

CORPORATE SOCIAL RESPONSIBILITY POLICY

1. Preamble

Corporate Social Responsibility (CSR) covers the entire process by which an organization approaches, defines and develops its relationships with stakeholders for the common good and demonstrates its commitment in this regard by adoption of appropriate strategies and projects. Thus CSR is not charity or mere donations but a way of going beyond business as usual, creating shared value and contributing to social and environmental good.

2. Purpose

HDB Financial Services Limited ("The Company") is committed to identifying and supporting programs aimed at:

- Developing and advancing the community and in particular those at the bottom of the pyramid who are unequally endowed/enabled and also
- Reducing negative impact of its operations on the environment.

This policy will serve as a guiding document to help identify, execute and monitor CSR Projects in keeping with the spirit of the policy.

The CSR Policy would function as a self-regulating mechanism for the Company's CSR activities and enable adherence to laws, ethical standards, and international practices in this regard.

3. Policy Statement / Vision

The Company's CSR mission is to contribute to the social and economic development of the community through a series of interventions. The Company seeks to mainstream economically, physically and socially challenged groups and to draw them into the cycle of growth, development and empowerment.

Company's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations.

4. Scope

This policy will apply to all projects/programs undertaken as a part of the Company's Corporate Social Responsibility activities and will be developed, reviewed and updated by reference to relevant codes of corporate governance and international standards or best practices. This policy is also in line with the Section 135 of Companies Act, 2013, The Companies (Corporate Social Responsibility Policy) Rules, 2014, and Schedule VII of Companies Act, 2013 as amended from time to time ("CSR Laws").

5. Governance

Overall governance of CSR and approving of the CSR Policy will be the responsibility of the CSR Committee of the Board. The Designated person of the Company will be responsible for administering and executing the policy. As the Company's CSR activities evolve further, the policy may be revised with the approval of the CSR Committee of the Board.

6. Annual Action Plan

The CSR Committee, at the beginning of the every financial year shall formulate and recommend to the Board, an annual action plan, comprising of an amount to be spent during the said financial year, the CSR activities upon which the Company would focus during the said financial year including exploring the new CSR projects and monitoring the implementation of ongoing CSR projects.

The annual action plan shall include the following, namely:-

- (a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- (b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4;
- (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- (d) monitoring and reporting mechanism for the projects or programmes; and
- (e) details of need and impact assessment, if any, for the projects undertaken by the company

The Board may alter the annual action plan at any time during the financial year, as per the recommendation of the CSR Committee based on reasonable justification to that effect.

7. CSR Committee

The Company will institute a CSR Committee of the Board consisting of three or more directors including at least one Independent Director. The Committee will meet at least two times in a year.

The following shall be the terms of reference of the Committee.

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013;
- To formulate the Company's CSR strategy & goals and to review and update them from time to time as the Company's activities evolve further;
- To monitor the Company's CSR policy and performance from time to time;
- Recommend the amount of expenditure to be incurred on the CSR activities;
- To ensure compliance with the CSR Laws, ensure reporting and communication to stakeholders on the Company's CSR projects/initiatives.
- To review the CSR project/initiatives from time to time;
- To formulate and recommend to the Board, an annual action plan
- Perform all such actions as may be required under the CSR Laws from time to time.

Consistent with the above, the CSR Committee of the Board currently has the following members:

Sr. No.	Name of the Members
1	Dr. Amla Samanta, Independent Director
2	Ms. Smita Affinwalla, Independent Director
3	Mr. Ramesh G., Managing Director & CEO

8. CSR Budget

The overall amount to be committed to CSR will be approved by the Board as a part of the Company's overall Annual Budget / Plan. Within the budgeted amount, specific CSR initiatives/projects will be approved in line with the process approved by the CSR Committee of the Board. Any surplus arising out of the CSR Projects or Programs or activities shall not form part of the business profit of a company and will be ploughed back into the project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year. All projects undertaken by the Company will be approved / ratified by the Company's CSR Committee.

Any amount remaining unspent pursuant to any ongoing project undertaken by a company in pursuance of its Corporate Social Responsibility Policy, will be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account. Such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year. For other projects, such amount will be transferred to a fund specified in Schedule VII within 6 months of the expiry of the financial year.

Any excess expenditure i.e., beyond the prescribed CSR budget will be disclosed in the Board's CSR Report and shall be made available for set off against the CSR requirement to spend in any of the three succeeding financial years as per the provisions of the CSR Laws.

