided hereunder:

Principle 1: Business should conduct and govern themselves with ethics, transparency and accountability

Ethics

Ethics, transparency and personal accountability form the core values of HDFC, which has a zero tolerance for bribery and corruption. HDFC strives to build and maintain relationships with its borrowers, depositors, agents, shareholders and other stakeholders in a fair and transparent manner. It always focuses on high standards of corporate governance in whatever it does. HDFC was the only Indian company to be included in the fifth annual list of the '2011 World's Most Ethical Companies' by the Ethisphere Institute, USA.

Code of Conduct

HDFC has framed and adopted a Code of Conduct, which is approved by its Board of Directors. The Code is applicable to all its directors and senior management and is posted on HDFC's website. The Code provides for ethical, transparent and accountable behaviour by the directors and senior management of HDFC.

HDFC lays utmost importance on integrity whilst recruiting employees at all levels. The Employee Code of Conduct provides the framework within which HDFC expects its business operations to be carried out and lays down the standards and principles for all employees to follow. Failure to comply with the Code could lead to disciplinary action, including dismissal from the services of HDFC.

On the first day of employment, all new employees are handed over a copy of the Employee Code of Conduct as part of their joining kit. The said employees are expected to read and understand the contents mentioned therein and a signed acknowledgement is obtained

from each of the employees. HDFC constantly strives to communicate its values and guiding principles to its employees through various forums. To reinforce the importance of the Employee Code of Conduct, each day, one clause of the said Code is displayed on the main page of HDFC's Intranet. The objective behind doing so is to encourage all employees to refresh, understand and abide by the contents of the said Code, which serves as an ethical road map for them, whilst conducting business.

During the year 2013-14, the Employee Code of Conduct was amended and 4 additional points were added to the said Code. The additional points are as under:

1. Dealings with business associates;
2. Declaration of interest in any contract/ arrangement to be entered into by any relative/ acquaintance with HDFC;
3. Personal financial discipline; and
4. Participation on social networking sites.

HDFC has also formulated and adopted various other codes and policies including Fair Practices Code, Corporate Code of Disclosure Practices, Share Dealing Code, Know Your Customer and Prevention of Money Laundering Policy and Investment policy, in terms of laws applicable to its business. These codes and policies are applicable to all its employees/ directors for enforcement of ethical conduct from governance, regulatory and risk management perspective.

Monitoring adherence to the said codes and policies is carried out by the Policy Implementation & Process Monitoring department through internal audits.

Stakeholder Complaints

HDFC categorises its stakeholders to include housing loan customers, depositors, shareholders and debenture holders. There is a separate mechanism in place for recording and redressing complaints raised by each of these stakeholders.

HDFC maintains a Customer Relationship Enhancement and Managing System (CREAMS), a centralised web-based software to record and redress the grievances/feedback of its home loan customers so as to ensure that standard operating procedures are adhered and high service standards are maintained for redressal of customer grievances. Details of the said mechanism are provided elsewhere in this report.

HDFC received a total of 10,705 complaints from its home loan customers and depositors during the year, out of which 129 complaints were outstanding as on March 31, 2014.

There was no complaint from investors that was unresolved as on April 1, 2013. During the year, HDFC received 11 investor complaints. All investor complaints were resolved and as such there was no unresolved investor complaint as on March 31, 2014.

HDFC submits a periodic status of complaints received, redressed and outstanding from its shareholders and depositors along with the nature of complaints and the mode of its redressal to the Investor Relations & Grievance Committee of Directors.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

Environmental Standards

Compliance with environmental

standards and sustainable environmental practices has limited relevance to HDFC's operations as it does not carry any manufacturing activity. The housing finance regulator, the National Housing Bank (NHB), prevents housing finance companies from directly undertaking any construction activity. However, a vigorous technical assessment of properties and projects financed by HDFC is a critical part of its approval and disbursement procedures.

HDFC believes in encouraging initiatives that work towards the conservation of its surrounding environment. It recognises the need to work with real estate developers that promote the use of innovative technologies such as green buildings for construction of houses. HDFC has always looked towards exploring opportunities of collaboration with partners in ensuring saving of energy and resources and encourages the usage of environmental friendly building materials from the local building centres as part of its low-income housing initiatives.

The loan documentation that HDFC enters into for all project finance with real estate developers has a clause mentioning that the construction will be as per guidelines of the National Building Code.

Resource Savings

The interiors of HDFC's new corporate office building have been designed based on guidelines from the Leadership in Energy & Environmental Design Council (LEED). Some of the initiatives undertaken at the said office premises include various energy efficient measures, such as use of occupancy sensors, reduction of light power density by using LED light fittings, use of solar panels, provision of centralised waste collection, priority to use

environmental friendly materials with higher recycle content, such as green guard rated furniture and gives regional priority for purchases of such recycled products.

