



HDFC STANDARD LIFE INSURANCE COMPANY LIMITED

CORPORATE GOVERNANCE POLICY

Version 2

Owner Department: Legal & Compliance

Introduction

The Corporate Governance Policy provides the framework under which the Board of Directors operates. It includes its corporate structure, culture, policies and the manner in which it deals with various stakeholders. The governance policies address the responsibilities, authority and administration of the Board of Directors. The policies also include the responsibilities of the Principal Officer and define the reporting relationships.

Timely and accurate disclosure of information regarding the financial situation, performance, board constitution, ownership of the company etc. is an important part of corporate governance. Corporate governance arrangements are those through which an organisation directs and controls itself and the people associated with it.

The Policy is normally reviewed annually and modified when appropriate to ensure proper alignment with best practices in corporate governance.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is a process that aims to meet stakeholder's aspirations and societal expectations. It is not a discipline imposed by a Regulator, rather is a culture that guides the Board, Management and Employees to function towards best interest of Stakeholders.

At HDFCSL, Corporate Governance philosophy stems from the belief that corporate governance is a key element in improving efficiency and growth as well as enhancing investor confidence. Accordingly, the Corporate Governance philosophy has been scripted as under: "As a good corporate citizen, the Company is committed to sound

corporate practices based on its vision, values & principles in building confidence of its various stakeholders, thereby paving the way for its long term success and sustenance.”

At the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Company. The Company believes that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance.

The Company’s corporate governance practices are aimed at meeting the corporate governance requirements as per the IRDA Corporate Governance Guidelines, besides good practices either recommended by professional bodies or practised by leading companies in India. .

The following Corporate Governance Policy has been adopted by the Board of Directors to assist the Board in the exercise of its responsibilities. This Policy is subject to future amendments or changes, as may be necessary, in the light of the amendments in various regulations in force for governance requirements.

OUR VISION AND VALUES

HDFC Standard Life Insurance Company Ltd. is one of India's leading private insurance companies, which offers a range of individual and group insurance solutions. It is a joint venture between Housing Development Finance Corporation Limited (HDFC Ltd.), India's leading housing finance institution and Standard Life plc, a Group Company of the Standard Life, UK.

Our Vision

'The most successful and admired life insurance company, which means that we are the most trusted company, the easiest to deal with, offer the best value for money, and set the standards in the industry'.

In short, 'The most obvious choice for all'.

Our Values

Values that define how we work:

Integrity

Innovation

Customer centric

People Care
Team work
Joy and Simplicity

Besides the above (which provides an insight into the Corporate Structure of the Company), the Committees appointed by the Board focus on specific areas and take informed decisions within the framework of delegated authority, and make specific recommendations to the Board on matters within their areas of purview. All decisions and recommendations of the Committees are placed before the Board for information or for approval.

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee of Directors
Remuneration Committee of Directors
Share Transfer and Allotment Committee.
Risk Management Committee of Directors

OTHER COMMITTEES

Investment Committee
Policyholder Protection Committee
Nomination Committee
Ethics Committee

BOARD OF DIRECTORS

The Board is responsible to act in the best interests of the Company and its shareholders. In discharging their duties the Directors shall comply with the Code of Conduct as adopted by the Board.

Directors are expected to attend and actively participate in Board Meetings and Meetings of Committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

The Board is responsible for overall compliance with the corporate governance policy of the Company. It oversees and directs the management of the Company's business and affairs. In doing so, it must act honestly, in good faith and in the best interests of the Company.

Board Composition

As per the Articles of Association of the Company, the maximum number of Directors which the Company can appoint is 15 (excluding any alternate directors). At any one time, upto 3 directors each shall be nominated by HDFC and Standard Life. The Company's Board shall have an optimum combination of Executive, Non-Executive and Independent Directors as required by the IRDA Corporate Governance Guidelines

Independent Director

As defined in the Listing Agreement, an Independent Director means a Non-Executive Director of the company who:

- (i) apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies
- (ii) is not related to promoters or management at the Board level or at one level below the Board;
- (iii) has not been an executive of the company in the immediately preceding three financial years;
- (iv) Is not a partner or an executive of the statutory audit firm or the internal audit firm that is associated with the company, and has not been a partner or an executive of any such firm for the last three years. This will also apply to legal firm(s) and consulting firm(s) that have a material association with the entity;
- (v) Is not a supplier or service provider of the company. This should include lessor-lessee type relationships also; and
- (vi) Is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares.

Appointment of Director

A Nomination committee comprising promoter representation, will recommend the induction of Board Members. The invitation to join the Board is extended on behalf of the Board by the Chairman of the Board. The new director shall be apprised of the working of the Company and various Codes of Conduct adopted by the Company in its functioning. The Director will execute Deed of Covenant post his appointment.

This Deed of Covenant shall be subject to review annually.

