

Report on Corporate Governance

CORPORATE GOVERNANCE PHILOSOPHY

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. The 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 and can be accessed at <https://www.hdbfs.com/investors>.

BOARD OF DIRECTORS

The Board of Directors ("**Board**") is at the core of the corporate governance system of the Company. The Board is committed towards compliance of sound principles of corporate governance and plays a crucial role in overseeing how the management serves the short and long term interests of the members and other stakeholders. This belief is reflected in the

governance practices of the Company, under which it strives to maintain an effective, informed and independent Board.

The Company strives to maintain an appropriate balance of skills and experience within the organisation and the Board in an endeavour to introduce new perspectives while maintaining experience and continuity.

Committees of the Board handling specific responsibilities mentioned under the applicable laws viz. Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, Information Technology Strategy Committee, Corporate Social Responsibility and ESG Committee and Stakeholders Relationship Committee empower the functioning of the Board through flow of information amongst each other and by delivering a focused approach and expedient resolution of diverse matters.

In compliance with the provisions of the Companies Act, 2013 ("**Act**"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**") and Reserve Bank of India (Non-Banking Financial Company-Scale Based Regulation) Master Directions, 2023, No. RBI/DoR/2023-24/105 DoR.FIN.REC.No.45/03.10.119/2023-24 dated October 19, 2023 ("**RBI Master Directions**"), the Board of your Company has an optimum combination of Executive, Non-Executive and Independent Directors. The composition of the Board is in compliance with the provisions of the Act and Rules made thereunder and SEBI Listing Regulations as amended from time to time. As on March 31, 2024, the Board comprised of nine members consisting of one Executive Director, one Part-Time Non-Executive Chairman & Independent Director, one Non-Executive Director and six Non-Executive Independent Directors including three Women Directors.

**Report on Corporate Governance (Contd.)**

The composition of the Board of Directors as on March 31, 2024, attendance of Directors at the Company's Board Meetings held during the FY 2023-24 and the last virtual Annual General Meeting held on June 30, 2023 are as follows:

Sr. No.	Name of the Director, Category & DIN	Director Since	Number of Board meetings		Whether attended last AGM	No. of other Director ships	Remuneration (₹ In Lakhs)			No. of shares held in and convertible instrument held in the Company
			Held	Attended			Salary and other compensation	Sitting Fee	Commission	
1.	Mr. Arijit Basu, Part-Time Non-Executive Chairman & Independent Director (DIN: 06907779)	June 01, 2021	7	6	Yes	1	30	6.75	Nil	Nil
2.	Mr. Venkatraman Srinivasan, Independent Director (DIN: 00246012)	March 12, 2015	7	7	Yes	5	Nil	13.75	15	Nil
3.	Ms. Smita Affinwalla, Independent Director (DIN: 07106628)	March 12, 2015	7	7	Yes	1	Nil	12	15	Nil
4.	Dr. Amla Samanta, Independent Director (DIN: 00758883)	May 01, 2019	7	7	Yes	3	Nil	8.75	14	Nil
5.	Mr. Adayapalam Viswanathan, Independent Director (DIN: 08518003)	July 24, 2019	7	6	Yes	Nil	Nil	13.75	15	Nil
6.	Ms. Arundhati Mech, Independent Director (DIN: 09177619)	February 11, 2022	7	7	Yes	1	Nil	12	15	Nil
7.	Mr. Jayesh Chakravarthi, Independent Director (DIN: 08345495)	January 25, 2024	1	1	NA	1	Nil	0.75	Nil	Nil
8.	Mr. Jimmy Tata, Non-Executive Director (DIN: 06888364)	July 15, 2023	5	5	NA	1	Nil	Nil	Nil	3,21,021
9.	Mr. Ramesh G., Managing Director & Chief Executive Officer (DIN: 05291597)	July 01, 2012	7	7	Yes	Nil	782.31	Nil	Nil	8,53,000

Note: The Board of Directors based on the recommendation of Nomination and Remuneration Committee, has re-appointed Mr. A K Viswanathan as an Independent Director of the Company with effect from July 24, 2024 subject to shareholders approval at the ensuing Annual General Meeting of the Company.

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The details of directorship and committee chairmanship/ membership as on March 31, 2024 is as under:

Name of the Director	Directorships			Number of Committee positions held*	
	In equity listed companies	In unlisted public companies	In private limited companies	Chairman	Member
Mr. Arijit Basu	Nil	1	Nil	Nil	1
Mr. Venkatraman Srinivasan	<ul style="list-style-type: none"> Fairchem Organics Ltd Mahanagar Gas Ltd Eimco Elecon (India) Ltd Amal Ltd 	Nil	1	3	8
Ms. Smita Affinwalla	Nil	Nil	1	0	1
Dr. Amla Samanta	Nil	1	2	1	2
Mr. Adayapalam Viswanathan	Nil	Nil	Nil	Nil	1
Ms. Arundhati Mech	Nil	1	Nil	Nil	2
Mr. Jayesh Chakravarthi	Nil	Nil	1	Nil	Nil
Mr. Jimmy Tata	Nil	Nil	1	Nil	1
Mr. Ramesh G.	Nil	Nil	Nil	Nil	1

* Disclosure includes Chairmanship/ Membership of Committees as required for computation of maximum number of Committees of which Director can be Chairman or Member in terms of Regulation 26(1) of SEBI Listing Regulations (i.e. Chairmanship/ Membership of Audit Committee and Stakeholders Relationship Committee in all Indian public companies including HDB Financial Services Limited).

Note: The number of Memberships of the Directors in the Committee includes the number of posts of Chairman of the said Committee held in public companies including HDB Financial Services Limited as on March 31, 2024.

Details of change in composition of the Board during the current FY 2023-24 and previous FY 2022-23 as below:

Sr. No.	Name of the Director	Capacity	Nature of change	Effective Date
1	Mr. Ramesh G.	Managing Director and Chief Executive Officer	Re-appointment	July 01, 2022
2	Mr. Arijit Basu	Chairman and Non-Executive Director (Non-Independent Director)	Resignation	May 31, 2023
3	Mr. Arijit Basu	Part-Time Non-Executive Chairman and Independent Director	Appointment	May 31, 2023
4	Mr. Jimmy Tata	Non-Executive Director	Appointment	July 15, 2023
5	Mr. Jayesh Chakravarthi	Independent Director	Appointment	January 25, 2024
6	Dr. Amla Samanta	Independent Director	Re-appointment	May 01, 2024

All the Directors have made necessary disclosures regarding their directorship and committee positions occupied by them in other companies. Based on the declaration received from the Directors, none of the Directors are related to each other.

BOARD MEETINGS AND DELIBERATIONS

The Board Meetings are convened by giving appropriate notice well in advance of all the meetings. The Directors / Members are provided with appropriate information in the form of agenda items in a timely manner, to enable them to deliberate on each agenda item and make informed decisions and provide appropriate directions to the Management.



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The Board meets at least once in every quarter to review the quarterly results and other items on the agenda and additional meetings are held to address specific needs and business requirements of your Company. In case of business exigencies, the Board's approvals are taken through circular resolutions and the same are noted at the subsequent meeting of the Board of Directors. The quorum of the Board meeting is three members or one-third members, whichever is higher.