Special efforts have been made during the design stage of the said premises to ensure abundant natural light across the work area thereby reducing the electricity consumption. Efforts have also been made to enhance outdoor fresh air intake.

HDFC promotes the use of energy star equipments, uses systems that conserve the wastage of power and re-usage of stationery and paper, to help in minimising usage and wastage of paper at its corporate office premises.

HDFC also promotes the use of electronic means of communication with its depositors and shareholders by sending electronic communication for confirmation of payments and such other purposes. It also encourages the use of electronic mode of payment to and from all its stakeholders.

In an endeavour for quick and paperless services to its customers, HDFC introduced the use of kiosks at trade fairs and property exhibitions, which facilitate electronic filing of loan application forms and directly link the data of potential customers to its loan processing system.

Principle 3: Businesses should promote the wellbeing of all employees

Equitable Employment

HDFC's employee strength as on March 31, 2014 was 1956. As at March 31, 2014, the male: female ratio was 77:23. HDFC has always advocated a business environment that favours the concept of equal employment opportunities for all without any discrimination with

respect to caste, creed, gender, race, religion, disability or sexual orientation. HDFC provides a workplace environment that is safe, hygienic, humane and which upholds the dignity of the employees. HDFC does not employ child labour directly or indirectly in any of its offices.

Policies for Employee Grievances

HDFC encourages a participative style of management and an open-door policy, wherein employees, irrespective of their hierarchy can walk into the offices of any of the senior executives and discuss issues or have their suggestions heard. HDFC does not have a recognised employee association.

Apart from all the existing channels of communication available to all employees, HDFC has joined the 'Corporate Whistleblower Initiative' (CWI) – a third party web-based reporting initiative aimed at facilitating secure and confidential information. The CWI portal, www.cwiportal.com, provides employees a simple method of communicating their concerns. To protect the identity of the employee, the complaint can be logged anonymously.

To ensure that employees work in an environment without fear of prejudice and gender bias, HDFC has a policy on 'Prevention, Prohibition and Redressal of Sexual Harassment at the Work Place' and has constituted a 'Complaints Committee' to redress issues pertaining to sexual harassment of employees at the workplace.

During the year, the said committee has not received any complaint from any employee pertaining to sexual harassment, discriminatory employment, child labour or on any ethical issues.

Employee Interaction

With the intention of improvising the

accessibility to the management, HDFC has introduced a web-based portal called 'Idea Incubator Initiative' across branches to enable employees across all levels to share their ideas/suggestions regarding improvement of any of its function/ process or procedure. This portal allows employees to share their ideas directly with the Managing Director.

Work-Life Balance

HDFC policies are structured around promoting work-life balance which ensures improved employee productivity at work as well as enough time for family and personal life.

HDFC offers more than 20 fully furnished holiday homes for employees and their families who wish to take a holiday. They are located at various parts of the country from Mussoorie and Shimla in the North to Munnar in the South and from Daman in the West to Gopalpur in the East. Caretakers look after all the holiday homes and employees are assured of great holidays with their families.

HDFC also has active in-house clubs like the sports clubs, which organises sport events that include the families of the employees thus fostering an atmosphere of camaraderie. Branches organise local events, like picnics, outings, informal get-togethers, fancy dress contests, treasure hunts, etc. to build camaraderie and teamwork.

As a knowledge facilitator, HDFC has a fully equipped library, which can be accessed even by the branches through the intranet via the Open Public Access Catalogue. Besides, on a regular basis, the team also shares relevant news, articles and reports with all employees across offices. Employees also approach the library team to help source information on

any topic, while preparing reports or presentations. Smaller knowledge centres are also set-up in various branches for their local use.

Development of Employees

HDFC believes in the all-round development of its employees and sponsors self-development and leadership programmes to enhance employee effectiveness. Learning and development ensures that staff members are adequately trained in functional and behavioural skills to sustain high standards of service. Job specific knowledge gaps, skills and attitudes are identified during the performance appraisal process and through discussions with immediate superiors and managers.

Learning and development needs are also identified on the basis of internal audit reports as well as customer feedback. HDFC has recently initiated a competency mapping exercise for branch managers with the primary objective of identifying their learning needs. Based on the information available, an action plan for programmes and other developmental initiatives are being developed. These include on-the-job training, job rotation or training through various programmes – internal, external or international.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

Shelter Assistance Reserve

As a part of its social objectives, HDFC has been making consistent efforts over the years towards economic and social upliftment of the marginalised sections of society. The Shelter Assistance Reserve (SAR) was set up in 1988 as a multipurpose development fund to commemorate the completion of HDFC's first decade.