In case of appointment of a new director or reappointment of a director/additional director during the year, the shareholders shall be provided with the following information:

- (i) A brief resume of the director;
- (ii) Nature of his expertise in specific functional areas; and
- (iii) Names of companies in which the person also holds directorship and the membership of committees of the board, when such appointment/re-appointment comes up for approval at a general meeting of the shareholders.

As a matter of prudence, not more than one member of a family, or a close relative as defined in the Companies Act or an associate (partner, director, etc.) should be on the Board of the Company as Independent Director.

Tenure

The tenure of Executive Directors shall not exceed a period of 5 years on each occasion. Non-Executive/ Independent Directors shall be eligible for retirement by rotation as well as reappointment.

Compensation/ Sitting fees:

Executive Directors:

Executive Directors shall be paid remuneration within the limits as approved by the Board, the shareholders of the Company as well as the IRDA. As a company policy, no sitting fees are payable to Executive Directors.

Non-Executive/ Independent Directors:

Non-Executive Directors/ Independent Directors are paid sitting fees for attending the Board and Committee Meetings. The sitting fees to be paid shall be within the prescribed limits of Companies Act, 1956 and the Rules made thereunder as also other applicable regulations issued by the IRDA from time to time.

Currently all compensation paid to Non-Executive/ Independent Directors shall be

fixed by the Board of Directors and shall be approved by shareholders in general meeting. All the details relating to the compensation (inclusive of Employee Stock Options, if any) so paid shall also be disclosed in the Annual Report of the Company.

Board Meetings

The Board Meetings of the Company shall be held at least four times a year, once every quarter and not more than four months shall elapse between two successive meetings. The quorum shall be either two members or one third of the members of the Committee whichever is greater, presence of an Independent Director should be necessary to form a quorum. The meetings of the Board will be held at the Company's registered office unless otherwise decided by the Board of Directors.

Information to be placed before the Board of Directors

The information to be placed before the Board of Directors shall include but not be limited to the following:

- (i) Annual business plans and budgets and updates on the same every quarter.
- (ii) Capital budgets and any updates and periodic reviews of performance of the Insurance Company
- (iii) Annual financial results for the company and its operating divisions or business segments
- (iv) Minutes of meetings of Audit Committee and other committees of the Board.
- (v) The information on recruitment and remuneration of senior management personnel i.e. officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary / Compliance Officer, Head – Audit & Risk.
- (vi) Show cause, demand, prosecution notices and penalty notices which are materially important.
- (vii) Fatal or serious accidents, dangerous occurrences affecting business continuity.
- (viii) Any material default in financial obligations to and by the Company.
- (ix) Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- (x) Details of any joint venture or collaboration agreement.
- (xi) Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.

- (xii) Significant labour problems and their proposed solutions. Any significant development in Human Resources front like change in compensation structure, implementation of Voluntary Retirement Scheme etc.
- (xiii) Sale of a material nature; e.g. investments, subsidiaries, assets, which is not in normal course of business.
- (xiv) Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend etc.
- (xv) organizational structure of the Insurance Company and delegation of authority,
- (xvi) corporate and management controls and systems including procedures;
- (xvii) economic features and marketing environment,
- (xviii) information and updates as appropriate on Insurance Company's products;
- (xix) information and updates on major expenditure;
- (xx) report periodically about implementation of strategic initiatives and plans;
- (xxi) all relevant information for taking informed decisions in respect of matters brought before the Board;

Agenda for the Meeting

The agenda for the Board Meetings alongwith information relevant to the agenda shall be sent in writing or electronically to the Directors at least 5 working days prior to the Meeting. Each Board member is free to suggest the inclusion of items on the agenda. With the permission of the Chair, each Board member is also free to raise, at any Board Meeting, matters that are not on the agenda. However, with reference to any sensitive matter on the agenda, relevant information shall be made available only at the time of the Board Meeting.

Attendance at Board Meetings

The Board Meetings shall be attended by the Directors and on invitation of the Board by executives of the Company who can provide an insight into the agenda items being discussed. All the Executive as well as Non-Executive Directors shall endeavour to attend all meetings of the Board. In case a Director cannot attend a specific Board Meeting, he or she shall obtain leave of absence from the Board.

Minutes

The minutes of all meetings of the Board shall be circulated as soon as possible to

the members of the Board from the date of the Board meeting to the Directors and shall be approved in the next Board Meeting.