Video-conferencing facility is also provided at the Board meetings in case any director is unable to attend the meeting physically but wishes to participate through electronic mode in the meetings. The same is conducted in compliance with the applicable laws. The Business Heads and other executives attend the Board meetings upon invitation on need basis.

At the Board Meetings, presentations covering important areas of the Company were presented such as annual action plans, business strategies, financial statements, performance review, information technology, information security risk management, customer grievances, customer services framework, compliance and risk assessment, scale based regulation (SBR) regulatory framework, etc.

During the FY 2023-24, your Board of Directors met 7 (Seven) times, the Meetings were held on April 15, 2023; May 31, 2023; June 12, 2023 (adjourned meeting); July 15, 2023; October 14, 2023; December 19, 2023; January 13, 2024; March 11, 2024 and March 12, 2024 (adjourned meeting). The requisite quorum was present for all the Meetings. 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.

DECLARATION OF INDEPENDENCE

The Company has received necessary declaration and confirmation from each of the Independent Directors confirming that they meet the criteria of independence as prescribed under the Act and SEBI Listing Regulations. Independent Directors have confirmed that they have registered their names in the Independent Directors' Databank. In the opinion of the Board, the Independent Directors continue to fulfil the criteria prescribed for an independent director as stipulated in Regulation 16(1)(b) of the SEBI Listing Regulations and Section 149(6) of the Act and are independent of the management of the Company.

MEETINGS OF INDEPENDENT DIRECTORS

As stipulated by the Code of Independent Directors under the Act and Rules made thereunder and SEBI Listing Regulations 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.

In this Meeting, the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole.

A separate Meeting of Independent Directors was held on April 14, 2023, during the year under review.

The details of the Separate Meeting of Independent Directors held during FY 2023-24 and attendance of the members at the meeting is given below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	Attendance (%)
Ms. Smita Affinwalla	1	1	100
Mr. Venkatraman Srinivasan	1	1	100
Dr. Amla Samanta	1	1	100
Mr. Adayapalam Viswanathan	1	1	100
Ms. Arundhati Mech	1	1	100

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Company conducts orientation programs/ presentations/ training sessions, periodically at regular intervals, to familiarise the Independent Directors with the strategies, operations and functions of the Company.

Further, on an ongoing basis as a part of the agenda of meetings of the Board/ Committee(s), presentations are regularly made to the Independent Directors on various matters inter alia covering the Company's businesses and operations, strategies, risk management framework, industry and regulatory updates and other relevant matters. These presentations enable one-on-one interaction between the Independent Directors and the senior management of the Company/ internal auditor of the Company. Additionally, visits to branches of the Company are also arranged to apprise them of the actual operations of the Company.

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The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters along with details of number of programmes and number of hours spent by each of the Independent Directors during the Financial Year 2023-24, in terms of the requirements of SEBI Listing Regulations are available on the website of the Company and can be accessed at https://www.hdbfs.com/sites/default/files/grp_pdf/Familiarization-Program-for-Independent-Directors2023.pdf

A CHART OR A MATRIX SETTING OUT THE SKILLS/EXPERTISE/COMPETENCE OF THE BOARD

The following is the list of core skills / expertise / competencies identified by the Board of Directors as required in the context of the Company's business and that the said skills are available with the existing composition of the Board.

Name of the Director	Skill Areas
Mr. Arijit Basu	Leadership, Business & Strategic Planning, Governance, Industry Knowledge, Banking, Insurance
Mr. Venkatraman Srinivasan	Finance, Audit, Accounting & Taxation, Compliance & Audit Purview, Governance
Ms. Smita Affinwalla	Human Resource, Business Administration, Finance, BFSI Industry knowledge
Mr. Adayapalam Viswanathan	Risk Management, Cyber Security, Stakeholders Engagement, Finance, Accounting & Taxation
Dr. Amla Samanta	Entrepreneurship Banking, Finance, Governance
Ms. Arundhati Mech	Banking, Human Resource, Regulatory Compliance, Business Administration
Mr. Jimmy Tata	Risk Management, Banking, Industry Knowledge, Finance
Mr. Jayesh Chakravarthi	Information Technology, Cyber Security, Business & Strategic Planning
Mr. Ramesh G.	Leadership, Business & Strategic Planning, Governance, Industry Knowledge, Risk Management, Stakeholders Engagement

COMMITTEES OF THE BOARD OF DIRECTORS

The Committees instituted by the Board plays a vital role in the governance structure of the Company and they deal in specific areas or activities that need closure or review. The Committees have been set up under the prescribed approval of the Board to carry out roles and responsibilities as set out in the Corporate Governance Code of the Company. The terms of reference of these Committees are in line with the requirements of the Companies Act, 2013 and SEBI Listing Regulations. The brief terms of reference of the individual Committees of Board are aligned with individual Committees mentioned below and the detailed list of the terms of reference of the Committees can be accessed through Corporate Governance Code of the Company available on the website at <https://www.hdbfs.com/investors>

The Chairman of each Committee briefs the Board on the important deliberations and decisions of the respective Committees. The quorum for all the Board Committees is two members or one-third members, whichever is higher. The Company Secretary acts as the Secretary to all the Committees of the Board of Directors.

Your Company has six (6) Committees as on March 31, 2024, of the Board, where the members of the Committees take informed decisions in the best interest of the Company. Also Customer Service Committee is constituted w.e.f April 16, 2024. Following Committees monitor the activities falling within their terms of reference:

- A. Audit Committee
- B. Nomination and Remuneration Committee
- C. Stakeholders Relationship Committee
- D. Corporate Social Responsibility & ESG Committee
- E. Risk Management Committee
- F. Information Technology Strategy Committee.

During the FY 2023-24, the Board had accepted all recommendations of all the Committees of the Board. 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. Details pertaining to the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

**Report on Corporate Governance (Contd.)****A. AUDIT COMMITTEE**

Your Company has an independent Audit Committee, which acts as a link between the management, the statutory and internal auditors and the Board. Its composition, quorum, powers, role and scope are in accordance with the provisions of Section 177 of the Act, Regulation 18 of the SEBI Listing Regulations and Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Master Directions, 2023, No. RBI/DoR/2023-24/105 DoR.FIN.REC. No.45/03.10.119/2023-24 dated October 19, 2023 on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("RBI Master Directions"). All the members of the Audit Committee are financially literate and possess high expertise in the fields of Finance, Taxation, Economics, Risk and International Finance.

