To,
THE MEMBERS
HDFC LIFE INSURANCE COMPANY LIMITED
(Formerly HDFC Standard Life Insurance Company Limited)


**Standalone Financial Performance, Business Review and Outlook**

**Financial Performance:**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Standalone (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2020</td>
</tr>
<tr>
<td>a. New business premium</td>
<td></td>
</tr>
<tr>
<td>(i) Regular premium</td>
<td>17,238</td>
</tr>
<tr>
<td>(ii) Single premium</td>
<td></td>
</tr>
<tr>
<td>b. Renewal premium</td>
<td>15,468</td>
</tr>
<tr>
<td>Total Premium</td>
<td>32,707</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>1,295</td>
</tr>
</tbody>
</table>

**Other Key Parameters:**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>FY 2020</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual APE</td>
<td>6,145</td>
<td>5,204</td>
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<tr>
<td>Group new business premium</td>
<td>8,775</td>
<td>7,327</td>
</tr>
<tr>
<td>Assets under Management</td>
<td>1,27,226</td>
<td>1,25,552</td>
</tr>
<tr>
<td>Embedded Value</td>
<td>20,650</td>
<td>18,301</td>
</tr>
<tr>
<td>Overall new business margins (post overrun)</td>
<td>25.9%</td>
<td>24.6%</td>
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</tbody>
</table>

*Note: Embedded Value and Overall new business margins for FY 2020 and FY 2019 are based on external review*

**Business Review and Outlook**

**Macro Economic Scenario**

The year gone by proved to be quite tumultuous for the Indian economy. The new government continued to grapple with the economic slowdown triggered by the NBFC/ HFC defaults that had hit the economy. Household income, savings and consumption data had shown that the Indian consumption trends were increasingly supported by rising household leverage, as the growth of consumption had outstripped income growth over the previous years. The urban and the industrial sector did not see any turnaround and the quarterly GDP slowed to 4.7% in the October-December 2019 quarter, the lowest over the previous 7 years. The government and the RBI took multiple steps through the year to provide stimulus and stem the weakness in growth.

**Industry Update**

In FY 2020, the life insurance industry continued to showcase healthy growth in terms of new business premiums, despite challenges faced in the broader financial services market. Growth in premium was seen by both private players and Life Insurance Corporation of India (LIC). Private players grew by 12% in overall new business received premium while LIC grew by 25%. Within private players, the top 7 players continue to grow faster than the private industry and gain market share.

The bancassurance channel continued to be a major source of new business for the private players. However, the channel’s share in total business came down on account of increasing focus on proprietary channels i.e. Agency and Direct. Proprietary channels contributed ~40% of new business in 9M FY 2020.

In terms of products, private players have increased their focus on the under-penetrated protection opportunity both in retail as well as the group segments. There was a decline in the share of ULIPs. This can be attributed to tepid capital markets and relative attractiveness of the conservative traditional products given the macro environment. Non-participating savings emerged to a key focus area for most of the private players.

**Covid-19 Update**

We continue to drive our business on the back of our stated strategy of balanced product mix, diversified distribution, continuous product innovation and reimagining insurance through effective use of technology.

Our business continuity plan was put in motion and duly tested during this period. The initial focus was to ensure safety of our employees and providing seamless service to our existing customers. Enhancing the already digitised customer journey for both existing and new policies helped us convert our existing pipeline and maximise renewal premiums. While new engagements have been impacted, meaningful part of our business has moved to non face-to-face models. Our past investments in technology and a
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robust online channel helped us in this journey. We believe that this situation will lead to greater adoption of digital assets by our distributors, partners, customers and we are seeing increasing evidence of the same.

Our calibrated approach puts us in a position to adapt faster than the market. Benefits of a balanced product mix are even more evident in this turbulent environment. We continue our measured approach with respect to pricing and underwriting to address the multi-decade protection opportunity. We will dynamically keep reviewing the situation and our endeavour remains to be agile and adapt to the changing environment in the short term.

Over the medium to long-term, we expect the life insurance industry to continue to grow on the back of robust macro factors, favourable demographics, increasing financialisation of savings, recent regulatory developments enabling innovation, digitisation amongst other factors.