Duties and Responsibilities

- (i) The Board is responsible for Review of the Compliance Certificates along with the Compliance Report of various laws, Regulations and applicable codes submitted by concern Functional Heads on Quarterly basis.
- (ii) Formulation, adoption and review of the various policies prescribed by various Statutory Authorities from time to time.
- (iii) Setting Standards of Business Conduct and Ethical Behavior for the Board of Directors and Sr. Management.
- (iv) Setting Standards of Servicing to Policy Holders and their grievance redressal mechanism.
- (v) Providing strategic guidance for implementation of business policy and Structure for Management Information System for review and taking corrective actions.
- (vi) Reviewing and regulating the risk profile of the Company through the effective Risk Management System.
- (vii) Reviewing all the Regulatory and supervisory directions submitted to it from time to time.
- (viii) Assessing the performance of Sr. Management in implementation of Board Philosophy.
- (ix) Formulating the Roles and Responsibilities of Appointed Actuary and degree of involvement in the product designing , pricing and determination of liabilities
- (x) Reviewing the Reports on integrity and appropriateness of the IT system of the Company.
- (xi) Forming various Committees of Board for discharging its various duties while retaining its primary accountability.
- (xii) Setting up sound system of internal controls and audit including Financial, operational and Compliance controls and annual review of such system for their effectiveness.
- (xiii) Monitors the financial performance of the Company and must ensure that the financial results are prepared in accordance with the generally accepted accounting principles and regulations issued by the Insurance Regulatory and Development Authority and are reported to shareholders and regulators on a timely and regular basis.
- (xiv) Ensuring that all material developments of the Company are disclosed to

the public on a timely basis in accordance with the Standard Listing Agreement requirement.

- (xv) Formulating Compensation strategy and employee benefit schemes.
- (xvi) Formulate investment strategies for the investment of the funds.
- (xvii) Review the functioning of Whistle Blower Mechanism across the Company on periodical basis.
- (xviii) Take help of independent outside consultants/advisors
- (xix) To delegate the powers to committees for ensuring Compliance

AUDIT COMMITTEE OF DIRECTORS

Role

The Company shall set-up an Audit Committee in compliance with the provisions of Companies Act, 1956 and the Standard Listing Agreement which binds the constitution and functioning of the Committee.

The primary function of the Audit Committee shall be to assist the board in matters relating to applicable legal requirements with respect to independence, financial literacy, accounting or related financial expertise etc. The management of the Company has the overall responsibility to prepare financial statements in accordance with generally accepted accounting principles and any applicable regulations. The Company's Independent Auditors have the responsibility to audit these financial statements. The Audit Committee's responsibility is one of overseeing the correct preparation and provision of financial information. However, the Audit Committee has no obligation to provide any expert or other special assurance as to the Company's financial statements.

Membership

The members of the Audit Committee are appointed by the Board of Directors. It shall have minimum of three Non-Executive Directors, and such number of other directors as the Board may determine of which two-thirds of the total number of members shall be directors, other than managing or whole-time directors.. The Chairman of the Committee shall be an Independent Director himself who shall be present at the Annual General Meeting to respond to shareholder queries.

Operations

The Audit Committee Meeting shall be attended by;

- The members of the Audit Committee
- Internal Auditors / Statutory auditors
- Company Secretary to act as the secretary to the Committee
- Such other invitees at the discretion of the Chairman of the Committee

The meetings of the Audit Committee shall at least be held four times a year, usually preceding the Board Meeting and not more than four months shall elapse between two successive meetings. The quorum shall be either two members or one third of the members of the Committee whichever is greater, presence of an Independent Director should be necessary to form a quorum. The quarterly financial statements shall be reviewed by the Committee before placing the same before the Board. In addition to its members, the Committee may at its discretion require the attendance of senior management of the Company at its meetings. The Committee would be free to meet without the presence of any or all of such invitees if it so desires. The Company Secretary will maintain minutes of the meetings of the Audit & Risk Committee.

Objective, Powers, Responsibilities and Duties

Objectives of the Audit Committee

- (i) Assist the Board of Directors of the Company in fulfilling its responsibilities to oversee
 - Company's financial reporting process
 - The integrity of the Company's financial statements
 - Independent Auditors' qualifications and independence
 - The performance of the Company's Internal Audit function and Independent Auditor
- (ii) Oversee the Company's compliance with legal and regulatory requirements
- (iii) Evaluate the adequacy and effectiveness of the Company's legal compliance control system
- (iv) Encourage legal compliance in the observance of highest standards of ethics and integrity

Powers of Audit Committee

The Audit Committee will have the resources and other authority necessary to discharge its duties and responsibilities. The Committee is empowered:

- (i) To recommend appointment of Statutory and Internal Auditors (if any)
- (ii) To investigate any activity within its terms of reference.
- (iii) To have direct access to seek information from any employee of the Company.
- (iv) To obtain outside legal or other professional advice and to secure attendance of outsiders with relevant expertise, if it considers necessary.
- (v) To have unrestricted access to the Company's books and records.
- (vi) To review the Financial statements and draft audit report, including quarterly / half-yearly financial information.

Responsibilities and Duties

Internal Audit

- (i) Reviewing the adequacy of internal control systems with the management, external and internal auditors.
- (ii) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- (iii) Reviewing and discussing with internal auditors and management on significant issues/ findings arising from the internal audit reports and follow up action thereon.
- (iv) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (v) Review performance of Internal Audit
- (vi) Ensure that the Auditors so appointed shall not enter into any other material contractual relationship with the Company

External Audit

- (i) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- (ii) Ensuring the compliance of the conditions for appointment and eligibility of Statutory Auditors of the Company as stipulated by the Regulatory Authority from time to time.
- (iii) Discussion with external auditors before the audit commences about nature and scope of audit.
- (iv) Post-audit, discussion with external auditors to ascertain any area of concern.