Composition, Meetings & Attendance:

Majority of the Committee members are Independent Directors. The Audit Committee met 4 (Four) times during the year under review on April 14, 2023, April 15, 2023 (adjourned meeting), July 14, 2023, July 15, 2023 (adjourned meeting), October 13, 2023, October 14, 2023 (adjourned meeting) and January 12, 2024, January 13, 2024 (adjourned meeting). The gap between two Meetings did not exceed one hundred and twenty days. The composition of the Audit Committee as on March 31, 2024 and the details of attendance for the FY 2023-24 is as under:

Sr. No.	Name of the Member	Member of Committee since	Designation in the Committee & Capacity	Number of meetings held during their tenure	Number of meetings Attended	No. of shares held in the Company
1.	Mr. Venkatraman Srinivasan	March 12, 2015	Chairman, Independent Director	4	4	Nil
2.	Mr. Adayapalam Viswanathan	July 24, 2019	Member, Independent Director	4	4**	Nil
3.	Ms. Smita Affinwalla	March 12, 2015	Member, Independent Director	4	4	Nil
4.	Mr. Jimmy Tata*	October 14, 2023	Member, Non-Executive Director	1	1	3,21,021

*Mr. Jimmy Tata was inducted as a member of the Audit Committee with effect from October 14, 2023.

**Mr. Adayapalam Viswanathan was present at the 70th Audit Committee meeting held on January 12, 2024. However, he was absent in the 70th adjourned Audit Committee meeting held on January 13, 2024.

Mr. Venkatraman Srinivasan, Chairman of the Committee, was present at the 16th AGM which was held through video conferencing (VC) on June 30, 2023 to answer members' queries.

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Act and Rules made thereunder, SEBI Listing Regulations and RBI Master Directions as amended from time to time. The role and responsibilities of the Audit Committee inter-alia includes:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible;
- Recommending the appointment, remuneration and terms of appointment of the auditors of the Company;
- Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- Approving payments to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval.

In addition to the members of the Audit Committee, these meetings were attended by Chief Financial Officer, Internal Auditor, Internal Ombudsman, representative of Statutory Auditors and other senior executives who were considered necessary for providing inputs to the Committee.

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B. NOMINATION & REMUNERATION COMMITTEE

Your Company has a Nomination and Remuneration Committee (NRC) in compliance with the provisions of the Section 178 of the Act, Regulation 19 of SEBI Listing Regulations and RBI Master Directions.

Composition, Meetings & Attendance:

All the members of the Nomination & Remuneration Committee are the Independent Directors. In addition to the members of the Nomination & Remuneration Committee, these meetings were attended by Managing Director & CEO, Chief - People & Operations and other senior executives who were considered necessary for providing inputs to the Committee. The Nomination & Remuneration Committee met 3 (Three) times during the year under review, on May 31, 2023, June 12, 2023 (adjourned meeting), October 23, 2023 and January 22, 2024.

The composition of the Nomination & Remuneration Committee as on March 31, 2024 and the details of attendance for the FY 2023-24 is as under:

Sr. No.	Name of the Member	Member of Committee since	Designation in the Committee & Capacity	Number of meetings held during their tenure	Number of meetings Attended	No. of shares held in the Company
1.	Mr. Venkatraman Srinivasan	Chairman, Independent Director	March 12, 2015	3	3	Nil
2.	Mr. Arijit Basu	Member, Independent Director	August 16, 2021	3	3	Nil
3.	Dr. Amla Samanta	Member, Independent Director	July 24, 2019	3	3	Nil

Mr. Venkatraman Srinivasan, Chairman of the Committee, was present at the 16th AGM which was held through video conferencing (VC) on June 30, 2023 to answer members' queries.

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Act and Rules made thereunder, SEBI Listing Regulations and RBI Master Directions as amended from time to time. The role and responsibilities of the Nomination and Remuneration Committee inter-alia includes:

- (i) Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a Policy, relating to the remuneration for the directors, key managerial personnel and other employees. While formulating the policy, following to be ensured:
 - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;
 - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
- (ii) For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
 - (a) use the services of an external agencies, if required;
 - (b) consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - (c) consider the time commitments of the candidates.

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- (iii) Formulating criteria for evaluation of the performance of the independent directors and the Board;
- (iv) Devising a policy on Board diversity;
- (v) Ensuring 'fit and proper' status of the proposed and existing directors and scrutinising the declarations received by the directors in this regard;

Performance Evaluation of Board, its Committees and Directors

Pursuant to the provisions of the Act and Rules made thereunder and SEBI Listing Regulations as amended from time to time, the Nomination & Remuneration Committee had approved a framework for performance evaluation of the Board of Directors, its Committees and the individual Board members. 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) and Chairman. 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, Managing Director & CEO and Non-Independent Directors; and
- 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, Chairman and the Board as a whole was carried out by the Independent 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 was 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.

C. STAKEHOLDERS RELATIONSHIP COMMITTEE

Your Company has a Stakeholders Relationship Committee in compliance with Section 178(5) of the Act and Regulation 20 of SEBI Listing Regulations. Ms. Dipti Khandelwal, Company Secretary, is Compliance officer of the Company.

Composition, Meetings & Attendance:

The Stakeholders Relationship Committee met 2 (Two) times during the year under review on April 14, 2023 and October 13, 2023. The composition of the Stakeholders Relationship Committee as on March 31, 2024 and the details of attendance for the FY 2023-24 is as under:

Sr. No.	Name of the Member	Member of Committee since	Designation in the Committee & Capacity	Number of meetings held during their tenure	Number of meetings Attended	No. of shares held in the Company
1.	Dr. Amla Samanta	Chairperson, Independent Director	July 17, 2019	2	2	Nil
2.	Ms. Arundhati Mech	Member, Independent Director	April 16, 2022	2	2	Nil
3.	Mr. Ramesh G.	Member, Managing Director & Chief Executive Officer	April 18, 2017	2	2	8,53,000

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Dr. Amla Samanta, Chairman of the Committee, was present at the 16th AGM which was held through video conferencing (VC) on June 30, 2023 to answer members' queries.

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with Act and SEBI Listing Regulations. The role and responsibilities of the Stakeholders Relationship Committee inter-alia includes:

- (i) Resolving the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, etc.;
- (ii) Review of measures taken for effective exercise of voting rights by shareholders;
- (iii) Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;
- (iv) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company;
- (v) To specifically look into various aspects of interest of shareholders, debenture holders and other security holders; and

During the FY 2023-24, one grievance from the debenture holder was received, which was resolved within the regulatory timelines.

D. RISK MANAGEMENT COMMITTEE

Your Company has Risk Management Committee in compliance with Regulation 21 of SEBI Listing Regulations and RBI Master Directions, which monitors the risk management strategy of the Company. 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.

Composition, Meetings & Attendance:

The Risk Management Committee met 4 (Four) times during the year under review on June 29, 2023, September 20, 2023, December 15, 2023 and March 13, 2024. In addition to the members of the Risk Management Committee, these meetings were attended by Chief Financial Officer, Chief Risk Officer and other senior executives who were considered necessary for providing inputs to the Committee.

The composition of the Risk Management Committee as on March 31, 2024 and the details of attendance for the FY 2023-24 is as under:

Sr. No.	Name of the Member	Member of Committee since	Designation in the Committee & Capacity	Number of meetings held during their tenure	Number of meetings Attended	No. of shares held in the Company
1.	Mr. Adayapalam Viswanathan	July 24, 2019	Chairman, Independent Director	4	4	Nil
2.	Mr. Venkatraman Srinivasan	July 24, 2019	Member, Independent Director	4	4	Nil
3.	Ms. Arundhati Mech	April 16, 2012	Member, Independent Director	4	4	Nil

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Sr. No.	Name of the Member	Member of Committee since	Designation in the Committee & Capacity	Number of meetings held during their tenure	Number of meetings Attended	No. of shares held in the Company
4.	Mr. Jimmy Tata*	October 14, 2023	Member, Non-Executive Director	2	2	3,21,021
5.	Mr. Ramesh G.	July 17, 2012	Member, Managing Director & Chief Executive Officer	4	4	8,53,000

*Mr. Jimmy Tata was inducted as a Member of the Committee with effect from October 14, 2023.