Company Performance

Sustained growth across segments

We have witnessed strong growth across both the individual and group segments in FY 2020, despite the disruption on account of the lockdown in March 2020. Our market share amongst private insurers based on Individual WRP increased to 14.2% (PY: 12.5%) on the back of strong growth of 19%, while our total new business premium increased by 15% to ₹ 17,238 crore. We maintained our leadership position within the group segment, recording growth of 20% to end at ₹ 8,775 crore. Total premium grew by 12% to ₹ 32,707 crore compared to ₹ 29,186 crore in FY 2019 underpinned by new business growth of 15% and 9% growth in renewal premium.

Diversification and Innovation being the key themes across our business

In line with our stated strategy of maintaining a diversified distribution mix, we continued to expand our reach beyond the traditional modes of distribution. We currently work with over 230 partners across NBFCs (non-banking financial companies), MFIs (micro finance institutions), SFBs (small finance banks), etc. and more than 40 partnerships in the new ecosystems.

We have grown well across all our distribution channels with our proprietary (agency and direct channels), and Broker channel growing by 32% and 164% respectively based on Individual APE. Our bancassurance channel accounted for 23% of total new business premium for FY 2020. Agency, Direct, Broker channels and Group business contributed 7%, 17%, 3% and 51% respectively. Protection remains a key focus area within the group segment, contributing 49% of our group business. All the channels continue to be profitable based on post overrun new business margins.

Product innovation has been one of the key pillars of our strategy and a key differentiator. We continue to address the mortality, morbidity, longevity and interest rate risks of our customers. Our newly launched products within the non-par (Sanchay Plus) and par (Sanchay Par Advantage) segments received good response from our customers. With a view to maintaining a balanced and profitable product suite, participating savings, non participating savings, ULIPs, protection and annuity accounted for 19%, 41%, 28%, 8% and 4% of Individual APE respectively. Protection and Annuity segments contributed to around 27% and 16% of total new business premium.

In line with the growth in protection, new business sum assured grew by 50%, to ₹ 9,11,067 crore (from ₹ 6,05,820 crore last year). Number of lives insured increased from 5.1 crore last year to 6.1 crore.

Re-imagining life insurance business, leveraging technology, and catering to continuously evolving customer preferences

Technology has been a key differentiator for us, and we continue to invest in technology to transform our business model from a product-centric one to a model where we keep the customer at the centre of our thought process. Our suite of mobile applications “Insta suite” comprising various sub modules helps facilitate sales teams to onboard customers efficiently. In addition to the on-boarding process, we have also taken various initiatives to provide a simple and fast journey reducing our policy conversion TAT from 2 days in FY 2015 to less than 4 hours in FY 2020.

We have built platforms powered by advanced analytics, automation and artificial intelligence to manage our diversified distribution mix comprising of both traditional and new-age ecosystem partners. Our Instainsure offering provides pre-approved insurance solutions for select customer segments using underwriting algorithms and deep integration with partner systems.

Our self-service bots on e-mail, Twitter, WhatsApp and chat provide 24*7 servicing to customers. Moreover, about 96% of all requests are now serviced in less than 8 hours.

Our focus on simplifying the customer journey involved the rollout of initiatives like LifeEasy and Customer360. LifeEasy is an analytics-driven investigation process, which has enabled us to settle 99.96% of claims (non-investigated cases) within 1 day of intimation in Q4 of
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FY 2020. Customer 360 is a real-time customer interaction aggregator developed to understand customer needs holistically and offer better service.

During FY 2020, 99.9% of new business was initiated through digital platforms. Around 85% of the renewal payments came through online modes. 210+ bots were deployed across internal processes and 60% of post sales verification calls were completed through InstaVerify (a video-based authentication mobile app).

Persistency ratios continue to be steady across various cohorts. The 13th month persistency for individual business has improved from 84% in FY 2019 to 88% in FY 2020. The 61st month persistency improved from 51% in FY 2019 to 54% in FY 2020.

Maintaining Profitable Growth

Our embedded value was ₹ 20,650 crore as on March 31, 2020 with a healthy operating return on embedded value (EVOP/Open Embedded Value) of 18.1% versus 20.1% for last year. This was due to lower interest rates and after strengthening persistency assumptions and setting aside a reserve for higher mortality claims on account of Covid-19.