- (v) Review of performance of the external auditors.

General

- (i) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (ii) Reviewing with management, the annual financial statements before submission to the Board, focusing primarily on:
 - a. Any changes in accounting policies and practices.
 - b. Major accounting entries based on exercise of judgment by management.
 - c. Qualifications in draft audit report.
 - d. Significant adjustments arising out of audit.
 - e. The going concern assumption.
 - f. Compliance with accounting standards.
 - g. Compliance with regulatory authorities and legal requirements concerning financial statements.
 - h. Any related party transactions.
- (iii) Reviewing with the management, external and internal auditors, adequacy of internal control systems.
- (iv) Reviewing the Company's financial and risk management policies.
- (v) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- (vi) Identifying and reporting of the potential risk factors with necessary remedial measures, if any.
- (vii) Verification of Assets, Contingent and other disputed liabilities.

In addition to the above, the Audit Committee will undertake such other duties as the Board of Directors delegates to it, and will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

Review and Reporting

Review of information by Audit Committee

The following shall be subject to review by the Audit Committee.

- (i) Financial statements and draft audit report, including quarterly / half-yearly financial information.

- (ii) Management discussion and analysis of financial condition and results of operations to be presented annually.
- (iii) Reports relating to compliance with laws and to risk management.
- (iv) Management letters / letters of internal control weaknesses issued by statutory / internal auditors.
- (v) Records of related party transactions.
- (vi) The appointment, removal and terms of remuneration of the Internal auditor

Reporting

The Audit Committee shall report to the Board of Directors. The Audit Committee shall prepare a report each year for inclusion in the Company's annual report.

REMUNERATION COMMITTEE OF DIRECTORS

Role

The Remuneration Committee shall be under the chairmanship of a Non Executive Director. The primary function of the Remuneration Committee is to assist the Board in exercising the responsibilities and duties set forth in the paragraph "Powers and authorities" below, including but not limited to determining and making recommendations with respect to all forms of compensation to be granted to Directors and senior management employees of the Company.

Membership

The Remuneration Committee shall consist of two or more Non Executive Directors. The Company Secretary shall act as Secretary to this Committee.

Operations

The Chairman shall call the Committee meeting as and when required. One meeting shall be called before the Board meeting in which the annual financial results of the Company would be approved, to recommend the commission payable to the Non Executive Directors. Minutes of every meeting shall be maintained. The quorum of the meetings shall be one third of the total strength or two Directors whichever is more. The meetings can also be conducted vide teleconference/video conference, where permitted by applicable regulations.

Powers and authorities

- (i) To formulate one or more scheme(s) for granting of Stock Options to

Employees and Directors of the Company as well as its subsidiaries, from time to time, subject to the approval of the Shareholders of the Company and within the provisions of the Companies Act, 1956 and other statutes as may be applicable from time to time.

- (ii) To formulate such policies as may be required, from time to time, for extending benefits, both monetary and otherwise to all or any class of employees.
- (iii) To decide and finalise the appointment, re-appointment, termination of appointment or remuneration and other terms and conditions of appointment or termination of whole time directors / Directors within the limits as may be laid down by the Shareholders of the Company, either by way of a provision in the Articles of Association or vide any resolution passed by them, subject to the statutory and regulatory approvals and the limits as may be laid down from time to time.
- (iv) To authorise the Chairman of the Committee to enter into agreement for appointment, termination of appointment or variation thereof between the Company and the whole time directors,.
- (v) To alter and vary the terms and conditions of the said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits payable to the whole time directors in such manner as may be agreed to between the Company and the whole time directors, if any; Provided however that the remuneration payable to the whole time directors, if any shall not exceed the limits specified by the Members of the Company and approved by the Insurance Regulatory and Development Authority or any other applicable statutory authority.

Report

The Remuneration Committee shall its report to the Board. The Remuneration Committee shall prepare a report each year for inclusion in the Company's annual report.

SHARE TRANSFER AND ALLOTMENT COMMITTEE

Role

The Company shall set-up a Share Transfer and Allotment Committee. The primary function of the Share Transfer and Allotment Committee is to approve the allotment of shares of the Company and transfer of shares between the shareholders and to ensure compliance with applicable provisions.

Membership

The Share Transfer and Allotment Committee shall consist of two or more Directors. The Company Secretary shall act as Secretary to this Committee.

Operations

The Chairman shall call the Committee meeting as and when required. Minutes of every meeting will be maintained. The quorum of the meetings shall be one third of the total strength or two Directors whichever is more. The meetings can also be conducted vide teleconference/video conference.

