

Corporate Governance disclosures as per Section 134 of the Companies Act, 2013

1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders and is guided by a strong emphasis on transparency, accountability and integrity. The governance practices and processes ensure that the interest of all stakeholders are taken into account in a transparent manner and are firmly embedded into the culture of the organisation.

The Company has fair, transparent and ethical governance practices, essential for augmenting long-term shareholder value and retaining investor trust. This has been possible through continued efforts and commitment to the highest standards of corporate conduct.

The Company has a dynamic, experienced and well-informed Board. The Board along with its Committees with the Corporate Governance mechanism in place undertakes its fiduciary duties towards all its stakeholders. During the year under review, your Company has adopted a Board approved Corporate Governance Code which will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure. The said Corporate Governance Code has been uploaded on the Company's website.

2. Board of Directors

The composition of the Board is in compliance with the provisions of Companies Act, 2013 and Rules made thereunder as amended from time to time. The Board of Directors comprises of six directors of which one-third of the total number of Directors are Independent Directors. The Chairman of the Board is a Non-Executive Director.

The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions.

None of the Directors of your Company are inter related to each other. The directors of the Company have wide experience in the field of finance, risk management, banking, human resources, general corporate management, economics, digitalisation and other allied fields which enable them to contribute effectively to your Company by providing valuable guidance and expert advice to the Management and add value in the decision making process of the Board of Directors in their capacity as directors of the Company.

The Independent Directors have been appointed for a fixed tenure of five years from their respective dates of appointment. All the Independent Directors have confirmed that they meet the criteria of independence laid down under the Companies Act 2013 and Rules made thereunder as amended from time to time.

The composition of the Board of Directors as at March 31, 2019, including the details of their DIN, meetings attended, other directorship and their shareholding are given below:

Name of the Director	Executive/Non-Executive/Chairman/Independent /	DIN	Number of Board Meetings		No. of other Directorships	No. of shares held in the Company
			Held	Attended		
Mr. Aditya Puri	Chairman, Non-Executive Director	00062650	4	4	1	Nil
Mr. Bhavesh Zaveri	Non-Executive Director	01550468	4	4	4	2,90,193
Mr. Jimmy Tata	Non-Executive Director	06888364	4	4	1	3,21,021

Ms. Smita Affinwalla	Independent Director	07106628	4	4	3	Nil
Mr. Venkatraman Srinivasan	Independent Director	00246012	4	4	2	Nil
Mr. G. Ramesh	Managing Director & Chief Executive Officer	05291597	4	4	Nil	5,40,900

During the FY 2018 - 19, the Board of Directors met 4 (Four) times on April 16, 2018, July 20, 2018, October 16, 2018 and January 15, 2019. The requisite quorum was present for all the Meetings. These Meetings were attended by all the members of the Board. The Board met at least once in a calendar quarter and the maximum time gap between any two Meetings was not more than one hundred and twenty days. During the year, the Board met at regular intervals to discuss and decide on various business and policy matters of the Company.

3. Meetings of Independent Directors

As stipulated by the Code of Independent Directors under the Companies Act 2013 and Rules made thereunder as amended from time to time, one Meeting of Independent Directors was held during the year. The Meeting was conducted to enable Independent Directors discuss matters relating to Company's affairs and put forth their views without the presence of Non-Independent Directors and members of the Management.

At these Meeting, the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole, reviewed the performance of the Chairman of the Company, taking into account the views of Executive Directors and Non- Executive Directors, assessed the quality, quantity and timeliness of the flow of information between the Management and the Board and its Committees which is necessary for the Board to effectively and reasonably perform and discharge their duties.

During FY 2018 - 19, Separate Meeting of Independent Directors was held on April 16, 2018.

4. Committees of the Board

Your Company has seven Board level Committees - Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Asset Liability Committee, Risk Management Committee and Information Technology Strategy Committee. All decisions pertaining to the constitution of Committees, appointment of members and terms of reference for Committee members are taken by the Board of Directors. During the year, Human Resource Committee was merged with Nomination & Remuneration Committee with effect from October 16, 2018. Details on the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

a) Audit committee

The members of the Committee possess strong accounting and financial management knowledge. The Committee meets the composition requirement pursuant to the provisions of the Section 177 of the Companies Act, 2013. The Composition of the Audit Committee as on March 31, 2019 is as under:

- i. Mr. Venkatraman Srinivasan, Chairman (Independent Director)
- ii. Ms. Smita Affinwalla, Member (Independent Director)
- iii. Mr. Bhavesh Zaveri, Member (Non Executive Director)

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee includes discussions with the auditors on periodical basis, the observations of the auditors, recommendation for appointment, review & monitor the auditor's independence, performance and effectiveness of audit process, remuneration & terms of appointment of auditors, evaluation of internal financial controls and risk management systems, examination of financial statement before submission to the Board, effective implementation of vigil mechanism of the Company and also oversee compliance of internal control systems.