We continue to maintain healthy post overrun new business margin (based on actual expenses) of 25.9% versus 24.6% for last year. The profit after tax (PAT) for HDFC Life grew by 1% over last year to ₹ 1,295 crore in FY 2020.

The operating expenses (Opex) to total premium ratio remained stable at 13.1% during FY 2020, despite continued investment in growth opportunities and innovation.

Our assets under management (AUM) were ₹ 1,27,226 crore, with a debt-equity proportion of 71.29% as on March 31, 2020, thereby clocking a 1% growth over last year. The accretion to AUM was offset by decline in equity markets.

Business Outlook

We believe that there is significant growth potential for life insurance given the underpenetrated and robust demographic trends and that it is well placed to capture these multi-decade opportunities. We have built a track record across business cycles over the past decade, and are confident of delivering value to customers and profitable growth to our shareholders going forward as well.

Products

Life Insurance products are seen as an ideal solution to secure long-term financial goals. HDFC Life provides a variety of life insurance solutions to meet the diverse needs of its customers across life and health protection, retirement, savings and investments. We have 37 individual and 11 group products, along with 6 rider benefits.

Economic slowdown and financial distress can easily create uncertainties for the breadwinner of the family, potentially derailing short-term and long-term plans of the household. To protect against such unforeseen circumstances, it would be imperative to have additional sources of income, which can secure one’s lifestyle.

The general principle of investing, however, suggests that investment should mirror life goals with short-term goals met through liquid and fixed income assets while medium/long term goals are better met through varying combination of debts and equities. Customers who believe in this philosophy would prefer to have some equity exposure to meet their long-term needs.

At HDFC Life, we have identified this customer need of securing long-term income and introduced many first-to-market products like HDFC Life Pension Guaranteed Plan which was launched in early 2018 and our recent product, HDFC Life Sanchay Plus, which has gained good acceptance from our customers. Both products have enabled customers with low risk appetite to generate guaranteed supplementary income according to their life-stage need.

In November 2019, we have launched a unique offering in the traditional participating space called HDFC Life Sanchay Par Advantage. This product has many unique features like whole life cover, immediate or deferred income, option to receive guaranteed income, option to accumulate income if not needed with ability to withdraw as and when required, making this a truly customised product. Further, the investment strategy for this product allows exposure to equity, offering potential of superior returns over the longer term.

We will continue our focus on developing innovative product propositions that focus on addressing customer needs at every stage of life.

Human Resource and People Development

At HDFC Life, we believe people are the driving force behind our success. We have well-defined policies in place to attract talent, train and develop them for higher productivity, create an engaged workforce by imbuing a culture of meritocracy and providing performance-based recognitions and rewards.

Our core focus areas are right hiring, developing people for higher productivity and creating an engaged talent force. Digitisation continues to remain at the heart of all our people processes.
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We have been taking various measures to build a diverse and rich talent pool and also create a robust pipeline. For career opportunities that arise in the organisation, our internal talent is given the first priority. Through career progressions and Internal Job Postings (‘IJPs’), we encourage our employees to opt for cross functional movements, thereby broadening their professional exposure. Over the years, we have developed alliances with universities and academia for a train and hire model for our frontline sales roles. For Managerial levels, our campus hiring programme ‘jigysa’ continues to induct fresh minds from coveted business schools across the country. With digitisation being the core business requirement, our ‘Graduate Trainee Programme’ has been developed to build a strong new-age technology skill set in the organisation.

We believe that values are the most critical elements that reflect the conduct of an organisation. Our organisation values, in conjunction with clearly identified leadership behaviours, enable employees across levels to deliver on their responsibilities towards internal and external customers in an effective way. Various scientifically designed assessment tools in external hiring as well as internal career advancement processes ensure that employees are aligned to these values.

We have also institutionalised various talent review and succession planning processes across Middle and Senior Management levels. These have enabled us in developing people for higher productivity in their current role and in building a strong pipeline of future-ready talent.

We are committed to creating and sustaining a high performance culture across the organisation. Therefore, our performance management system is deeply entrenched in the principles of balanced scorecard. At the same time, our compensation philosophy ensures we benchmark ourselves with the external market in order to stay attractive as a potential employer. We ensure that we differentiate and reward high performance internally.

On the learning and development front, our mission is to meet the organisation’s strategic needs by facilitating enterprise-wide capability development for employees and distributors. We have been enabling this through adoption of a contemporary and progressive learning ecosystem.