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with SEBI Listing Regulations and RBI Master Directions as amended from time to time. The role and responsibilities of the Risk Management Committee inter-alia includes:

- (i) Approving and monitoring the Company's risk management policies and procedures;
- (ii) Framing, implementing, reviewing and monitoring the risk management plan including cyber security for the Company;
- (iii) Evaluating the overall risks faced by the Company including liquidity risk;
- (iv) Formulate a detailed risk management policy which shall include:
 - (a) A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
 - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
 - (c) Business continuity plan.
- (v) Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

E. CORPORATE SOCIAL RESPONSIBILITY AND ESG COMMITTEE

The Corporate Social Responsibility and ESG (CSR & ESG) Committee was formed as per the provisions of Section 135 of the Act.

Composition, Meetings & Attendance:

The CSR & ESG Committee met 2 (Two) times during the year under review i.e. on April 14, 2023 and September 25, 2023. The composition of the Corporate Social Responsibility and ESG Committee as on March 31, 2024 and the details of attendance for the FY 2023-24 is as under:

Sr. No.	Name of the Member	Member of Committee since	Designation in the Committee & Capacity	Number of meetings held during their tenure	Number of meetings Attended	No. of shares held in the Company
1.	Dr. Amla Samanta	July 17, 2019	Chairperson, Independent Director	2	2	Nil
2.	Ms. Smita Affinwalla	March 12, 2015	Member, Independent Director	2	2	Nil
3.	Mr. Venkatraman Srinivasan*	October 14, 2023	Member, Independent Director	-	-	Nil
4.	Mr. Ramesh G.	March 12, 2015	Member, Managing Director & Chief Executive Officer	2	2	8,53,000

*Mr. Venkatraman Srinivasan was appointed as a Member of the CSR & ESG Committee consequent to reconstitution of the Committee with effect from October 14, 2023.

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Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The role and responsibilities of the CSR & ESG Committee inter-alia includes:

- (i) To formulate and recommend to the Board the Company's ESG and CSR strategy, policy which shall include the activities to be undertaken by the Company in areas and subject as specified in Schedule VII of the Companies Act, 2013 and to review and update them from time to time as the Company's activities evolve further.
- (ii) To monitor the Company's ESG and CSR policy and performance. The ESG and CSR Committee shall institute a transparent monitoring mechanism for implementation of the all activities including CSR projects & programs, undertaken by the Company.
- (iii) Recommend the amount of expenditure to be incurred on the CSR activities
- (iv) To review the CSR project/initiatives from time to time.
- (v) To ensure legal and regulatory compliance for all ESG related requirements as applicable to the Company including CSR.

F. INFORMATION TECHNOLOGY STRATEGY COMMITTEE

Information Technology (IT) Strategy Committee was formed as per the provisions of RBI Master Direction No. 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 Company has also considered the provisions of RBI Master Direction No. RBI/DoS/2023-24/107 DoS.CO.CSITEG/SEC.7/31.01.015/2023-24 dated November 07, 2023 on Information Technology Governance, Risk, Controls and Assurance Practices, which shall be effective from April 01, 2024.

Composition, Meetings & Attendance:

The Information Technology Strategy Committee comprise of five members which met 4 (Four) times during the year under review i.e. on June 29, 2023; September 25, 2023; December 15, 2023 and March 13, 2024.

The composition of the Information Technology Strategy Committee as on March 31, 2024 and the details of attendance for the FY 2023-24 is as under:

Sr. No.	Name of the Member	Member of Committee since	Designation in the Committee & Capacity	Number of meetings held during their tenure	Number of meetings Attended	No. of shares held in the Company
1.	Mr. Adayapalam Viswanathan	July 24, 2019	Chairman, Independent Director	4	4	Nil
2.	Ms. Arundhati Mech	April 16, 2022	Member, Independent Director	4	4	Nil
3.	Ms. Smita Affinwalla	August 16, 2021	Member, Independent Director	4	4	Nil
4.	Mr. Ramesh G.	January 18, 2018	Member, Managing Director & Chief Executive Officer	4	4	8,53,000
5.	Mr. Mathew Panat	April 16, 2022	Member, Chief Technology Officer	4	4	3,000

In addition to the members of the Information Technology Strategy Committee, these meetings were attended by Chief Information Security Officer, Chief Risk Officer, Head Infrastructure & Security Operations and other senior executives who were considered necessary for providing inputs to the Committee.



Report on Corporate Governance (Contd.)

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The role and responsibilities of the Information Technology Strategy Committee inter-alia includes:

- (i) Ensure that the RE has put an effective IT strategic planning process in place.
- (ii) Shall guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the RE towards accomplishment of its business objectives.
- (iii) ITSC shall satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organisation.
- (iv) ITSC to ensure that the Company has put in place processes for assessing and managing IT and cybersecurity risks.
- (v) The Committee to ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the Company's IT maturity, digital depth, threat environment and industry standards and are utilised in a manner intended for meeting the stated objectives.

GENERAL BODY MEETINGS

Following are the information on General Body meetings and details of special resolution(s) passed.

a. Details of last three Annual General Meetings and Special Resolutions passed thereat:

Details of AGM	Date and Time	Venue	Special resolutions passed
16 th AGM	June 30, 2023 at 12 noon	Held through Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM")	<ul style="list-style-type: none"> Appointment of Mr. Arijit Basu as a Part-Time Non-Executive Chairman and Independent Director of the Company Approve Selling, Assignment, Securitisation of Receivables / Book Debts of the Company up to ₹ 7,500 Crore. Authority to issue Redeemable Non-Convertible Debentures and/or other Instruments on Private Placement basis. Alteration of Articles of Association of the Company
15 th AGM	June 23, 2022 at 12 noon	Held through Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM")	<ul style="list-style-type: none"> Re-appointment of Mr. Ramesh G. as a Managing Director and Chief Executive Officer of the Company. Approve Selling, Assignment, Securitisation of Receivables/ Book Debts of the Company up to ₹ 7,500 Crore. Authority to issue Redeemable Non-Convertible Debentures and/or other Instruments on Private Placement basis.
14 th AGM	June 25, 2021 at 12 noon	Held through Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM")	<ul style="list-style-type: none"> Approve Selling, Assignment of its receivables/book debts up to ₹ 7,500 Crore. Authority to issue redeemable non-convertible debentures and/or other hybrid instruments on private placement basis.

b. Details of Extra-Ordinary General Meeting held in last three financial years and special resolutions passed thereat:

During the FY 2021-22; FY 2022-23 and FY 2023-24 the Company did not hold any Extraordinary General Meeting.

c. Details of business transacted through Postal Ballot during the FY 2023-24:

In compliance with Sections 108 and 110 and other applicable provisions of the Companies Act, 2013, read with Rule 22 of the Companies (Management and Administration) Rules, 2014, Secretarial Standard on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India, including any statutory modification(s), clarification(s), substitution(s) or

Report on Corporate Governance (Contd.)

re-enactment(s) thereof for the time being in force, guidelines prescribed by the Ministry of Corporate Affairs (the "MCA"), Government of India, for holding general meetings/conducting postal ballot process through electronic voting (remote e-voting) and any other applicable laws and regulations, the approval of the Members of the Company for below mentioned resolutions were obtained through Postal Ballot Notices dated July 15, 2023 and January 26, 2024 via. remote e-voting.