Powers and authorities

The Share Transfer and Allotment Committee shall have following powers

- (i) To appoint/remove Registrars and Share Transfer Agents, Depositories
- (ii) To approve/ratify allotment of shares
- (iii) To approve request lodged with the Company for transfer, transmission, de-materialisation, re-materialisation of shares
- (iv) To approve/ratify the issuance of duplicate, replaced, split, consolidated share certificates duly verified, confirmed and recommended by the Company Secretary, from time to time

Reporting

The Share Transfer and Allotment Committee shall report to the Board. It shall prepare a report each year for inclusion in the Company's annual report.

As and when the standard Listing Agreement becomes applicable to the Company,

the Share Transfer and Allotment Committee shall also function as the Grievance Redressal Committee for addressing grievances of shareholders and investors.

RISK MANAGEMENT COMMITTEE OF DIRECTORS

Role

Risk Management Committee shall be under the chairmanship of a Non Executive Director. The primary function of the Committee is to assist the Board of Directors in exercising the responsibilities and duties set forth in the paragraph on “Powers and authorities”

Membership

The Risk Management Committee shall consist of two or more Non Executive Directors. The Company Secretary shall act as Secretary to this Committee.

Operations

The members of Risk Management Committee shall meet at least once in a quarter and not more than four months shall elapse between two successive meetings. The quorum shall be either two members or one third of the members of the Committee whichever is greater. Minutes of every meeting shall be maintained. The quorum of the meetings shall be one third of the total strength or two Directors whichever is more. The meetings can also be conducted vide teleconference/video conference.

Terms of Reference –

- (i) Reviewing and approving the risk management policy and associated framework, processes and practices of the Company annually.
- (ii) Ensuring the appropriateness of the company in taking measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- (iii) Evaluating significant risk exposure of the Company and assessing Management’s action to mitigate the exposure in timely manner.
- (iv) Coordinating activities with Audit Committee in instances where there is any overlap with Audit activities
- (v) Reporting to the Board on periodical basis.
- (vi) Setting the risk/reward objectives and assess policyholder expectations.
- (vii) Quantifying the level of risk exposure and assessing the expected rewards and costs associated with the risk exposure.
- (viii) Formulating and implementing optimal Asset Liability Management strategies and meeting risk/reward objectives. The strategies must be laid down both at product level and enterprise level.

- (ix) Laying down the risk tolerance limits.
- (x) Monitoring risk exposures at periodic intervals and revising ALM strategies where required.
- (xi) Placing the ALM information before the Board at periodic intervals.

Powers and authorities

- (i) The Risk Management Committee shall have meetings periodically as it may deem fit, with at least one meeting in a year.
- (ii) The Risk Management Committee shall invite executives (and particularly the Chief Financial Officer and the Appointed Actuary) and other external experts to attend the meetings of the Committee, without the right to vote, whenever it deems necessary.
- (iii) The Risk Management Committee shall have access to any internal information necessary to fulfill its role.
- (iv) The purpose of the Risk Management Committee is to measure and manage the investment and liability risk to meet solvency, marketing and profitability targets. Review on the appropriated and integrated pricing, investment and policy contract design and development of customer satisfaction strategies to meet ALM objectives.
- (v) The Risk Management Committee shall have the power to manage the resources and treasury functions of the Company.

Reporting

The Risk Management Committee shall report to the Board. It shall prepare a report each year for inclusion in the Company's Annual Report.

INVESTMENT COMMITTEE

Role

The Investment Committee shall be set-up in compliance with the provisions of the IRDA (Investment) Regulations, 2000. The primary function of the Investment Committee is to formulate the investment policy and strategies for the investment of the policyholder and shareholder funds in accordance with the limits prescribed in the regulations.

Membership

The Investment Committee shall consist of a minimum of two non-executive directors, the Principal Officer, Chiefs of Finance and Investment divisions, and the Appointed Actuary; The Company Secretary shall act as Secretary to this Committee. Composition of membership will be as per Investment Regulation from time to time.

Operations

The members of Investment Committee shall meet at least once in a quarter and not more than four months shall elapse between two successive meetings. The quorum shall be either two members or one third of the members of the Committee whichever is greater. The decisions taken by the Investment Committee shall be properly recorded and be open to inspection by the officers of the Authority. The quorum of the meetings shall be one third of the total strength or two Directors whichever is more. The meetings can also be conducted vide teleconference/video conference.

Powers and authorities

- (i) To recommend any changes in the Company Investment and Lending Policy for approval by the Board
- (ii) To approve investment transactions of the Company
- (iii) To approve investments in "Other Investments" category
- (iv) To approve any investments in Infrastructure / Social Sector
- (v) To ratify any investments in an Initial Public Offer
- (vi) To approve Stop Loss limits
- (vii) To review Asset Mix of Conventional Product Portfolios.
- (viii) To review Portfolio Yield & Modified Duration in Conventional Portfolio & Unit-

linked Portfolios.