**Particulars of Employees**

The statement showing particulars of employees pursuant to Section 197 of the Companies Act, 2013 (the ‘Act’) read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this report. However, the above mentioned statement is not being sent to the Members along with this Annual Report in accordance with the provisions of Section 136 of the Act. The aforesaid information is available for inspection by the Members up to the date of this AGM on all working days, during business hours, at the Registered Office. Members who are interested in obtaining the said particulars may please write to the Company Secretary.

The details of remuneration of Directors and Employees as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 including amendments thereof, are given as an ‘Annexure 5’ and forms part of this report.

**Investments**

The year gone by posed multiple challenges from an investment management perspective. The clear majority secured by the incumbent NDA coalition at the general elections, held at the beginning of the year, was positive for policy continuity and led to expectations of greater political stability and a renewed focus on pursuing economic reforms.

The initial quarters of the year were characterised by slowing growth as the domestic economy grappled with the lingering effects of NBFC and HFC defaults over the previous year. The rural and agriculture sector was weak due to the after-effects of poor monsoon in the previous year. The industrial sector, too, was plagued by slow demand growth and low capacity utilisation, affecting revenues and margins.

The government and the RBI took several fiscal and monetary measures to help revive growth. Among the key fiscal measures, the government cut corporate tax rates aggressively to support manufacturing companies as well as promote fresh investments. The RBI, too, cut interest rates cumulatively by 135 bps over the course of calendar year 2019. The domestic economy continued its weakening trend and hit a low of 4.7% growth in the October–December 2019 quarter.

The global economic growth, too, slowed down due to the escalating trade war between the US and China, primarily, as well as other countries. Major developed economies’ central banks eased monetary policies to stem the weakening activity. Towards the end of the year, the US and China agreed to a ‘Phase 1’ deal that halted the tit-for-tat tariff impositions and paved the way for negotiations to reach a more comprehensive agreement.

The equity markets had their fair share of volatility during the year. Notwithstanding the strong electoral mandate for the union government, equity markets were quite listless in the initial quarters as the weakening economy weighed on sentiments. Consumption growth
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stayed tepid through the year, which affected top line growth of the consumption sector - both durables as well as non-durables. Capex trends in the industrial sector and infrastructure, too, were weak, while export-oriented sectors were affected by the insipid global trends. However, expectations of turnaround and a pick-up in growth in the latter half of the year saw equity markets regain their momentum. Underlying corporate earnings were also forecast to pick up as the cycle of elevated NPA provisioning was waning while the corporate tax rate cuts provided an additional boost to earnings. Weak global growth also helped firms lower their input costs and shore up margins. The upward momentum was reinforced by strong capital inflows from foreign investors taking the large cap equity indices to fresh lifetime highs.

During the last quarter of the year, rapid spread of the novel corona virus (Covid-19) in a Chinese province and thereafter to a large number of countries across the globe and more specifically in Europe and the US, put a tight squeeze on global activity. Lockdown was imposed by certain countries including India to control the spread of the highly contagious virus. The lockdowns and the sharp deterioration in activity are expected to tip the global economy into a severe recession in the coming quarters. Equity markets around the world saw sharp and severe corrections, with a number of indices slipping into bear markets. The large cap Nifty index, too, slipped during the last quarter and ended the year 26% below the levels prevailing at the end of the previous year, while the Mid Cap indices fell around 31 – 35% in the same period.

The fixed income markets, meanwhile, had a positive year on the back of listless growth and easing monetary policy. RBI cut policy interest rates and added liquidity into the banking system through Open Market Operations ('OMO') purchases and unsterilised forex purchases.

In March 2020, in addition to the earlier rate cuts, RBI took aggressive measures to stem the weakness in the corona virus afflicted economy. RBI cut interest rates by an additional 75 to 90 bps and added huge amounts of liquidity to help stem the deterioration in activity levels. Over the course of the year, RBI also resorted to number of unconventional measures to improve the transmission of its rate actions to the real economy. RBI used Long Term Repos (LTROs) for the first time in India to add liquidity as well as resorted to simultaneous purchase and sale of different maturity securities in the open market (Operation Twist) to influence the shape of the yield curve. The 10-year benchmark government security yield eased from 7.35% to 6.12% over the year.