For matters which are urgent and require shareholders' approval in the period between the AGMs, the Company seeks the approval of shareholders through postal ballot.

During the FY 2023-24, the Company had sought approval of the members through two postal ballot notices, the details of the same are given below:

Date of Notice	Date of Scrutiniser's report	Date of passing the resolution	Special Resolution(s) passed
July 15, 2023	August 28, 2023	August 26, 2023	1. Appointment of Mr. Jimmy Tata (DIN: 06888364) as a Non-Executive Director of the Company 2. Amendment in Employee Stock Option Scheme 2017 and Employee Stock Option Scheme 2022 for eligible employees of the Company

VOTING RESULTS OF SPECIAL RESOLUTION PASSED THROUGH POSTAL BALLOT NOTICE DATED JULY 15, 2023:

Special Resolution(s)	% of Votes in favour of the Resolution	% of Votes against the Resolution	% of Invalid Votes
Resolution No. 1	99.9997	0.0003	-
Resolution No. 2	99.9970	0.0030	0.1020

Date of Notice	Date of Scrutiniser's report	Date of passing the resolution	Special Resolution(s) passed
January 26, 2024	February 29, 2024	February 28, 2024	1. Authority to issue and allotment of Subordinated Bonds on Private Placement basis 2. Authority to issue and allotment of Perpetual Debt Instruments on Private Placement basis 3. Approval for increasing borrowing limits of the Company from ₹ 80,000 Crore to ₹ 1,25,000 Crore 4. Approval for increasing limits for creation of charge on the assets of the Company upto an amount of ₹ 1,25,000 Crore to secure its borrowings 5. Re-appointment of Dr. Amla Samanta (DIN: 00758883) as an Independent Director of the Company 6. Appointment of Mr. Jayesh Chakravarthi (DIN: 08345495) as an Independent Director of the Company

VOTING RESULTS OF SPECIAL RESOLUTION PASSED THROUGH POSTAL BALLOT NOTICE DATED JANUARY 26, 2024:

Special Resolution(s)	% of Votes in favour of the Resolution	% of Votes against the Resolution	% of Invalid Votes
Resolution No. 1	99.9992	0.0008	-
Resolution No. 2	99.9992	0.0008	-
Resolution No. 3	99.9994	0.0006	-
Resolution No. 4	99.9994	0.0006	-
Resolution No. 5	99.9968	0.0032	-
Resolution No. 6	99.9968	0.0032	-

**Report on Corporate Governance (Contd.)****PROCEDURE FOR POSTAL BALLOT**

Pursuant to the provisions of the Act read with the rules framed thereunder and the MCA Circulars, the manner of voting on the proposed resolutions is restricted only to remote e-voting i.e., by casting votes electronically instead of submitting postal ballot forms. In compliance with the MCA Circulars, postal ballot notice was sent through email only, to all those members who had registered their email ids with the Company/depositories. Arrangements were also made for other members to register their email id to receive the postal ballot notice and cast their vote online.

The Company also published particulars of Postal Ballot notice in the newspapers for the information of the members. Voting rights are reckoned on the equity shares held by the members as on the cut-off date. Pursuant to the provisions of the Act, the Company appoints a scrutiniser for scrutinising the postal ballot process in a fair and transparent manner. The scrutiniser submits his consolidated report to the Chairman and the voting results are announced by the Chairman by placing the same along with the scrutiniser's report on the Company's website, besides being communicated to the stock exchanges. The resolution, if passed by requisite majority, is deemed to have been passed on the last date specified by the Company for receipt of duly completed remote e-voting.

Mr. Mitesh Shah, proprietor of M/s. Mitesh J. Shah & Associates, Practicing Company Secretary, was appointed as the Scrutiniser for scrutinising the Postal Ballot process, in a fair and transparent manner. There is no immediate proposal for passing any special resolution through Postal Ballot.

SENIOR MANAGEMENT

The particulars of Senior Management of the Company as at March 31, 2024:

Sr. No.	Name of the Senior Management	Designation
1	Mr. Ramesh G.	Managing Director & CEO
2	Mr. Karthik Srinivasan	Chief Business Officer
3	Mr. Sarabjeet Singh	Chief Business Officer
4	Mr. Manish Tiwari	Head – Commercial Equipment and Micro Lending
5	Mr. Venkata Swamy	Chief Digital and Marketing Officer
6	Mr. Jaykumar Shah	Chief Financial Officer

Sr. No.	Name of the Senior Management	Designation
7	Mr. Rohit Patwardhan	Chief Credit Officer
8	Mr. Ashish Ghatnekar	Chief – People & Operations
9	Mr. Mathew Panat	Chief Technology Officer
10	Mr. Harish Venugopal	Chief Risk Officer
11	Mr. Arjun Dutta	Chief Compliance Officer
12	Mr. Premal Brahmabhatt	Head - Internal Audit
13	Ms. Dipti Khandelwal	Company Secretary and Head Legal

DETAILS OF REMUNERATION TO DIRECTORS**a. Pecuniary relationship/ transaction with Non-Executive Directors**

During the FY 2023-24, there were no pecuniary relationship/ transactions of any Non-Executive Directors with the Company, apart from receiving remuneration as directors. During the FY 2023-24, the Company did not advance any loans to any of its directors and to firms / companies in which Directors are interested.

b. Remuneration paid to Executive Director

The details of the remuneration paid and stock options granted to Mr. Ramesh G., Managing Director and CEO during the financial year 2023-24 is as under:

Particulars of Remuneration	Amount in ₹
Gross salary	4,56,75,648
a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961	-
b) Value of perquisites under section 17(2) Income-tax Act, 1961	19,210
c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-
Perquisite value of stock options exercised	1,50,72,500
Bonus	1,74,63,600
Sweat Equity	-
Commission	-
Company Car	-
Total	7,82,30,958
Number of Stock Options granted	3,81,300

Report on Corporate Governance (Contd.)

The employee stock options have not been issued at discount and the same have been granted at the fair market value of the equity shares of the Company as certified by the Category 1 Merchant Bank registered with SEBI. The vesting schedule for the stock options is:

- 30% of options after expiry of twelve months from date of grant;
- 30% options after expiry of twenty-four months from the date of grant; and
- 40% of options after expiry of thirty-six months from the date of grant.

The options so vested are to be exercised within 7 years from the respective dates of vesting.