(ix) To review Sectoral Allocation of Equities for Conventional & Unit-linked Portfolios.

(x) To review Fund Performance for Conventional & Unit Linked Funds.

(xi) To review Rating Exposure of Unit-Linked & Conventional Portfolios.

The investment committee shall assist the board in drawing up the Investment policy.

In framing such a policy, the Board will address

- i) issues relating to liquidity, prudential norms, exposure limits, stop loss limits in securities trading, management of all investment & market risks, management of assets liabilities mismatch, investment audits and investment statistics, etc. and the provisions of the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Investment) Regulations, 2000.
- ii) Ensure adequate returns on Policyholders & Shareholders funds consistent with the protection, safety and liquidity of such funds.
- iii) Ensure that the funds of the insurer shall be invested and continued to be invested in instruments which enjoy a rating as prescribed from time to time by regulations, keeping in mind the safety and liquidity of the policyholders' funds are assured.

Reporting

The Investment Committee will submit its report on investment performance to the Board on periodical basis and each year for inclusion in the Company's Annual report.

POLICYHOLDER PROTECTION COMMITTEE

Role

Policyholder Protection Committee shall be under the chairmanship of a Non Executive Director. The primary function of the Committee is to assist the Board of Directors in exercising the responsibilities and duties set forth in the paragraph on “Powers and authorities”

Membership

The Policyholder Protection Committee shall consist of two or more Non Executive Directors. The Company Secretary shall act as Secretary to this Committee.

Operations

The members of Policyholder Protection Committee shall meet at least once in a quarter and not more than four months shall elapse between two successive meetings. The quorum shall be either two members or one third of the members of the Committee whichever is greater. Minutes of every meeting shall be maintained. The quorum of the meetings shall be one third of the total strength or two Directors whichever is more. The meetings can also be conducted vide teleconference/video conference.

Responsibilities –

- (i) Putting in place proper procedures and effective mechanism to address complaints and grievances of policyholders.
- (ii) Ensure compliance with the statutory requirements as laid down in the regulatory framework.
- (iii) Review of the mechanism at periodic intervals.
- (iv) Ensure adequacy of disclosure of “material information” to the policyholders. These disclosures shall, for the present, comply with the requirements laid down by the Authority both at the point of sale and at periodic intervals.
- (v) Review the status of complaints at periodic intervals to the policyholders.
- (vi) Provide the details of grievances at periodic intervals in such formats as may be prescribed by the Authority.
- (vii) Provide details of insurance ombudsmen to the policyholders

Powers and authorities

- (i) The Policyholder Protection Committee may invite the external experts to attend the meetings of the Committee, without the right to vote, whenever it deems necessary.
- (ii) The purpose of the Policyholder Protection Committee is to ensure proper mechanism in place for the redressal of Policyholder's grievances and educating about insurance products of the Company. To ensure compliance with the advertising and disclosure norms as specified by the Statutory Authorities from time to time.
- (iii) The Policyholder Protection Committee shall have the power to frame policies and procedures to protect the interest of Policy holders and for ensuring compliance with the advertisement and disclosure norms prescribed by the Regulatory Authorities and to review the complaints received from Policyholders on periodical basis.

Reporting

The Policyholder Protection Committee shall report to the Board and the minutes should be placed at every Board meeting. It shall prepare a report each year for inclusion in the Company's Annual Report.

NOMINATION COMMITTEE OF DIRECTORS

Role

Nomination Committee shall comprise of Promoter's representation and under the chairmanship of a Non Executive Director. The primary function of the Nomination Committee is to assist the Board of Directors in exercising the responsibilities and duties set forth in the paragraph on "Powers and authorities"

Membership

The Nomination Committee shall consist of two or more Non Executive Directors. The Company Secretary shall act as Secretary to this Committee.

Operations

- (i) The Chairman shall call the Committee meeting periodically as it may deem fit, with at least one meeting in a year. Minutes of every meeting shall be maintained. The quorum of the meetings shall be one third of the total strength or two Directors whichever is more. The meetings can also be conducted vide teleconference/video conference.

Responsibilities –

- (i) To review the Board structure, size and composition and make any recommendations to the Board with regard to any changes deemed necessary;
- (ii) To review the performance of, and recommend if appropriate, directors who are retiring by rotation to be put forward for re-election at the Company's annual general meeting
- (iii) To ensure that the succession plan for Directors, Senior Management and key position employees is adopted, implemented and reviewed from time to time.
- (iv) To provide through the Company Secretary, an annual performance evaluation of the members of the Board and the Senior Management Officials of the Company.

- (v) To evaluate and review on periodical basis the “Fit & Proper criteria” for the Directors and an appointed actuary as prescribed by the Regulatory Authority from time to time.
- (vi) To put in place the procedures for appointment of appointed Actuary and ensure the Compliance of conditions prescribed by the Regulatory Authority for the same.