Our investment funds were managed as per the stated objectives laid down in the Investment Policy. Asset-Liability Management Policy ('ALM Policy'), and respective funds’ objectives. These policies lay down the asset allocation and risk appetite guidelines for different funds, some of which have in-built guarantees. Fund allocation is tracked on a regular basis and is backed by suitable assets. During the year, the asset allocation in our conventional and shareholder funds was in line with the ALM policy.

Your Company’s total AUM as on March 31, 2020 was ₹ 1,27,226 crore. This comprised assets of ₹ 54,182 crore held under the unit-linked funds and ₹ 73,044 crore held under the conventional funds and shareholders’ funds. Corresponding numbers for the previous year were ₹ 63,378 crore and ₹ 62,174 crore, respectively.

Information Technology

We continue our journey of leveraging technology to transform our business. We have invested in technological platforms and systems to improve customer lifecycle management and improve efficiencies for our customers and distributors. HDFC Life’s operating model has evolved from a traditional distribution and product play model to a matrix of platforms, digital channels, ecosystems and traditional avenues led by technology and analytics.

HDFC Life is a key player in the digital ecosystem supported by strong tie-ups with multiple partners, proprietary platforms and growth engines. These engines ultimately translate to five building blocks viz., Journey simplification, Partner integration, Data labs, Service simplification and Platforms and ecosystems.

In our effort to simplify the Customer on-boarding process, we continue to develop a suite of mobile applications such as InstaMix, InstaGo, Mobile Sales Diary (MSD), InstaVerify and InstA.

Your Company continues to integrate its products and processes with online aggregator and net banking customer journeys. The integration options enable aggregators/banks to design and embed insurance purchase in their own customer journey.

This enables superior customer experience and ensures that best practices as well as product updates and features are seamlessly integrated. In addition to the on-boarding process, we constantly strive to reduce friction in the customer journey with the intent to provide a simple and seamless journey across the value chain. To enable the same, we continue to invest and leverage on our capabilities in cloud computing, artificial intelligence, and robotics amongst others.
Information Security and Cyber Security continues to be the focus areas of HDFC Life. As part of the ISO 27001:2013 and ISMS assessment programme, independent auditors and IRDAI auditors validated and certified the controls implemented by us.

Your Company has successfully managed the current Covid-19 lockdown situation by providing necessary technology platform and support to enable employees to work from home within a short period of time. We also enabled a solution for teams to collaborate. This period aligned with the financial year end and we were able to process new business and service customers due to the digital capabilities built over the years.

In line with our constant quest for excellence, the technology team at HDFC Life continues to receive recognition and has received 18+ awards for various Technology and Cyber Security initiatives and achievements throughout the year.

**Awards & Accolades**

Your Company had received various awards and accolades, during the year under review, across financial disclosures, customer service, technology, digital solutions, products, human resources, marketing, etc.

Your Company was recognised as one of ‘India's Top 25 Best Workplaces in BFSI 2020’ by Great Place To Work. Your Company’s Annual Report 2018-19, won the Silver Shield for Excellence in Financial Reporting at the Institute of Chartered Accountants of India (‘ICAI’) 2019 and Platinum Shield at the LACP Vision Awards 2018-19.

Your Company had received the ‘Best Marketing Strategy of the Year’ at the Insurance India Summit & Awards 2019 and was adjudged the most ‘Trusted Brand’ in the Reader’s Digest Trusted Brand Survey. Kantar BrandZ recognised your Company as the ‘Most Valuable Life Insurer’ and ranked HDFC Life at 27th in the ‘75 Most Valuable Indian Brands.’ Your Company was also adjudged Superbrand 2019-20. For its digital campaigns, your Company has received the Gold award for Branded Content and Bronze Award for Media Partnership at the Campaign Media 360 2020 Awards. At the ET Brand Equity India DG+ Awards, HDFC Life won Gold in the Best BFSI Campaign category at the Smartries India 2019 Awards your Company won the Best Use of Mobile Audio, and also won the Bronze Award for Best Brand-Influencer collaboration at the IAMAI India Digital Awards 2020.

