

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

POLICY ON APPOINTMENT OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

1. Preamble

- This Policy on Appointment of Directors and Members of Senior Management (the “**Policy**”) applies to the Board of Directors (the “**Board**”) of the Housing Development Finance Corporation Limited (“**Corporation**”) and the Senior Management of the Corporation. This Policy was recommended by the Nomination and Remuneration Committee of Directors (“**NRC**”) and approved by the Board at its meeting held on March 19, 2015 and shall be subjected to periodic review by the NRC.
- The primary objective of the Policy is to provide a framework and set standards for the appointment of talented and self-motivated Directors and Members of Senior Management who should have the capacity and ability to lead the Corporation towards achieving its stated goals and strategic objectives taking into account the interest of all stakeholders.
- This Policy is inter-linked to the Policy for Succession Planning, which ensures smooth succession without impeding the performance in current roles and responsibilities.
- The Board is ultimately responsible for the appointment of Directors and recommending the appointment of Independent Directors to the shareholders for their approval.
- The Board delegates its responsibility for the assessment and selection of suitable candidates for the position of Directors of the Corporation to the NRC, which will submit its recommendations to the Board, in accordance with this Policy.

2. Definitions

For the purposes of this Policy:

’**Executive Board**’ shall mean and include the Whole-time Directors of the Corporation appointed by the Board/ Shareholders.

’**Senior Management**’ shall mean and include the following:

- Members of Executive Management; and
- KMPs (other than Whole-time Directors).

3. Criteria for Appointment as a Director and Senior Management Positions

- Matching the requirements of the Corporation and enhancing the competencies of the Board are the basis for the NRC to shortlist and recommend a candidate for appointment to the Board.
- When recommending a candidate for such appointment, the NRC shall consider:
 - the results of assessment of the proposed appointee against a range of criteria formulated by the NRC which include but shall not be limited to skill sets, regional and industry experience, background, integrity and other qualities required to operate successfully in the position of Director, having due regard to the benefits of diversity of the Board;
 - the extent to which the proposed appointee is likely to contribute to the overall effectiveness of the Board and work constructively with the existing Directors and Senior Management;
 - the present and potential future needs and requirements of the Corporation and the housing finance sector in which it conducts its business and operations; and

- any requirements under applicable law (including but not limited to under the Companies Act, 2013 and/or the rules and regulations made thereunder) and/or under the Listing Agreements;
- In addition to the above for appointment of Non Executive Directors, the NRC shall consider
 - time commitment required from a non-executive Director to properly discharge his fiduciary duties towards the Corporation; and
 - the nature of existing positions held by the proposed appointee including other directorships held or other relationships and the impact it may have on the appointee's ability to exercise independent judgment.
- The criteria to be considered when assessing prospective candidates for appointment as Directors shall include the following:
 - highest levels of personal and professional ethics and integrity;
 - high quality attributes such as discipline, objectiveness, sensitivity, creativity;
 - sharing and demonstrating the values of the Corporation;
 - qualification in relevant disciplines (e.g. finance, management, accountancy, legal and housing) or being a recognised specialist in disciplines or areas relevant to the Corporation and/or its business including but not restricted to experience in accounting and finance, administration, corporate and strategic planning or fund management;
 - experience in the management of a diverse organization whether located in India and/or overseas;
 - demonstrable ability to work effectively with the Board;
 - excellent interpersonal, communication and representational skills;
 - demonstrable leadership skills;
 - strong influencing and negotiating skills; and
 - continuous professional development to update knowledge and skills;
- The NRC shall consider the present and future requirements of the Corporation when shortlisting and recommending a candidate for Senior Management position. When recommending such candidate, the NRC shall consider:
 - the results of assessment of the proposed appointee against a range of criteria formulated by the NRC which include but not limited to skill sets, regional and industry experience, background, integrity and other qualities required to operate successfully in the said position;
 - the extent to which the proposed appointee is likely to contribute to the Corporation and work constructively and effectively;
 - the present and potential future needs and requirements of the Corporation and the housing finance sector in which it conducts its business and operations;
 - the factors which may adversely impact the ability of the candidate to fulfill his/ her duties;
 - any requirements under applicable law (including but not limited to under the Companies Act, 2013 and/or the rules and regulations made thereunder) and/or under the Listing Agreements.
- The criteria to be considered when assessing prospective candidates for a Senior Management position shall include the following:

- highest levels of personal and professional ethics and integrity;
 - demonstrable leadership skills;
 - specialist knowledge and/or experience required for the Senior Management position in question;
 - good interpersonal relationships;
 - demonstrating intelligence, maturity and wisdom;
 - possesses managerial abilities such as effective communication skills, action focus, people engagement, cultural sensitivity, flexibility, team player, strategic thinking, etc.;
 - sharing and demonstrating the values of the Corporation; and
 - ability to significantly contribute towards achievement of the strategic and business objectives of the Corporation.
- Every person proposed to be appointed as a non-executive Director should be able to give sufficient time and attention to the Corporation's affairs.
 - In addition to such requirements as may be specified under this Policy, the Independent Directors shall also fulfill the applicable requirements prescribed under Section 149 of the Companies Act, 2013 and the rules and regulations made there under), the provisions of the Listing Agreements and other applicable laws as modified or amended or supplemented, from time to time.
 - Each Independent Director shall be required to duly submit/ make the stipulated declarations required to be furnished pursuant to the provisions of the Companies Act, 2013 and the rules and regulations made there under, the Listing Agreements, other applicable laws and the Articles of Association of the Corporation.
 - No person shall be considered for appointment/ reappointment as a Director of the Corporation, if he is disqualified to be appointed/ re-appointed as such in terms of the provisions of Section 164 of the Companies Act, 2013 or under any other applicable law.
 - No person shall be considered for appointment as a Director of the Corporation, if he is already a Director in ten or more public companies or private companies, which is either a holding or subsidiary company of a public company.

4. **Board Nomination Process**

- The selection procedure to be followed for the appointment of persons to the Board is as below:
 - The NRC in consultation with the Chairman of the Corporation shall determine the selection criteria applicable for each position at the Board level ("**Director Selection Criteria**").
 - For the positions of Whole-time Directors and based on the applicable Selection Criteria, the NRC in consultation with the Chairman and other Whole-time Directors of the Corporation, shall generate a potential list of candidates for the Board position in question who may meet the prescribed Director Selection Criteria.
 - For the positions of Independent Directors or Non-executive Directors, the NRC shall finalise a list of potential candidate(s) who meets the applicable Director Selection Criteria and submit such list to the Board along with its recommendations.
 - The Chairman of the Board shall thereafter meet the short listed candidate(s) to assess their capability for the job and brief the Board of the results of the same. In the event that the Board

may feel that no short listed candidate is suitable for appointment to the Board, the Board may require the NRC to submit a fresh list of candidates.

- The candidate selected by the Board, shall be appointed in accordance with the relevant provisions of the Companies Act, 2013, rules made there under and Clause 49 of the Listing Agreements, subject to the approval of the Shareholders of the Corporation at general meeting.

5. Selection Process for Senior Management

- The selection procedure to be followed for the appointment of persons at the Senior Management positions is as below:
 - In case of vacancy/opening at Senior Management position, the NRC in consultation with the Executive Board shall identify and short list employees to fill such vacancy, who may meet the criteria mentioned in this Policy.
 - The above vacancy/opening may be filled by selecting an employee within the same location/ function or through a lateral transfer of an employee from another location/ function. In the event that there are no suitable internal candidates within the Corporation for the said position, the NRC (may select an external candidate.
 - Where the vacancy/opening is being filled at the Senior Management positions, the successful candidate shall be appointed by the Board in accordance with the provisions of the Companies Act, 2013, rules made there under and Clause 49 of the Listing Agreements and the Corporation's internal rules and regulations and policies.

6. Appointment Procedure

- Every Director shall be appointed/ re-appointed by the Corporation at the general meeting on the recommendation of the Board.
- No person shall be appointed/ reappointed as a Director of the Corporation unless he/she has been allotted the Director Identification Number (DIN) and he furnishes to the Corporation a declaration to the effect that he is not disqualified to become a Director under the provisions of the Companies Act, 2013 and rules made there under or under any other law for the time being in force and files consent to hold the office as Director.
- No person shall be appointed as a Director whose name appears in the list of willful defaulters published by the Reserve Bank of India.
- The NRC shall ensure that the appointment/ re-appointment of Directors of the Corporation is as per the terms of this Policy and recommendations of candidates are made to the Board for appointment.
- Member of Senior Management will be appointed by the Board and subject to the recommendation by the NRC.

7. Letters of Appointment

- The Corporation shall issue a formal letter of appointment to the person appointed as a Director of the Corporation. The letter of appointment to be issued to the Independent Directors shall inter-alia set out the matters as stated in Schedule IV of the Companies Act, 2013.
- Letters of Appointment to Senior Management will be issued by the Vice Chairman & CEO or the Managing Director of the Corporation.

8. Evaluation Procedure

- The NRC shall develop such assessment criteria as it shall deem fit for the purposes of undertaking performance evaluation of the Directors and the Board as a whole. The NRC shall undertake an

annual performance evaluation of all Directors of the Corporation based on the relevant assessment criteria developed by it.

- The assessment criteria for performance evaluation of Directors shall be disclosed in accordance with the relevant provisions of the Companies Act, 2013 the rules framed there under and Clause 49 of the Listing Agreements.
- The evaluation of Senior Management will be done by the Vice Chairman & CEO or the Managing Director of the Corporation.

9. **Removal**

- Due to reasons for any disqualification mentioned in the Companies Act, 2013 or under any other applicable law, rules and regulations there under and / or for any disciplinary reasons and subject to such applicable laws, rules and regulations, the NRC may recommend, to the Board, with reasons recorded in writing, removal of any Director, KMP or Senior Management.

10. **Policy Review**

- This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013 and rules made there under, the Listing Agreements, the Securities and Exchange Board of India Act, 1992 and rules/regulations/ guidelines made there under, the Memorandum and Articles of Association of the Corporation or as may be otherwise prescribed by the Board from time to time.
- The NRC may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.