Powers and authorities

- (ii) The Nomination Committee shall invite any executive of the Company or other external experts to attend the meetings of the Committee, without the right to vote, whenever it deems necessary.
- (iii) On the occasion of any vacancy, the preparation of a short list of candidates whose qualifications, knowledge and experience may provide the required balance of skills to the Board.
- (iv) To interview the selected candidates and to recommend candidates for consideration by the Board.

Reporting

The Nomination Committee shall report to the Board. It shall prepare a report each year for inclusion in the Company’s Annual Report.

ETHICS COMMITTEE OF DIRECTORS

Role

Ethics Committee shall be under the chairmanship of a Non Executive Director. The primary function of the Committee is to assist the Board of Directors in exercising the responsibilities and duties set forth in the paragraph on “Powers and authorities”

Membership

The Ethics Committee shall consist of two or more Non Executive Directors. The Company Secretary shall act as Secretary to this Committee.

Operations

The Chairman shall call the Committee meeting as and when required. Minutes of every meeting shall be maintained. The quorum of the meetings shall be one third of the total strength or two Directors whichever is more. The meetings can also be conducted vide teleconference/video conference.

Responsibilities –

- (i) Adopting, implementing and reviewing the Code of Ethics and Standards for the Company.
- (ii) Setting up the system for recognizing and rewarding the individuals adhering to the ethical culture.
- (iii) Reviewing, investigating the instances reported for unethical behavior of employees or Senior Management Officials and taking suitable disciplinary action against such employees.
- (iv) Reporting the Board on periodical basis the instances and the actions taken against such instances.

Powers and authorities

- (vi) The Ethics Committee shall have meetings periodically as it may deem fit, with at least one meeting in a year.
- (vii) The purpose of the Ethics Committee is to promote and develop ethical environment and discipline across the organization.
- (viii) The Ethics Committee shall have the power to call for any information, documents, and witnesses relevant for the purpose of investigation.

Reporting

The Ethics Committee shall report to the Board. It shall prepare a report each year for inclusion in the Company's Annual Report.

Other Committees

The Board shall have powers to form other Committees from time to time and define their terms of reference

Responsibilities of the Senior Management

The Chief Executive Officer of the company and other key functionaries are responsible for the operations and day to day management of the company in line with the directions of the Board and the Committees set up by the Board. Section 34A of the Insurance Act, 1938 requires prior approval of the Authority for appointment, re-appointment or termination of the Chief Executive Officer and the Whole Time Directors. The CEO would be responsible for the conduct of the company's affair in a manner which is not detrimental to the interests of the policyholders and is consistent with the policies and directions of the Board. The Board should, therefore, carry out effective due diligence to establish that the new incumbent is 'fit and proper' before recommending the name for Authority's approval. In case the CEO resigns, the Authority should be kept informed of such resignation and the reasons therefore. The Insurance Act also prohibits the CEO of a life insurance company from being a Director on the Board of any other Indian insurance company/bank/investment company. As the appointment of the CEO is made with the prior approval of the IRDA the Board should take proactive steps to decide on the continuance of CEO well in time before the expiry of his tenure or to identify the new incumbent. The Authority requires the proposal to be submitted with the approval of the Board at least a month before the completion of the tenure of the incumbent.

APPOINTED ACTUARY

Appointment

Appointment of the Appointed Actuary shall be done in accordance with the procedure set by the Nomination Committee. Nomination Committee shall ensure the fulfillment of “Fit & Proper” criteria of Appointed Actuary at the time of appointment and shall review after that on time to time.

Role

1. The Appointed Actuary is responsible for reviewing and approving internal standards for actuarial processes. Controls and documentation as well as for assumptions, methods and models, in accordance with all applicable laws and regulations,
2. The Appointed Actuary is responsible for a report on actuarial processes and results to the Board of Directors and to Senior Management of the Company, to assist in understanding principle base reserve results and significant and unusual issues and findings.
3. The Appointed Actuary shall provide a certificate on adequacy on solvency margin

Powers

1. An Appointed Actuary shall have access to all information or documents in possession, or under control, of the Company for the proper and effective performance of the functions and duties of the appointed actuary.
2. The Appointed Actuary may seek any information from any officer or employee of the Company.
3. The Appointed Actuary shall attend all meetings of the management including the directors of the Company as well as Shareholders, policyholders.

Duties and obligations.—

1. Rendering actuarial advice to the management, in particular in the areas of product design and pricing, insurance contract wording, investments and reinsurance;
2. Ensuring the solvency of the insurer at all times;
3. Complying with the duties prescribed by the Regulatory Authority from time to time.
4. Reporting to the Board in case of any irregularity, non compliance or adversity is noticed for the corrective action.

TRANSPARENCY AND DISCLOSURES AT HDFCSL

There are several systems and procedures to disseminate relevant information to the stakeholders, including shareholders, analysts, suppliers, customers, employees and the society at large. The primary source of information is our corporate website www.hdfclife.com. All official news releases and presentations made to investors and analysts are posted on the website.