9. Supervision

The Company's CSR activities will be driven by the personnel identified for the purpose and designated as such under the guidance and support of the Committee members. The CSR Committee and the designated person will play a significant role in ensuring that the CSR Policy is embedded across the Company's operations and CSR projects are in line with the policy.

The Board of Directors will satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer will certify the same to that effect.

10. Implementation

The Company will undertake CSR projects which are closely linked with the principles of sustainable development and shared value, with the involvement of local institutions and the community at large.

The designated person would assist in implementation and monitoring of the CSR projects/initiatives. The actual implementation of various initiatives will be broad-based with the involvement of various employees /units of the Company or through implementing agencies.

The Board shall ensure that the CSR activities are undertaken by the company itself or through –

(a) a company established under section 8 of the Act, or a registered public trust or a registered

society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or

(b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or

(c) any entity established under an Act of Parliament or a State legislature; or

(d) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

Company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programmes in accordance with Companies (Corporate Social Responsibility Policy) Rules, 2014.

11. Disbursement

The disbursement of funds will be either in tranches as per milestones agreed with the partner or one-time payment depending on the nature and requirement of the project. The terms, conditions and timing of disbursement will form part of the Memorandum of Understanding/ Grant Agreement with the entity implementing the project.

12. Monitoring

The CSR Committee will ensure a transparent monitoring mechanism for ensuring effective implementation of the projects/ programs/activities proposed to be undertaken by the Company.

The Designated person would have the responsibility of monitoring approved projects and funds disbursements for such projects. Monitoring mechanism will include visits, meetings and progress/ status reporting by the project teams. The Company's CSR activities will be reviewed by the CSR Committee. A system will be put in place to maintain a transparent monitoring and reporting mechanism across all the stakeholders involved in the CSR activities of the Company, as desired by the CSR Rules (Section 135, Companies Act, 2013).

13. Impact Assessment

Impact assessment shall be conducted of the CSR projects having an outlay of Rs. 1 crore or more and which have been completed not less than 1 year before undertaking the impact study. The impact assessment shall be conducted by an independent agency and the expense for the assessment in a financial year shall not exceed 5% of the total CSR expenditure for that financial year or Rs. 50 lakhs, whichever is less.

Furthermore, the impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

14. Reporting / Disclosures

Significant CSR activities and achievements will be reported as a part of the Director's Report in the Company's Annual Report as per the annexure to CSR Rules and also as per any other statutory and regulatory reporting requirements.

The Company shall disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

15. CSR Programs/Projects

The Company is highly supportive of the involvement of its employees in its CSR initiatives and in community activities/ charities of their choice, and will therefore proactively engage with employees and other key stakeholders to solicit their active involvement in the Company's CSR programs.

To provide a focused and structured approach to the program, the Company will focus its support and CSR spends on specific pre-determined causes and areas of intervention as outlined in the Annexure to the policy. The CSR Officer/Manager would put up to the Committee appropriate details of proposed projects including implementation year, modalities of execution in the areas / sectors chosen, implementation schedules for the same etc. The CSR Committee will consider and approve (in line with the guidelines given below), CSR projects/ programs to be undertaken during the year.

- a) The Company will ensure that its CSR projects are non-discriminatory in nature and do not have any restrictive political or religious affiliations.
- b) The programs/ projects will be within the areas recommended/ listed by the CSR Committee and mentioned in the Policy.
- c) The programs/ projects will be beyond business as usual.
- d) The programs/ projects will be implemented within the country and preferably in local areas where the Company has its presence.
- e) The Company will actively consider Programs/ Projects that have been identified by employees and also those where employees are directly involved through volunteering efforts.
- f) Programs/Projects that integrate business models with social and environmental priorities and processes in order to create shared value will be encouraged.
- g) The Company will consider Programs/Projects closely linked with the principles of sustainable development.
- h) Programs/Projects should not be exclusively for the benefit of employee of the company or their family members or those that are conducted / undertaken exclusively in pursuance of the normal course of business.
- i) Any surplus generated out of the CSR activities of the Company, will be ploughed back to the CSR initiatives of the Company and shall in no case form a part of business profits of the Company.

j) CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure.

The Company may choose to undertake a multi-year project (an “Ongoing Project”) in fulfilment of its CSR obligations. Ongoing Project means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which

it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.