The criteria for evaluation of performance of Managing Director include Leadership, Strategy Formulation, Strategy execution, Financial Planning/Performance, Relationships with the Board, External Relations, Human Resource Management/Relations, Succession and Product/Service Knowledge.

The Company provides for gratuity in the form of lump-sum payment, without any upper limit, equivalent to 15 (fifteen) days basic salary payable for each completed year of service on resignation, retirement, death while in employment or on termination of employment.

The Company makes contributions to a recognised Gratuity Trust administered by trustees and whose funds are managed by insurance companies. The Company accounts for the liability for future gratuity benefits based on an independent external actuarial valuation carried out annually.

Perquisites (evaluated as per Income Tax Rules, 1962 wherever applicable and at actual cost to the Company otherwise) such as insurance policies, use of car and telephone at residence, medical reimbursement, leave and leave travel concession and other benefits like Provident Fund and Gratuity are provided in accordance with the rules of the Company in this regard.

Service Contracts and the notice period are as per the terms of agreement entered into by the Company with Managing Director & Chief Executive Director. No severance fee is payable by the Company on termination of these contracts.

No sitting fees was paid to Mr. Ramesh G. for attending meetings of the Board and / or its Committees.

c. Criteria for sitting fees / commission / remuneration paid to Non-Executive Directors

All the Directors of the Company except for Mr. Jimmy Tata and Mr. Ramesh G. receive sitting fees and commission, however all the Directors are eligible for reimbursement of out of pocket expenses for attending each meeting of the Board and its various Committees. No stock options are granted to any of the non-executive directors.

SITTING FEES

Sitting fees was paid to all the Independent Directors of the Company.

The sitting fees for attending meetings of Board of Directors, Audit Committee, Nomination and Remuneration Committee, Information Technology Strategy Committee and Risk Management Committee is ₹ 75,000 per meeting. Sitting fees for attending meetings of the Corporate Social Responsibility & ESG Committee, Stakeholders Relationship Committee and Separate meeting of Independent Directors meetings is ₹ 25,000/- per meeting. However sitting fees fees of these Committees is revised from ₹ 25,000 to ₹ 75,000 w.e.f April 16, 2024.

PROFIT RELATED COMMISSION

The Shareholders via Postal Ballot notice dated January 14, 2023 had approved revision in payment of profit related commission to Independent Directors with effect from April 1, 2022 at the rate of ₹ 1,00,000 per meeting of the Board and/or Committee attended subject to maximum of ₹ 15,00,000 per Independent Director in a Financial Year, not exceeding in aggregate 1% of the net profit of the Company of the relevant financial year.

The details of sitting fees, commission and remuneration paid to non-executive directors during the financial year 2023-24 is as under:

(Amount in ₹)			
Name of Director	Sitting Fees	Commission	Remuneration
Mr. Arijit Basu	6,75,000	NIL	30,00,000
Mr. Venkatraman Srinivasan	13,75,000	15,00,000	NIL
Ms. Smita Affinwalla	12,00,000	15,00,000	NIL
Mr. Adayapalam Viswanathan	13,75,000	15,00,000	NIL

**Report on Corporate Governance (Contd.)**

(Amount in ₹)

Name of Director	Sitting Fees	Commission	Remuneration
Dr. Amla Samanta	8,75,000	14,00,000	NIL
Ms. Arundhati Mech	12,00,000	15,00,000	NIL
Mr. Jayesh Chakravarthi	75,000	NIL	NIL

Note: The Shareholders in its Annual General Meeting held on June 30, 2023 had approved remuneration of ₹ 30,00,000 per annum drawn on monthly basis payable to Mr. Arijit Basu, Part-Time Non-Executive Chairman & Independent Director.

DISCLOSURES**SUCCESSION PLANNING**

Succession planning is a process of ascertaining the need for filling position at the Board and Senior Management positions. It involves identification for the said roles, assessment of their potential and developing next generation of leaders as potential successors for key leadership roles in an organisation. The process of development primarily concentrates on coaching, mentoring and training the identified employees to assume higher responsibilities when the need arises. The Company has always endeavoured to nurture, train and increase the skill sets of employees at all levels, with the key objective of ensuring smooth succession without impacting the performance in current role.

The Company has in place Succession Planning Policy for appointments to the Board and to the Senior Management.

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. Pursuant to the provisions of the Act and SEBI Listing Regulations, the Board has, on recommendation of its Audit Committee, adopted a policy for dealing with related party transactions and the said policy is available on the website of the Company at <https://www.hdbfs.com/investors>.

All related party transactions are placed before the Audit Committee and the Board for their approvals on quarterly basis. Transactions with related parties, as per the

requirements of Ind-AS and Regulation 53(1)(f) of SEBI Listing Regulations, are disclosed in, note no. 37 and 78 forming part of 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.

The Shareholders of the Company have approved the material related party transactions to be entered into by the Company in the FY 2024-25 with HDFC Bank Limited and HDFC Life Insurance Company Limited, being a related party of the Company through Postal Ballot on February 28, 2024 as per SEBI Listing Regulations.

Pursuant to the provisions of Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of the contracts or arrangements with related parties referred to in section 188(1) in Form AOC-2 is annexed to the Director's Report.

In addition, as per the SEBI Listing Regulations, your Company has also submitted along with its standalone and consolidated financial results for the half year, disclosures of related party transactions with stock exchange and also published it on the website of the Company.

STRICTURES AND PENALTIES

During the last three financial years, no penalties or strictures were imposed on the Company by any stock exchange, SEBI or other statutory authority on matters relating to the capital markets.

Further, during FY 2023-24, no penalties or strictures were imposed on the Company by the Reserve Bank of India or any other statutory authority.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The details of establishment of whistle blower policy / vigil mechanism are furnished in the Directors' Report forming part of the Annual Report. None of the Company's personnel have been denied access to the Audit Committee.

SUBSIDIARY COMPANY

The Company does not have any Subsidiary Company, hence formulation of Policy for determining Material Subsidiaries as per Regulation 16 of the SEBI Listing Regulations is not applicable for the Company.

Report on Corporate Governance (Contd.)

CERTIFICATE FROM PRACTICING COMPANY SECRETARY REGARDING NON-DEBARMENT AND NON-DISQUALIFICATION OF DIRECTORS

The Company has received a certificate from M/s. Mehta & Mehta, Company Secretaries, to the effect that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as director of the Company by SEBI/ Ministry of Corporate Affairs or such other statutory authority. The said certificate has been enclosed as **Annexure - I**.

DETAILS OF RECOMMENDATION OF ANY COMMITTEE OF THE BOARD NOT ACCEPTED BY THE BOARD AND REASONS THEREOF

During the year under review, the Board of your Company has accepted all the recommendations made by its Committee(s), from time to time.

FEES PAID TO STATUTORY AUDITORS

Total fees paid by the Company during the FY 2023-24 to the Statutory Auditors including all entities in their network firm/ entity of which they are a part, is given below:

Sr. No.	Particulars	Amount (₹ in Crore)
	M/s. KKC & Associates LLP & their network firm/ entity of which they are a part	
1	Fees as Statutory Auditors	0.84
2	Fees for other services	-
	M/s. B. K. Khare & Co. & their network firm/ entity of which they are a part	
1	Fees as Statutory Auditors	0.84
2	Fees for other services	-

COMPLAINTS PERTAINING TO SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The details of complaints filed, disposed of and pending during every quarter pertaining to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 are reported to the Board and are included in the Directors Report forming part of this Annual Report.