During the FY 2018 - 19, the Audit Committee met 4 (Four) times on April 16, 2018, July 18, 2018, October 16, 2018 and January 14, 2019.

b) Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) is formed in compliance with the provisions of the Section 178 of the Companies Act, 2013. The Composition of the NRC as on March 31, 2019 is as under:

- i. Ms. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Venkatraman Srinivasan, Member (Independent Director)
- iii. Mr. Jimmy Tata, Member (Non-Executive Director)
- iv. Mr. Bhavesh Zaveri, Member (Non-Executive Director)

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee includes an annual review of the Nomination & Remuneration Policy, recommend to the Board appointment & removal of the Directors, carry out director performance evaluation, formulate the criteria for determining qualifications, positive attributes and independence of a director, review HR strategy, review remuneration paid to the employees & directors is as per the Nomination & Remuneration Policy and consider giving stock options to the employees in the form of equity shares of the Company.

During the FY 2018 - 19, the Nomination and Remuneration Committee met 6 (Six) times on April 14, 2018, July 18, 2018, September 05, 2018, October 30, 2018, January 15, 2019 and March 26, 2019.

c) Risk Management Committee

The Risk Management Committee was formed in compliance with Reserve Bank of India guidelines on Corporate Governance which monitors the risk management strategy of the Company. The composition of the Risk Management Committee is as follows:

- i. Mr. Jimmy Tata, Member (Non Executive Director)
- ii. Mr. G. Ramesh , Member (Managing Director & Chief Executive Officer)
- iii. Mr. Rohit Patwardhan, Member (Head - Risk)
- iv. Mr. Sanjay Belsare, Member (Head - Information Technology)

In order to ensure best governance practices, the Company has established risk management process for each line of its business and operations. These processes have been implemented through the specific policies adopted by the Board of Directors of the Company from time to time. Nevertheless, entire processes are subjected to robust independent internal audit review to arrest any potential risks and take corrective actions.

The Risk Management Committee of the Board has been in place since the commencement of business of the Company, meets on a quarterly basis and reports to the Board of Directors.

The minutes of such meetings are tabled before the Board of Directors. The terms of reference of the Committee includes approval and monitoring of the Company's risk management policies and procedures, review of portfolio & its delinquency at a product level, approval and review of the NPA Management policy, reporting to the Board of Directors of the Company on periodical basis on the various matters and review of Information Technology Risk assessment of Information Technology systems.

During the FY 2018 - 19, the Risk Management Committee met 4 (Four) times on April 12, 2018, July 19, 2018, October 11, 2018 and January 10, 2019.

d) Asset Liability Committee

As per the Reserve Bank of India's guidelines on Asset-Liability Management (ALM) System in Non-Banking Financial Companies, the Asset Liability Committee was formed to oversee the implementation of ALM system and review its functioning periodically. The Composition of Asset Liability Committee as on March 31, 2019 is as under:

- i. Mr. Jimmy Tata, Member (Non Executive Director)
- ii. Mr. G. Ramesh, Member (Managing Director & Chief Executive Officer)
- iii. Mr. Haren Parekh, Member (Chief Financial Officer)

The terms of reference of this Committee are in line with the regulatory requirements. The key responsibilities of the Committee include review & management of liquidity gaps and structural liquidity of the Company, review & management of interest rate sensitivity of the Company and develop a view on future direction on interest rate movements & decide on funding mixes.

During the FY 2018 - 19, the Asset Liability Committee met 5 (Five) times on April 12, 2018, July 19, 2018, October 1, 2018, October 16, 2018 and January 15, 2019.

e) Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee was formed as per the provisions of Section 135 of the Companies Act, 2013. The composition of Committee as on March 31, 2019 is as under:

- i. Ms. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- iii. Mr. G. Ramesh, Member (Managing Director & Chief Executive Officer)

The terms of reference of this Committee are in line with the regulatory requirements. The terms of reference of the Committee includes to formulate and recommend to the Board CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013, to recommend the amount of expenditure to be incurred on the CSR activities and to institute a transparent monitoring mechanism for implementation of the CSR activities.