At the ABP News BFSI Awards 2019, your Company has won several awards, including Technology Initiative of the Year, ‘Best Digital Transformation Initiative of the Year in Life Insurance (LI) Sector’, ‘Best Data Analytics of the Year’, and most importantly the ‘Best Life Insurance Company of the Year’. We have received ‘Sales Champion Award in the Life Insurance - Large category’ at the prestigious The Economic Times Insurance 6th Annual Summit 2019. The Business Today - Money Today Financial Services Awards 2020 recognised our flagship term product HDFC Life Click2Protect 3D Plus as the ‘Best Term Plan of the Year’. For our CSR initiatives (Swabhimaan), we have received the ‘Change Maker’ Award 2020 and the FICCI appreciation plaque.

**Regulatory Landscape**

During the year under review, the Insurance Regulatory and Development Authority of India (“IRDAI”/ “Authority”) issued various regulations/guidelines to further aid the growth of industry. Some of the key regulations/guidelines etc., as notified include:

The Linked and Non-Linked Product Regulations were notified in July 2019, replacing the erstwhile Regulations. The new Regulations lay down the contours of the new products and required all existing products to be either modified to comply with the new requirements or to be withdrawn.

The amendments to the IRDAI (Registration of Insurance Marketing Firm) Regulations, 2015 were notified in August 2019, which replaced the earlier regulations. The new Regulations provided for putting in place a Board Approved Policy for utilisation of Insurance Marketing Firms for penetration of insurance.

The Regulatory Sandbox Regulations were notified in August 2019, which provided a platform for insurers and insurance intermediaries to make applications for innovative insurance offerings which would promote the overall development of the sector, while being within the purview of the extant regulatory framework. Each approved proposal would be allowed a timeframe of six months from the date of approval to run the project. Many insurers and intermediaries filed innovative product offerings under the Sandbox framework and IRDAI has so far accorded approval to such applications across two tranches.

Alongside the Linked and Non-Linked Product Regulations, the Circular on Benefit Illustration and Other Market Conduct Aspects was notified by IRDAI in September 2019, which specified different templates of the Benefit Illustration that has to be incorporated under the Product Filing procedure. Further, it also laid down certain guidelines and pre-requisites on market conduct in particular for online selling processes.
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Pursuant to the Ministry of Finance (Department of Revenue) notification allowing banks to conduct e-KYC validation through UIDAI, IRDAI issued a communication in November 2019, for submitting an application by the Life Insurers for grant of Aadhaar Authentication License for e-KYC validation through UIDAI. All insurers seeking this license were asked to submit their applications through the Life Insurance Council for onward evaluation by IRDAI and subsequent recommendation for the same to UIDAI. UIDAI would be submitting the consolidated list of applications to the Central Government for further consideration and approval. Based on the decision of the Central Government, UIDAI shall provide the AUA/KUA license to the approved entities.

A Master Circular on Point of Sales (POS) Products and Persons - Life Insurance was issued in December 2019, which allowed the inclusion of regular products also by POS persons by including a Key Features Document (KFD) with the same and as long as the premium and sum assured thresholds were within the POS-Products applicable limits. Further, it provides for new product contours to be followed for POS-Products.

The revised guidelines on Stewardship Code for Insurers in India was notified in February 2020, mandating insurers to review and update their respective Stewardship Policies within three months and get such updated Stewardship Policies approved by their Board of Directors. The revised guidelines emphasise on better governance, managing conflict of interest, greater influence on investee companies and overall ensuring compliance with the extant regulatory framework.

In light of the various preventive measures taken by the central and state governments across the country in order to prevent the rapid outbreak of the Covid-19 pandemic, in March 2020, IRDAI notified certain regulatory directives in terms of digital avenues for policyholder servicing, safeguarding the health of employees, intermediaries and other associates of insurers, enabling work from home to the maximum extent possible for the employees, having a functional ‘Business Continuity Plan’ in place, judiciously expediting the settlement of Covid-19 claims, etc. Further, certain relaxations were provided pertaining to grace period extension for policies having their renewals due in March & April 2020, filing of monthly, quarterly and annual regulatory returns, despatching physical policy documents, an additional period of thirty days in respect of policies issued during a certain timeframe, etc.

Rural and Social Sector Obligations
HDFC Life maintains dedicated focus on undertaking rural business, and endeavours to tailor its products and processes to support these businesses, considering customer needs.