CEO/ CFO CERTIFICATION

The Managing Director & Chief Executive Officer and Chief Financial Officer have certified to the Board with regard to the

financial statements and internal controls relating to financial reporting for the year ended March 31, 2024 as required under the SEBI Listing Regulations. The said Certificate is attached as **Annexure - II** and forms part of this Report.

REPORT ON CORPORATE GOVERNANCE

The Company is a High Value Debt Listed Entity ("HVDLE") pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021 dated September 07, 2021. Accordingly, the Company has been submitting the quarterly corporate governance compliance report to the stock exchange as required under regulation 27(2) of the SEBI Listing Regulations.

The Company has obtained a certificate from Mehta & Mehta, Company Secretaries regarding compliance with the provisions relating to corporate governance laid down under the SEBI Listing Regulations. This certificate is annexed to the Directors' Report.

CODE OF CONDUCT

The SEBI Listing Regulations requires listed companies to lay down a code of conduct for its directors and senior management, incorporating duties of directors prescribed in the Act. Accordingly, the Company has a Board approved code of conduct for Board members and senior management of the Company. This code has been placed on the Company's website and can be accessed at <https://www.hdbfs.com/investors>

All the Board members and senior management personnel have affirmed compliance with the code for the year ended March 31, 2024. A declaration to this effect signed by the Managing Director and CEO forms part of Annual Report as **Annexure - III**.

DETAILED REASONS FOR THE RESIGNATION OF AN INDEPENDENT DIRECTOR WHO RESIGNS BEFORE THE EXPIRY OF HIS TENURE

None of the Independent Director of the Company has resigned before the expiry of his/her respective tenure(s) during the FY 2023-24.

COMPLIANCE OF MANDATORY AND DISCRETIONARY REQUIREMENTS

The Company has complied with all the mandatory requirements of the SEBI Listing Regulations applicable to the Company being a High Value Debt Listed Company.



Report on Corporate Governance (Contd.)

The Company has also complied with the discretionary requirements as under:

a) The Board

A Chairman's office has been made available for the non-executive Chairman. He is allowed reimbursement of expenses incurred in performance of his duties.

b) Modified opinion(s) in Audit Report

The Company confirms that its financial statements have unmodified audit opinion.

c) Separate posts of Chairman and Managing Director or the Chief Executive Officer

The role of the Chairman and the Chief Executive Officer are distinct and separate. The Chairman is primarily responsible for ensuring that the Board provides effective governance to the Company and the responsibility of Chief Executive Officer is to execute the corporate strategy in consultation with the Board. Mr. Arijit Basu is the Part-Time Non-Executive Chairman & Independent Director and Mr. Ramesh G. is the Managing Director & Chief Executive Officer of the Company.

d) Reporting of Internal Auditor

The Internal Auditor reports directly to the Audit Committee.

ADHERENCE TO ACCOUNTING STANDARDS

The Company has complied with the applicable Indian Accounting Standards (Ind-AS) notified by the Ministry of Corporate Affairs under Section 133 of the Companies Act, 2013. The financial statements for the year have been prepared in accordance with Schedule III to the Companies Act, 2013.

RISK MANAGEMENT AND INTERNAL CONTROL POLICIES ADOPTED BY THE COMPANY

The Company has a well-defined Risk Management Framework in place. The Company has procedures to periodically place before the Audit Committee, Risk Management Committee and the Board, the risk assessment and mitigation plans being followed by the Company.

SECRETARIAL STANDARDS

The Company has complied with the applicable provisions of secretarial standards issued by The Institute of Company Secretaries of India.

GENERAL SHAREHOLDER INFORMATION

A. Corporate Information

HDB Financial Services Limited was incorporated as a public limited company on June 04, 2007 under the Companies Act, 1956. The Company is registered with the Reserve Bank of India and is carrying on the business of non-banking financial institution without accepting public deposit.

The key information of the Company is as follows:

1.	Date of Incorporation	June 04, 2007
2.	Corporate Identification No. (CIN)	U65993GJ2007PLC051028
3.	RBI Registration No.	N.01.00477
4.	Financial Year	April 01 to March 31
5.	Plant Locations/ Branches:	1,682 branches across 1,148 cities in India
6.	Registered Office Address	Radhika, 2 nd Floor, Law Garden Road, Navrangpura, Ahmedabad, Gujarat, India, 380009
7.	Corporate Office Address	Ground Floor, Zenith House, Keshavrao Khadye Marg, Mahalaxmi, Mumbai, Maharashtra, India, 400034
8.	Company Secretary	Ms. Dipti Khandelwal Email: compliance@hdbfs.com Tel: +91 22 49116368 Fax: +91 22 49116666

B. Listing on Stock Exchanges:

The Non-Convertible Securities of the Company are listed on the debt market segment of BSE Limited. Commercial Papers of the Company are listed on the debt market segment of National Stock Exchanges of India Limited.

Name of Stock Exchange	Address
BSE Limited (BSE)	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
National Stock Exchanges of India Limited (NSE)	'Exchange Plaza', Plot No. C/1, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051

Report on Corporate Governance (Contd.)

The Equity shares of the Company are not listed on the Stock Exchange; hence the Stock Exchange code/ Symbol is not applicable. Annual listing fees, as prescribed, have been paid to the said stock exchange up to March 31, 2024.

C. Dematerialisation of shares and liquidity

As on March 31, 2024, the total equity capital of the Company was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. As the equity shares of the Company are not listed on the Stock Exchange, the shares were not traded on the Stock Exchange.

Mode of holding	Number of Equity Shares	% to paid-up capital
Central Depository Services Limited (CDSL)	65,70,111	0.83
National Securities Depository Limited (NSDL)	78,65,04,455	99.17
Total	79,30,74,566	100

D. Registrar and Share Transfer Agent and Share Transfer System

In terms of Regulation 7 of the SEBI Listing Regulations, Link Intime India Pvt. Ltd. continues to be the Registrar and Share Transfer Agent and handles all relevant share

registry services. All the securities of the Company are in dematerialised form, hence there are no physical transfer of securities.

Link Intime India Pvt. Ltd.