In addition, we also maintain other electronic platforms through which we interface with customers, suppliers, field and non-field employees.

DISCLOSURES

External Disclosures:

Legal Compliances

The Company shall follow a formal management policy and system of legal compliance and reporting to facilitate periodical review by the Audit Committee of compliance status of laws applicable to the Company and steps taken to rectify non-compliances, if any.

Conflict of Interest & Related Party Transactions

The Board of Directors have adopted the "Conflict of Interest Policy" and it is Communicated and being implemented across the Organization. The Board of Directors have Authorized the Audit Committee to review the key transactions and Disclosures received under the Policy on periodical basis.

Transactions with related parties shall be annexed to the financial statements for the year. Adequate care shall be taken to ensure that the potential conflicts of interest do not harm the interests of the Company at large.

The Shares and Convertible debentures of the Company held by the all the Directors shall be disclosed in the Annual Report of the Company.

Disclosures in the Annual report:

The Company should disclose the following in its annual report

- (i) Number of meetings held of the Board of Directors and the Committees

- mandated under the guidelines, in the Financial year
- (ii) Details of the Composition of the Board of Directors and the Committees mandated, setting out name, qualification, field of specialization, status of Directorship held etc.
 - (iii) Number of meetings attended by the Directors and the members of the Committee
 - (iv) Details of the remuneration paid, if any to the Independent Director
 - (v) Annual report to have certification from the Compliance Officer.

Internal Disclosures:

Process Compliance at HDFCSL

Business Process Management as a proactive activity shall be ideally performed in near real time whereby process design, implementation, measurement and review of business activities are co-centric to the process life cycle management framework.

Compliance risk management shall be an integral component of Business Process Management. Its goals shall be to minimize the effects of violation of or non-conformance with many rules that govern how financial services business activities are supposed to conduct business.

Employee Dealing Policy

The Company has established policies and procedures for the conduct of employee dealing. Members of the Investment Committee, senior Management as well as employees in the Investment Department are expected to abide with this Policy.

Code of Conduct of Directors & Employees

The Code of Conduct adopted by the Company shall be posted on the web site of the Company. The members of the Board and senior management of the Company shall submit their affirmation on compliance with the Code of Conduct for the effective period. The declaration by the Whole Time Directors to that effect shall form part of the annual report.

Outsourcing Policy

Company shall lay down the Outsourcing Policy in accordance with the guidelines issued by the IRDA from time to time. Outsourcing involves transferring responsibility for carrying out an activity (previously carried on internally) to an outsourcer for an agreed charge. The outsourcer provides services to the customer based on a mutually agreed service level, normally defined in a formal contract.

All the Outsourcings shall be carried out according to the Policy adopted by the Company.

Whistle Blower Policy

The Whistle Blower Policy of the Company shall be drawn to achieve the highest business and personal, ethical and legal standards. 'Whistle Blower' means the employee of HDFCSL making a protected disclosure under this policy. He/She is neither an investigator nor a finder of facts, nor does he/she determine the appropriate corrective or remedial action that may be warranted. Issues raised to the Whistleblower Committee constituted under the Policy shall be kept in utmost confidence and shall be investigated in a fair manner.

The functioning of Whistle blower mechanism shall be reviewed by Board of Directors once in two years or in between should there be a change/amendment in regulations **Malpractice Matrix Policy**

The Company shall lay down the Malpractice Matrix policy in an endeavor to become the most trusted Company. 'Malpractice' refers to misconduct or breach of duty in the performance of a professional service those results in a financial and reputation loss. All the employees in the company are expected to abide with this Policy.

Risk Management Policy

The Company shall lay down a Risk Management Policy which will envisage within its scope an enterprise wide risk management framework covering inter-alia the following:

- 1 Physical Security
- 2 Technology Security
- 3 Information Security

- 4 Third Party Security
- 5 Change Management
- 6 Operational Risks

Anti Money Laundering Policy

The Anti Money Laundering Policy of the Company shall be in conformity with the guidelines laid down by law from time to time. The Anti Money Laundering Policy adopted by the Company is posted on the website of the Company. 'Money Laundering' is moving illegally acquired cash through financial systems so that it appears to be legally acquired. As a measure, the Company shall adhere to the 'Know Your Customer' (KYC) Norms and the guidelines issued by the regulators from time to time.

Apex Code of Best Practice for Indian Life Insurance

The Company's Insurance Business is based on the twin principles of trust and risk-sharing. It is very important that such a business is operated and administered with the highest degree of integrity and ethics. For a desirable framework the Company has adopted Apex Code of Best Practice for Indian Life Insurance.

Reporting to IRDA

Company secretary is designated as Compliance Officer whose duty shall be to monitor continuing compliance with these guidelines.

Corporate Governance Policy will be reviewed once in two years or in between should there be a change/amendment in regulations

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