The period and treatment of such Ongoing Projects shall be as per the CSR Policy of the Company and CSR Laws.

Annexure 1

AREAS OF CSR INTERVENTION

Enumerated below are the areas under which the Company will implement its CSR Projects. This will be reviewed from time to time by the CSR Committee of the Board and specific initiatives under these will be undertaken in line with the CSR policy to meet the overall objectives of these interventions.

1. Skill Training and Livelihood Enhancement

Category: Companies Act - 2013, Schedule VII (ii) Employment Enhancing Vocational Skills and Livelihood Enhancing projects

A growing economy like India requires a large and skilled workforce. The Company's skill training initiatives will aim at training and capacity development of youth, physically disadvantaged and women from economically weaker sections of society, and to empower them to gain access to opportunities for sustainable livelihood and growth.

The Company will support technical training courses, Skill Development Centre's, non formal vocational programs aimed at creating livelihood opportunities, soft skill training aimed at creating livelihood opportunities and soft skill training aimed to facilitate integration into mainstream.

2. Promoting Education.

Category: Companies Act - 2013, Schedule VII (ii) Promoting Education

Education is one of the building blocks of any nation. With the aim of having 'every child in school and learning' the Company's interventions will aim at mainstreaming children and improving the quality of education they receive. A multitude of interventions such as educational sponsorships to students belonging to economically/ socially/ physically challenged categories, supporting the infrastructure or running cost of reading programs, libraries, supportive classes, Computers, science laboratories, etc. will be undertaken to create a conducive learning environment and to promote learning.

Within the scope of education, programs aimed at bridging the skill gap in particular in the financial services sector and transforming candidates into job ready professionals will also be covered.

3. Financial Literacy and Inclusion

Category: Companies Act - 2013, Schedule VII (ii) Promoting Education and Livelihood Enhancing Projects.

The Company believes that absence of financial knowledge can lead to poor financial decisions that can have an adverse effect on the financial health of an individual. The Company will endeavour to provide familiarity with and understanding of financial products, especially of rewards and risks, in order to better equip the financially excluded to make informed choices. These projects will endeavour to promote financial literacy amongst various segments such as students, senior citizens and others in the communities, directly or through implementing partners.

4. Promoting Public Health

Category: Companies Act - 2013, Schedule VII (i) Promoting Preventive Healthcare

The Company believes that a good public health is the key to sustained livelihood options. The company will support public health projects such as provision of primary health centers, medical camps, amenities in public areas.

5. Environmental Sustainability

Category: Companies Act - 2013, Schedule VII (iv) Ensuring Environmental Sustainability, Conservation of Natural Resources and maintaining the quality of soil.

Sustainability is one of the core values of the Company and climate change mitigation and environmental improvements are essential elements of its strategy for sustainability. The company will initiate multiple projects implemented directly or through consultant partners to manage its emissions and to introduce environmental friendly practices. Social Communication will be used as an effective tool in influencing behaviour and creating a sustainable environment for the community.

The Company will encourage investment in energy efficient technology, developing socially and environmentally friendly products and services, improving access to water by creating / sponsoring irrigation and water storage structures, promoting public transport by creating appropriate infrastructure, benchmarking and reporting on Sustainability projects.

6. Eradicating Poverty

Category: Companies Act - 2013, Schedule VII (i) Eradicating Poverty, Hunger and Malnutrition

The Company recognizes the need to reach out to those at the bottom of the pyramid by providing them with need based assistance. The Company will also encourage employees to continue to contribute to society by undertaking projects in their respective areas.

The Company aims to support its employee's endeavour to become responsible citizens and support their charitable causes. Employee's may choose a charity of their choice and donate time or money to causes close to their heart. The Company will match the contribution (or money equivalent to time) to support and encourage the employees. The donations could be in the form of money, materials or time to support education, orphanages, old age homes, hospitals, assisted living, medical care to poor, disadvantaged, elderly etc.

7. Rural Development

Category: Companies Act - 2013, Schedule VII (x) Rural Development

With the objective of contributing to the improvement of the economic and social well being of people in rural areas, the Company will initiate programs that empower the rural population. These will range from making financial services and products available to these areas and bringing them to the ambit of formal lenders and service providers, to creating innovative products to suit the requirements of the rural population. The Company will support projects providing electrification through solar or alternate methods, improving access to water, healthcare & sanitation, and construction & running cost of schools and health centers, amongst others.