Address: C 101, 247 Park, L B S Marg, Vikhroli (West), Mumbai 400083

Website: <https://linkintime.co.in>

Contact person for Equity Shares:

Mr. Mahesh Masurkar

Tel.: 91 8108116767

Email: rnt.helpdesk@linkintime.co.in

Contact person for Commercial Papers & Non-Convertible Securities:

Mr. Rohan Jadhav

Tel.: 91 022 4918 6000 / 2463

Email: rohan.jadhav@linkintime.co.in, team.bonds@linkintime.co.in

E. Details of forthcoming 17th Annual General Meeting (AGM)

Details of AGM	Date and Time	Venue
17 th AGM	June 27, 2024 at 12 noon	Held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")

F. Dividend Details:

The final dividend for FY 2023-24 if approved at the AGM, will be paid on or after Friday, June 28, 2024

Sr. No.	Financial Year	Interim/Final	Rate of Dividend	Date of Declaration	Date of Payment	Due date of transfer to IEPF
1	2019-20	No dividend declared by the Company				
2	2020-21	No dividend declared by the Company				
3	2021-22	Final	₹ 1/-	23/06/2022	27/06/2022	30/07/2029
4	2022-23	Interim	₹ 0.9/-	16/12/2022	31/12/2022	16/01/2030
		Final	₹ 1.1/-	30/06/2023	04/07/2023	02/08/2030
5	2023-24	Interim	₹ 2/-	14/10/2023	03/11/2023	16/11/2030

G. Shareholding Pattern of the Company as at March 31, 2024:

Name of Shareholder	No. of equity shares held	Percentage
HDFC Bank Limited	75,05,96,670	94.64
Others	4,24,77,896	5.36
Total	79,30,74,566	100

**Report on Corporate Governance (Contd.)****H. Means of communication**

A separate dedicated section 'Investors' is maintained on the website of the Company for ease of the shareholders. The information/ documents required to be disseminated by the Company pursuant to the Act and SEBI Listing Regulations are uploaded on the website of the Company on regular basis at <https://www.hdbfs.com/investors>

The quarterly, half-yearly and annual financial results are submitted to the BSE Limited and National Stock Exchanges of India Limited and published in Free Press Journal (Mumbai edition).

The Annual Report of the Company, the quarterly/ half-yearly and the annual financial results are displayed on the Company's website, BSE Limited's website at www.bseindia.com and on National Stock Exchanges of India Limited's website at www.nseindia.com

I. Market price data and performance in comparison to broad-based indices

Equity shares of the Company are not listed on Stock Exchanges thus market price data and performance is not available.

J. Outstanding Global Depository Receipts ("GDRs")/ American Depository Receipts ("ADRs")/ Warrants or any Convertible Instruments, Conversion Date and likely impact on equity

The Company has not issued any GDRs/ ADRs/ Warrants or any Convertible Instruments.

K. Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

The Company does not deal in any commodity and hence is not directly exposed to any commodity price risk. During the year, the Company has entered into derivative transactions with various counter parties to hedge its foreign exchange risks and interest rate risks associated with External Commercial Borrowings (ECBs). The ECBs are fully hedged and possess no foreign exchange risk.

L. Credit Ratings

The credit rating details are disclosed in the Directors Report forming part of this Annual Report.

M. Unclaimed Dividend

Pursuant to Sections 124 and 125 of the Act, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), including amendment thereto, dividend, if not claimed within seven years from the date of transfer to Unpaid Dividend Account of the Company, is liable to be transferred to the Investor Education and Protection Fund ("IEPF"). The list of the unclaimed dividend along with the name of the shareholders, dividend amount and proposed date of transfer to IEPF account has been uploaded on the website of the Company at <https://www.hdbfs.com/investors>

COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Company has complied with all the applicable mandatory requirements of the Corporate Governance as prescribed under the SEBI Listing Regulations

Regulation	Particulars	Status of compliance
17	Requirements pertaining to the Board of Directors	Compliant
17A	Maximum number of Directorships	Compliant
18	Requirements pertaining to the Audit Committee	Compliant
19	Requirements pertaining to Nomination and Remuneration Committee	Compliant
20	Requirements pertaining to Stakeholders Relationship Committee	Compliant
21	Requirements pertaining to Risk Management Committee	Compliant
22	Requirements pertaining to Vigil Mechanism	Compliant
23	Requirements pertaining to Related Party Transactions	Compliant
24	Corporate governance requirements with respect to subsidiary of listed entity	Not Applicable
24A	Requirements pertaining to Secretarial Audit and Secretarial Compliance Report	Compliant
25	Obligations with respect to Independent Directors	Compliant
26	Obligations with respect to employees including senior management, key managerial persons, directors and promoters	Compliant
27	Other corporate governance requirements	Compliant
46	Requirements pertaining to the dissemination of certain information under a separate section on the website	Not Applicable

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[Pursuant to BSE Limited's Notice dated January 07, 2022 read with Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,

HDB FINANCIAL SERVICES LIMITED

Radhika, 2nd Floor, Law Garden Road,
Navrangpura, Ahmedabad GJ 380009.

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of HDB Financial Services Limited having CIN U65993GJ2007PLC051028 and having registered office at Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad GJ 380009 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me / us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2024 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No	Name of Director	DIN	Date of Appointment in the Company
1	Mr. Arijit Basu	06907779	June 01, 2021
2	Mr. Venkatraman Srinivasan	00246012	March 12, 2015
3	Ms. Smita Cawas Affinwalla	07106628	March 12, 2015
4	Dr. Amla Ashim Samanta	00758883	May 01, 2019
5	Mr. Adayapalam Kumaraswamy Viswanathan	08518003	July 24, 2019
6	Ms. Arundhati Mech	09177619	February 11, 2022
7	Mr. Ramesh Ganesan	05291597	July 01, 2012
8	Mr. Jimmy Minocher Tata	06888364	July 15, 2023
9	Mr. Jayesh Rajagopalan Chakravarthi	08345495	January 25, 2024

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Mehta & Mehta,**

Company Secretaries

(ICSI Unique Code P1996MH007500)

Sd/-

Aditi Patnaik

Partner

ACS No:45308

CP No: 18186

PR No: 3686/2023

Place: Mumbai

Date: April 16, 2024

UDIN: A045308F000145760



Report on Corporate Governance (Contd.)

Annexure II

CEO & CFO CERTIFICATE

(Pursuant to Regulation 17(8) read with Part B of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Board of Directors,
HDB Financial Services Limited

In compliance with Regulation 17 (8) read with Schedule II Part B of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, We, Ramesh G., Managing Director & Chief Executive Officer, and Jaykumar Shah, Chief Financial Officer of the Company, to the best of our knowledge and belief certify that:

- A. We have reviewed, audited financial statements and the cash flow statement of the Company for the year ended March 31, 2024 and to the best of our knowledge and belief:
 1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2024 which are fraudulent, illegal or violative of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the Auditors and the Audit Committee:
 1. that there are no significant changes in internal control over financial reporting during the year;
 2. that there are no significant changes in accounting policies during the year; and
 3. that there are no instances of significant fraud of we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.
- E. We further declare that all Board members and Senior Management have affirmed compliance with the Code of Conduct and Ethics for the year.

Sd/-
Ramesh G.
Managing Director & Chief Executive Officer
(DIN: 05291597)

Sd/-
Jaykumar Shah
Chief Financial Officer

Place: Mumbai
Date: April 16, 2024

DECLARATION BY MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

[Schedule V (Part D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Board of Directors,
HDB Financial Services Limited

I, Mr. Ramesh G., Managing Director & Chief Executive Officer of HDB Financial Services Limited hereby declare that, all the Board Members and Senior Managerial Personnel have affirmed compliance with the code of conduct of the Company laid down for them for the year ended March 31, 2024.

Sd/-
Ramesh G.
Managing Director & Chief Executive Officer

Place: Mumbai
Date: April 16, 2024