During the FY 2018 - 19, the CSR Committee met 4 (Four) times on April 14, 2018, July 20, 2018, October 11, 2018 and January 14, 2019.

f) Stakeholders Relationship Committee

The Board of Directors constituted Stakeholders Relationship Committee as per the provisions of Section 178(5) of the Companies Act, 2013. The composition of Stakeholders Relationship Committee of the Company as on March 31, 2019 is as under:

- i. Mr. Jimmy Tata, Member (Non Executive Director)
- ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- iii. Mr. G. Ramesh, Member (Managing Director & Chief Executive Officer)

The key responsibilities of the Stakeholders Relationship Committee is to consider and resolve the grievances of the security holders of the Company such as complaints related to transfer of shares/debentures/bonds, non-receipt of balance sheet, non-receipt of interest/declared dividends etc.

No complaints were pending for resolution for FY 2018 - 2019.

During the FY 2018 - 19, the Stakeholders Relationship Committee met twice on April 16, 2018 and October 11, 2018.

g) Information Technology Strategy Committee

Information Technology (IT) Strategy Committee was formed as per the provisions of RBI Master Direction RBI/DNBS/2016-17/53 DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 pertaining to "Information Technology Framework for the NBFC Sector. The composition of IT Strategy Committee as on March 31, 2019 is as under:

- i. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- ii. Mr. Venkatraman Srinivasan, Member (Independent Director)
- iii. Mr. G. Ramesh, Member (Managing Director & Chief Executive Officer)
- iv. Mr. Sanjay Belsare, Member (Head - Information Technology)

The terms of reference of this Committee are in line with the regulatory requirements. The key responsibilities of the IT Strategy Committee include approving IT strategy & policy documents & ensuring that the management has put an effective strategic planning process in place, ascertaining that management has implemented processes & practices that ensure that the IT delivers value to the business, ensuring IT investments represent a balance of risks & benefits & their budgets are acceptable, monitoring the method that management uses to determine the IT resources needed to achieve strategic goals & provide high-level direction for sourcing & use of IT resources and ensuring proper balance of IT investments for sustaining Company's growth & becoming aware about exposure towards IT risks and controls.

Further, key responsibilities for outsourced operations of IT include instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner, defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing, developing sound & responsive outsourcing risk management policies & procedures commensurate with the nature, scope & complexity of outsourcing arrangements, undertaking a periodic review of outsourcing strategies & all existing material outsourcing arrangements, evaluating the risks & materiality of all prospective outsourcing based on the framework developed by the Board, periodically reviewing the effectiveness of policies & procedures, communicating significant risks in outsourcing to the Company's Board on a periodic basis, ensuring an independent review & audit in accordance with approved policies & procedures.

During the FY 2018 - 19, the IT Strategy Committee met 4 (Four) times on April 14, 2018, July 20, 2018, October 11, 2018 and January 14, 2019.

5. Attendance of the Committees

Type of meeting	No. of meetings held	Mr. Aditya Puri	Mr. Jimmy Tata	Mr. Bhavesh Zaveri	Mr. G. Ramesh	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla
Audit Committee	4	NA	NA	4	NA	4	4
Asset-Liability Committee	5	NA	5	NA	5	NA	NA
Risk Management Committee	4	NA	4	NA	4	NA	NA
Nomination and Remuneration Committee	6	NA	6	6	NA	6	6
Corporate Social Responsibility Committee	4	NA	NA	4	4	NA	4
Debenture Allotment Committee	20	NA	18	16	14	NA	NA
Share Allotment Committee	2	NA	2	2	NIL	NA	NA
Bond Allotment Committee	2	NA	2	2	2	NA	NA
Human Resource Committee	1	NA	NA	1	1	NA	1
Stakeholders Relationship Committee	2	NA	2	2	2	NA	NA
Information Technology Strategy Committee	4	NA	NA	4	4	4	NA
Separate Meeting of Independent Directors	1	NA	NA	NA	NA	1	1

Sitting Fees

Sitting fees was paid to all the Non-Executive Directors of the Company other than Mr. Aditya Puri. An amount of Rs. 75,000/- per meeting was paid for attending meetings of Board of Directors and Rs.50,000/- per meeting for Audit Committee meetings.

The Board of Directors, at its meeting held on October 16, 2018, had revised sitting fees for attending Nomination & Remuneration Committee (“NRC”) and Information Technology & Strategy Committee (“ITSC”) meeting from Rs.25,000/- to Rs.35,000/- per meeting with effect from October 01, 2018.

