



# Policy on Corporate Social Responsibility

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Document review and approval

Reviewing Authority	Corporate Social Responsibility Committee of the Company
Approving Authority	Board of Directors of the Company
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## **1. Introduction**

Section 135 of the Companies Act, 2013 (“**Act**”) read with Companies (Corporate Social Responsibility Policy), Rules, 2014 and Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 (“**Rules**”), including any amendment thereof requires the Company to constitute a Corporate Social Responsibility (‘CSR’) Committee of Directors, adopt a CSR policy, spend at least 2% of its average net profits made during the immediately preceding three financial years towards CSR activities as set out in Schedule VII to the Companies Act, 2013 and confirm compliance thereof in the Annual Report.

Accordingly, HDFC Capital Advisors Limited (hereinafter referred to as “**Company**”) has formulated and adopted this Corporate Social Responsibility Policy (“**Policy**”). The said Policy was first approved and adopted by the Board of Directors at its meeting held on July 24, 2018.

Thereafter, pursuant to the amendments in CSR Rules in January 22, 2021, this Policy has been amended by the Board of Directors of the Company at its meeting held on 30<sup>th</sup> October 2021 and is put in use with immediate effect.

The policy should be read in conjunction with the Act and the Rules (as amended from time to time).

## **2. Policy Objective and Scope**

Corporate Social Responsibility (CSR) is a company’s sense of responsibility towards the community and environment in which it operates. It is the continuing commitment by a business to behave ethically and contribute to the economic development of communities who are unequally endowed.

The Company believes in conducting its business responsibly, fairly and in a transparent manner.

This Policy states the guiding principles for selection of CSR activities in pursuance of Schedule VII of the Act, modalities of execution, implementation and monitoring mechanism of CSR projects/programmes.

The scope of the Policy has been kept as wide as possible, so as to allow the Company to respond to different situations and challenges appropriately and flexibly, subject to the activities enumerated in Schedule VII of the Act.

## **3. Guiding Principles for Selection of CSR Activities**

The Company shall conduct its CSR activities as laid down in Schedule VII of the Companies Act, 2013 and as approved by the CSR Committee of Directors of the Company. These activities will in turn focus on established need, sustainability and focused outcomes of the chosen sectoral themes.

The Company shall not fund any CSR activities undertaken outside India or in pursuance of its normal course of business. The Company plans to focus its CSR initiatives and adopt a structured

approach to the core areas of intervention undertaken across India, in line with the spread of its business & operations.

#### **4. Guiding Principles for implementation of CSR Activities**

##### **A. Through H T Parekh Foundation**

To commemorate the enormous contribution of late Shri H. T. Parekh, the Founder Chairman of the Housing Development Finance Corporation Limited ('the Corporation' or 'HDFC'), the holding company to the development of housing finance and other financial & development sectors in India, HDFC has incorporated the H T Parekh Foundation ("Foundation") as a not-for-profit company licensed under the erstwhile Section 25 of the Companies Act, 1956 (corresponding to Section 8 of the Companies Act, 2013).

The Foundation has been incorporated with the aim to undertake, pursue and be concerned with the welfare, betterment and advancement of society as a whole, across multiple social sectors. The Foundation in turn will execute the CSR responsibilities either:

(i) directly, by executing and implementing programmes permitted under Schedule VII of the Act and approved by the CSR Committee; and/or

(ii) by entering into partnerships with implementing organisations registered in India having a valid CSR registration number granted by the Ministry of Corporate Affairs (MCA) and having a track record of service, performance, governance and accountability.

##### **B. Directly or through other implementing agency**

The Company may directly undertake the CSR activities as permitted under Schedule VII of the Act and approved by the CSR Committee or execute and implement CSR activities through any other implementing agency registered in India, having a valid CSR registration number granted by the Ministry of Corporate Affairs (MCA) and having track record of service, performance, governance and accountability.

All the aforementioned organisations including the Foundation will be referred to as "**Partnering NGOs**" in this Policy.

#### **5. Role of Corporate Social Responsibility Committee ("CSR committee")**

The Board of Directors of the Company has constituted a CSR Committee, which will play the following role in fulfilling the Company's CSR objectives:

- Review and recommend the CSR policy to the Board which shall indicate the activities to be undertaken by the Company (in areas or subject, specified in Schedule VII of the Act);
- Recommend the amount of annual expenditure to be incurred on the CSR activities;
- Review the annual action plan for each financial year and recommend the same to the Board;

- Review and recommend to the board, certain CSR projects/programmes as ongoing projects in accordance with CSR Rules;
- Review the impact assessment reports of CSR projects; and
- Annually report to the Board, the status of the CSR activities undertaken and contributions made by the Company.

The CSR Committee shall do all such acts, deeds, matters and things to ensure compliance with applicable provisions relating to CSR and the CSR policy as amended, from time to time.