As part of our overall business, we have achieved prescribed regulatory targets of social and rural business, as follows:

- Rural Business – Achieved - 20.02% versus prescribed requirement of 20% of overall business
- Social Business – Insured - 1,80,96,495 social lives versus prescribed 25,70,002 social lives

Solvency
The IRDAI requires life insurers to maintain a minimum solvency ratio of 150%. The solvency ratio is calculated as specified in the IRDA (Assets, Liabilities, and Solvency Margin of Insurers) Regulations, 2016. As compared to the minimum requirement of 150%, your Company’s solvency ratio, as at March 31, 2020, was 184%.

Dividend & Reserves
Your Company has taken cognizance of IRDAI Circular No. IRDA/F&A/CIR/MISC/099/04/2020 dated April 24, 2020, and accordingly proposed not to declare any Dividend to its Members for FY 2020, with a view to conserve cash.

Your Company has formulated a ‘Dividend Distribution Policy’ which has been approved by the Board of Directors. In terms of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘SEBI Listing Regulations’) the ‘Dividend Distribution Policy’ is hosted on the Company’s website at https://www.hdfclife.com/about-us/Investor-Relations

Your Company has carried forward a total of ₹ 1,295 crore to the reserves. Your Company had accumulated profits of ₹ 4,569 crore as at March 31, 2020.

Capital and Shares
The issued, subscribed and paid-up share capital of your Company as at March 31, 2020, is ₹ 20,18,79,83,990 consisting of 2,01,87,98,399 equity shares of ₹ 10/- each.

During the year under review, your Company allotted 14,17,242 equity shares of ₹ 10/- each pursuant to exercise of options under its various Employee Stock Option Schemes (‘ESOS’). The equity shares allotted under ESOS rank pari-passu with existing equity shares issued and allotted by the Company.

The Shareholding Pattern is provided as a part of Form No. MGT-9 which is enclosed as ‘Annexure 3’, forms part of this report and also available on the Company’s website at https://www.hdfclife.com/about-us/Investor-Relations

Inclusion of HDFC Life in ‘Futures & Options’ trading at NSE
National Stock Exchange of India Limited (NSE) vide its Circular dated February 24, 2020, has introduced trading
in ‘Futures & Options’ (F&O) Contracts in the securities of HDFC Life effective from February 28, 2020.

Policy on remuneration to Non-Executive Directors
The Remuneration Policy, including the criteria for remuneration to Non-Executive Directors is recommended by the Nomination & Remuneration Committee ('NRC') of the Board and duly approved by the Board. The key objective of the Remuneration Policy is to ensure that it is aligned to the overall performance of the Company. The policy ensures that it is fair and reasonable to attract and retain necessary talent, linked to attaining performance benchmarks and involves a judicious balance of fixed and variable components. The Remuneration Policy is hosted on the Company's website at https://www.hdfclife.com/about-us/Investor-Relations. The remuneration paid to the Directors is in line with the Remuneration Policy of the Company and in compliance with guidelines issued by IRDAI.

No Stock Options were granted to Non-Executive Directors.

Further details about remuneration to Directors including Whole-time Directors are provided under report on Corporate Governance which is enclosed as 'Annexure 1' and forms part of this report.

Directors and Key Managerial Personnel
As on date of this report, your Company's Board comprises 13 Directors viz., (4) Non-Executive Directors, (6) Non-Executive Independent Directors, (2) Executive Directors including (1) Managing Director & CEO; and (1) Alternate Director.

(a) Changes in Board Composition
Changes in Board Composition during FY 2020 and up to the date of this report is furnished below:

• Appointment/ Re-appointment of Director(s)
  (i) Ms. Stephanie Bruce (DIN: 08594969) was appointed as ‘Additional Director’ in the category of ‘Non-executive Nominee Director’ i.e. Nominee of Standard Life (Mauritius Holdings) 2006 Limited (‘SL Representative’) with effect from October 28, 2019.

Approval of Members is being sought at the forthcoming Annual General Meeting ('AGM') of your Company for regularisation of appointment of Ms. Stephanie Bruce as Non-Executive Nominee Director, SL Representative.

(ii) Mr. Rushad Abadan (DIN: 08035538) was appointed as Alternate Director to Ms. Stephanie Bruce with effect from February 5, 2020.