The fees for attending the meetings of Risk Management Committee, Asset Liability Committee, Corporate Social Responsibility Committee, Human Resource Committee, Stakeholders Relationship Committee and separate meeting of Independent Directors of the Company is Rs.25,000/- per meeting.

Profit Related Commission

The profit related Commission of Rs. 6,00,000/- each was paid to Independent Directors of the Company during the year.

6. Performance Evaluation of Board, its Committees and Directors

The Nomination and Remuneration Committee (NRC) had approved a framework for performance

evaluation of the Board of Directors, its Committees and the individual Board members in terms of Guidance note on Board evaluation issued by SEBI on January 5, 2017 vide its circular no. SEBI/HO/CFD/CMD/CIR/P/2017/004.

Pursuant to the provisions of the Companies Act, 2013 and Rules made thereunder as amended from time to time, the Board has carried out an annual performance evaluation of its own performance, evaluation of the working of its Committees as well as performance of all the Directors individually (including Independent Directors). Feedback was sought by well-defined and structured questionnaires covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, areas of responsibility, execution and performance of specific duties, obligations and governance, compliance, etc. Performance evaluation framework of the Company is as follows:

- a. NRC would approve framework of performance evaluation of the Company;
- b. Board would evaluate the performance of the Independent Directors, Board as a whole and Committees of the Board.
- c. Independent Directors would evaluate the performance of the Chairman of the Company after taking views of other directors, Board as a whole and Non-Independent Directors.
- d. Self-evaluation of individual directors

The evaluation involves self-evaluation by the Board Member and subsequent assessment by the Independent Directors. A member of the Board will not participate in the discussion of his/her evaluation.

The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Executive Directors and Non-Executive Directors.

The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Director being evaluated. Performance evaluation of the Board and of its Committees were carried out by the Board. Qualitative comments and suggestions of Directors were taken into consideration by the Chairman of the Board and the Chairman of the Nomination and Remuneration Committee.

The Directors have expressed their satisfaction with the evaluation process.

7. Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interest of the Company.

During the year under review the Board of Directors of your Company have approved the Related Party Transactions Policy, which governs the following:

- a. Identifying related parties, updating and maintaining the database of such persons/entities;
- b. Ascertaining that the transactions entered with the related parties are in 'ordinary course of business' and at 'arm's length basis';
- c. Identifying related party transactions;
- d. Obtaining approvals before entering into any related party transactions;
- e. Determining the disclosures/compliances to be adhered in relation to the related party transactions.

The said policy has been displayed on the website of the Company: <https://www.hdbfs.com/policies>.

All related party transactions are placed before the Audit Committee and the Board for their approval on quarterly basis. Transactions with related parties, as per the requirements of Ind AS, are disclosed to the notes to accounts annexed to the financial statements.

All the related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business.

8. General Body meetings (FY 2017-18)

Annual General Meeting

Date	Time	Venue	Special resolutions passed
June 22, 2018	12 noon	HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad. Gujarat - 380 009	<ol style="list-style-type: none"> 1. To approve increase in borrowing limits of the Company from Rs.50,000 crore to Rs.60,000 crore; 2. To approve increase in limits for creation of charge on the assets of the Company upto an amount of Rs.60,000 crore to secure its borrowings; 3. To approve selling, assignment of its receivables/ book debts upto Rs.5,000 crore. 4. Authority to issue Secured Redeemable Non-Convertible Debentures <ol style="list-style-type: none"> a. For renewal of existing limit of Rs.4,383 crore b. For approval of new limit of Rs.10,000 crore 5. Authority to issue Unsecured Redeemable Non-Convertible Subordinated Bonds 6. Authority to issue Unsecured Redeemable Perpetual Debt Instruments 7. To approve securitisation transaction with HDFC Bank Limited 8. Authority to issue Rupee Denominated Bonds 9. To approve shifting of registers and records from Registered Office to the Corporate Office

Attendance at the AGM

Name of Directors	Mr. Aditya Puri	Mr. Jimmy Tata	Mr. Bhavesh Zaveri	Mr. G. Ramesh	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla
Attendance	No	No	No	Yes	Yes	No

No Extraordinary General Meeting of the Shareholders was held during the year.

9. Shareholding pattern as at March 31, 2019

Name of Shareholder	No. of equity shares held	Percentage
HDFC Bank Ltd.	75,05,96,670	95.53
Others	3,51,03,636	4.47
Total (Issued & Paid-up Shares)	78,57,00,306	100.00