The overall execution of the Policy and day-to-day administration will be the responsibility of the CSR team within the Company, other senior officials of the Company or such other officers as may be designated by the CSR Committee (“**CSR Team**”), working under the guidance of the CSR Committee to ensure that the CSR initiatives are in line with this Policy.

The composition of the CSR Committee and the detailed terms of reference are available on the website of the Company at [www.hdfccapital.com](http://www.hdfccapital.com)

#### **6. Role of Board of Directors (“Board”)**

- The Board after taking into account the recommendations made by the CSR Committee, approve the Corporate Social Responsibility Policy for the Company and disclose the composition & contents of such Policy in its report and place it on the Company’s website.
- The Board shall ensure that the activities as are included in Corporate Social Responsibility Policy of the Company are undertaken by the Company.
- The Board of the Company shall ensure that the Company spends, in every financial year, at least two percent of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.
- If the Company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.
- Review and approve the CSR policy which shall indicate the activities to be undertaken by the Company (in areas or subject, specified in Schedule VII of the Act);
- Approve the annual action plan for each financial year;
- Approve certain CSR projects/programmes as ongoing projects in accordance with CSR Rules;
- Review the impact assessment reports of CSR projects; and
- Approve the Annual report, the status of the CSR activities undertaken and contributions made by the Company.

## **7. CSR Amount and expenditure**

The Company shall ensure to spend in every financial year, at least 2% percent of the average net profits made during the three immediately preceding financial years, in pursuance of this Policy and in the manner as specified in Section 135 of the Act and the Rules made thereunder from time to time.

## **8. Annual Action Plan**

The Company shall formulate an Annual Action Plan for each financial year and recommend the same to the CSR Committee and the Board for its approval.

The annual action plan shall include the following:

- List of CSR projects;
- Manner of execution of CSR projects;
- Modalities of utilisation of funds and implementation schedules for CSR projects;
- Monitoring and reporting mechanism for CSR projects;
- Details of need and impact assessment for CSR projects, as may be applicable.

An update on the status of compliance with the annual action plan shall be provided to the CSR Committee and Board of Directors on a periodic basis and action plan may be modified accordingly.

## **9. Process for Implementing CSR Activities / Projects**

The following procedure is required to be adhered to while undertaking/ funding CSR activities:

- Execution of Grant letters with all Partnering NGOs, which would detail the project proposal and understanding, responsibilities of the partner, execution timelines, communication and monitoring of project outcomes for the parties signing the Grant Letter;
- The CSR contribution would be for a project as identified by the Company, either for a single financial year or as an ongoing project for multi-years, depending on the scale and needs of the project.
- The disbursement of the contribution amount by the Company to the Partnering NGOs shall be made only if they have a unique CSR registration number granted by the MCA and requisite approvals and registrations as required under the Income Tax Act, 1961 or other applicable laws in India; and
- The disbursement will be made only upon receipt of a proposal from the Partnering NGOs specifying the budget that is required, activity for which it is required and project outputs & outcomes, as may be required.

## **10. Monitoring & Evaluation Framework**

The Company shall be entitled to receive the following information from the Partnering NGOs:

- Information about the project status;
- Annual Report with audited financial statements;
- Operational / progress reports either quarterly or half yearly, depending on the size and scale of the project;
- Impact assessment reports of the CSR project.

To ensure steady progress and proper utilization of CSR amount, the following monitoring mechanism may be adopted depending upon the size of contribution and the Partnering NGOs:

- Periodic field visits by the Company;
- Undertaking third party audits of the projects; and/or
- Review of funds utilisation reports, submitted by the Partnering NGOs.

The Chief Operating Officer and Senior Vice President – Finance & Compliance of the Company who are jointly responsible for financial management shall certify the utilisation of funds disbursed for CSR projects for each financial year.

#### **11. Impact Assessment report**

The Company shall through a panel of independent agencies undertake impact assessment for eligible CSR projects, in accordance with rule 8 of the CSR Rules.

The CSR Committee of the Company shall decide the periodicity for undertaking impact assessment of the CSR projects or programmes as mandated by the MCA.

In an event wherein a CSR project or programme is undertaken by the Company jointly with its group companies or any other company, the manner of execution, modalities of sharing of costs incurred including conducting an impact assessment and other matters shall be decided by the CSR Committee.

The impact assessment reports shall be placed before the CSR Committee and the Board of Directors for their noting and shall be annexed to the annual report on CSR activities for each financial year. Expenditure incurred towards carrying out the impact assessment will be considered as part of CSR expense, as per the limits stipulated under the CSR Rules.



## **12. Reporting**

The CSR Committee shall report to the Board of Directors of the Company, the status of the CSR projects/ activities undertaken by the Company in the Annexure to the Directors' Report, in the Company's Annual Report.

The Company shall upload this Policy, and all other information as statutorily required on its website; [www.hdfccapital.com](http://www.hdfccapital.com).