The SAR is capitalised on an annual basis by way of appropriation out of HDFC's annual profits and is primarily utilised for the provision of grants to non-government organisations (NGOs), community bodies and organisations. The use of the SAR covers the areas of education, child welfare programmes, causes of the disabled, health-care, vocational training and community development programmes. At appropriate times, the SAR is utilised towards providing relief and rehabilitation support to victims of calamities, both natural and man-made. HDFC has kept the scope of the SAR as wide as possible, which allows it to respond to different situations and challenges appropriately and flexibly. During the year, HDFC has disbursed Rs. 13.02 crores from the SAR. Further details are provided under Principle 8 herein below.

H T Parekh Foundation

HDFC has incorporated H T Parekh Foundation (Foundation) in the memory of Late Shri H. T. Parekh, founder chairman of HDFC. Shri H. T. Parekh was associated with several philanthropic causes and welfare organisations during his lifetime. The Foundation's goal is to initiate and/ or support programmes and projects that would bring about socio-economic equity and bridge the developmental gaps in the country. The Foundation's objective is to address issues of poverty, illiteracy, health care, protection of environment and national heritage monuments through strategic programme partnerships with accredited NGOs that meet the highest standards of performance and due-diligence.

During the year, the Foundation received the approval of the Ministry of Home Affairs, Government of India to accept contributions from HDFC, in terms of the provisions of Foreign

Contribution Regulation Act, 2010, as amended. The Foundation has also received approval under Section 12AA of the Income Tax Act, 1961 and has applied for registration under Section 80G(5) of the Income Tax Act, 1961. The said registration would enable contributors to the Foundation to claim appropriate tax exemptions under the said Act.

The Foundation will commence its activities shortly.

Employee Participation

Every year members of HDFC family run for various causes in marathons held at various locations in India to raise funds for various NGOs supported by HDFC.

HDFC employees have always contributed individually and as a group to those who have been marred by tragedies. During this year, HDFC employees voluntarily contributed a one-day salary or more to the Uttarakhand Chief Minister's Relief Fund, towards providing relief and respite to the victims in the flood-affected areas of Uttarakhand and to aid the surviving victims trodden in the said calamity. HDFC employees also participated in blood donation camps conducted at various locations in India.

Principle 5: Businesses should respect and promote human rights

Human Rights

HDFC complies and adheres to all the human rights laws, including those mentioned under the Constitution of India, other applicable laws and policies. HDFC treats all its stakeholders with dignity and also extends respect towards individual customers that are in arrears with their home loan repayments. HDFC takes care to be just, patient and understanding and has put in place an internal culture and work ethics

where delinquent customers are treated with fairness. Customers who have difficulty in being regular in repayment are counselled patiently by highly trained officers who attempt to make tailor made solutions for their needs. Any complaints and grievances pertaining to behavioural issues are attended to personally by senior officers.

Contractual Staff

HDFC has been outsourcing housekeeping, security and maintenance activities to contractual staff. Policy guidelines are issued to ensure compliance with the Payment of Minimum Wages Act 1948, Employees State Insurance Act, 1948 and the Provident Fund Act, 1952, as amended from time to time.

Principle 6: Businesses should respect, protect, and make efforts to restore the environment

Green Initiatives

HDFC promotes ecological sustainability and green initiatives such as recycling paper and other waste material and by having eco-recycle bins for electronic waste. Besides adopting energy saving mechanisms, employees are sensitised towards making efforts to reduce HDFC's carbon foot print.

Carbon Emission

A pilot study was conducted to map the carbon emission at HDFC's corporate office in Mumbai with an aim to compare the emission with a pre-determined benchmark and also look into initiatives to cap the emission. A social and environment audit NGO was appointed for this purpose. The study took into account 3 vital parameters for its pilot study – electricity consumption, domestic and international travel and paper consumption.

Recycling

HDFC also hands over old but well maintained desktops to NGOs working to impart education to children from the underprivileged sections of society.

Rural Housing

For rural housing, usage of asbestos sheets is not allowed – instead corrugated galvanised iron sheets are used. For low cost housing, HDFC encourages NGOs to procure environment friendly building materials for the local building centres. HDFC as a policy, finances only self-contained tenements and this requires that toilets/ sanitation is included within the housing unit, which leads to a cleaner environment and reduces health hazards at the villages.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

HDFC is a member of various chambers and associations such as:

1. Bombay Chambers of Commerce and Industry
2. Confederation of Indian Industry
3. Federation of Indian Chambers of Commerce and Industry
4. Indian Merchants' Chamber
5. International Union for Housing Finance
6. National Real Estate Development Council.

Representatives of HDFC are members of various committees of these industry bodies. HDFC has consulted these associations for the advancement and improvement of housing finance in India. Additionally at the branch level, HDFC is a member of local bodies and assists such bodies in formulating policies that affect local issues. HDFC recognises

that the housing and real estate industry plays an important role in the Indian economy as this industry is the second largest employment generator after agriculture. HDFC will continue to support and advocate for the further development of housing industry since HDFC'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 promote home ownership.

At the national level, HDFC executives have played a key role in formulating national housing policies and strategies. Recognising HDFC's expertise, the Government of India has invited HDFC's executives to join a number of committees and task forces related to financial sector reforms, housing finance, infrastructure development, capital markets and corporate governance.

H D F C makes various recommendations/ representations before regulators and associations regarding the new enactments that impact the housing finance industry and its business.

Principle 8: Businesses should support inclusive growth and equitable development

Pursuant to Section 135 of the Companies Act, 2013 and the rules made there under, HDFC has taken effective steps to formulate a Corporate Social Responsibility (CSR) Committee of Directors which shall act in accordance with the CSR norms. As a committed corporate citizen, HDFC has always supported and undertaken various social welfare initiatives, some of which are mentioned here under:

Education

HDFC has supported numerous organisations that work in the area

of education (both formal and non-formal) and literacy programmes for street and slum children. The main focus of supporting these programmes is to ensure basic literacy, offer vocational training and manage teaching societies and balwadi centres (pre-school education to children in the age group of 3-5 years). HDFC has entered into partnerships with organisations such as Foundation for Education & Development, National Society for Clean Cities, Concern India Foundation and Save The Children India, amongst others.

Sanitation

The SAR at HDFC has been used to support sanitation and health-care initiatives, awareness programmes and provision of basic/ specialised medical facilities for the underprivileged sections of society. HDFC partnered with organisations such as SNEHA, Silence to Sound Movement, Education Audiology & Research Society and CREDAI Clean City Movement, amongst others.

Community Development

HDFC's social initiatives also cover the areas of women empowerment, rehabilitation of destitute women and prisoners, improving slum habitat and the provision of necessary amenities for the economically disadvantaged. Partnerships were made with organisations such as Shelter Associates, Borderless World Foundation, Janvikas Pratishthan and DEEDS, amongst others.

Child Welfare

HDFC has been especially compassionate and supportive of organisations that work in the area of rehabilitation of street children, or work with orphans and destitute children by trying to integrate them into mainstream society. HDFC partnered with an NGO for an

initiative on 'child sexual awareness' across municipal schools. HDFC also partnered with organisations such as Mobile Creches, Deep Griha Society, Nanhi Kali and CanKids, among others.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

Customer Relationship Enhancement and Managing System (CREAMS)

HDFC is committed to providing effective and prompt service to its customers and has in place, a software called CREAMS to record and redress the grievances/ feedback from its customers which helps in ensuring adherence to standard operating procedure and maintaining high service standards.

Under the CREAMS process, HDFC has identified senior personnel at all the branches, who are responsible for ensuring efficient and effective redressal of complaints within the prescribed turnaround times. All complaints are centrally monitored by the CREAMS management team. This process has an inbuilt escalation mechanism wherein complaints are escalated to the level of business heads, regional heads/ functional heads and the Managing Director.

Complaints forwarded by regulatory and supervisory authorities are tracked separately within CREAMS.

A grievance redressal procedure recommended by NHB is also available on HDFC's website for the benefit of its customers.

HDFC has also formulated Internal guidelines for its 'Recovery officers' in terms of the NHB circular dated July 14, 2008, which lays down in detail the decorum to be followed whilst approaching customers for recovery of loans and maintaining ethical conduct.

Transparent Communication

HDFC is a member of the Advertising Standard Council of India and encourages responsible and responsive communication towards all its stakeholders be it customers, media, investors, analysts, regulatory authorities, vendors and other stakeholders.

HDFC ascertains transparency and correctness of information in the advertising and promotions for its products and services. It propagates truthful and fair advertising and discourages all kinds of means and activities that are unethical, abusive or anti-competition. All the charges, benchmark interest rates and important notifications are posted on its website. HDFC has also formulated the Fair Practices Code, a copy of which is available on its website.

HDFC has complied with all advertising norms applicable to its business and

till date no complaint has been filed against it for irresponsible advertising.

The deposit application form also provides exhaustive detail of products being offered and other details relating to deposits. 'Deposit' section on HDFC's website contains more details relating to deposits.

The performance and financials of HDFC are disclosed to its various stakeholders and the public at large through annual report, advertisements (on a quarterly basis) and through its website.

In addition, HDFC also provides feedback mechanism on its website that allows stakeholders to post their grievances/ comments/ feedback/ questions on housing loans and deposits.

PART D

Contacts

The details of Mr. P. K. Bhalla are listed below:

Sr. No.	Particulars	Details
1	Name	P. K. Bhalla
2	Designation	Head - Human Resources
3	Telephone Number	+91 11 415 96576
4	E-mail	praveenb@hdfc.com

MUMBAI
May 6, 2014

V. Srinivasa Rangan
Executive Director