• Cessation of Directorships
  (i) Sir Gerry Grimstone (DIN: 01910890) was liable to retire by rotation at the 19th AGM of the Company held on July 23, 2019, however, he did not seek his re-appointment at the AGM and thereby ceased to hold office as Non-Executive Nominee Director with effect from July 23, 2019.

  Accordingly, Mr. Rushad Abadan (DIN: 08035538) who was appointed as Alternate Director to Sir Gerry Grimstone also ceased to hold office as Alternate Director.

  (ii) Mr. Norman Keith Skeoch (DIN: 00165850) ceased to hold office as Non-Executive Nominee Director, with effect from October 22, 2019, pursuant to withdrawal of his nomination by Standard Life (Mauritius Holdings) 2006 Limited.

  Accordingly, Mr. James Aird (DIN: 01057384) who was appointed as Alternate Director to Mr. Norman Keith Skeoch ceased to hold office as Alternate Director with effect from October 22, 2019.

  (iii) Dr. J J Irani (DIN: 00311104) ceased to hold office as Independent Director with effect from October 23, 2019, pursuant to resignation due to his personal commitments.

Your Directors wish to place on record their appreciation for the invaluable contributions made by all the above Nominee Directors of Standard Life (Mauritius Holdings) 2006 Limited and by Dr. JJ Irani.

• Retirement by rotation
Section 152(6) of the Act provides that not less than two-thirds of the total number of directors of a public company shall be liable to retire by rotation, and that one-third of such directors as are liable to retire by rotation shall retire from office at every Annual General Meeting ('AGM') of the Company.

In accordance with the provisions of the Act Ms. Renu Sud Karnad (DIN: 00008064), Non-Executive Director, being longest in office since
Directors’ Report

her last appointment, retires by rotation, and being eligible, offers herself for re-appointment at the 20th AGM of your Company.

As required under Regulation 36(3) of the SEBI Listing Regulations, particulars of Directors seeking appointment/ re-appointment/ liable to retire by rotation at this AGM are given in the Annexure to the AGM Notice.

None of the Directors have been disqualified from being appointed as ‘Director’, pursuant to Section 164 of the Act or under any other applicable law.

Your Company has obtained a Certificate from M/s N. L Bhatia & Associates, Practicing Company Secretaries, pursuant to Regulation 34(3) read with Schedule V para C clause 10 (i) of the SEBI Listing Regulations that none of the Directors on the Board of the Company were debarred or disqualified from being appointed or continuing as Director on the Board by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any other Statutory Authority.

• Woman Directors

Section 149 of the Act, read with Rule 3 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 requires specified companies to have at least one Woman Director. Further, under Regulation 17 of the SEBI Listing Regulations, specified companies are required to have at least one Independent Woman Director in their Board by April 1, 2020.

Ms. Bharti Gupta Ramola (DIN: 00356188) was inducted as Independent Woman Director on the Board of your Company with effect from February 12, 2019.

The Board of your Company is diversified and there are other women directors on the Board as mentioned below:

(i) Ms. Renu Sud Karnad (DIN: 00008064), Non-Executive Director
(ii) Ms. Stephanie Bruce (DIN: 08594969), Non-Executive Nominee Director
(iii) Ms. Vibha Padalkar (DIN: 01682810), Managing Director & Chief Executive Officer

• Independent Directors

Pursuant to Section 149(7) of the Act read with the Companies (Appointment and Qualifications of Directors) Rules, 2014, your Company has received declarations from all the Independent Directors confirming that they meet the ‘Criteria of Independence’ as laid down under Section 149(6) of the Act and the Rules made thereunder.

In the opinion of the Board, all the Independent Directors fulfil the conditions relating to their status as Independent Director as specified in Section 149 of the Act and the Rules made thereunder and applicable provisions of the SEBI Listing Regulations and are independent of the management.

Your Company has undertaken the requisite steps for inclusion of names of Independent Directors in the Databank maintained by the Indian Institute of Corporate Affairs (IICA). Accordingly, all the Independent Directors of the Company have registered themselves with IICA for the said purpose. In terms of Section 150 of the Act read with Rule 6(4) of the Companies (Appointment & Qualification of Directors) Rules, 2014, Independent Directors are required to undertake online proficiency self-assessment test to be conducted by IICA within a period of one (1) year from the date of inclusion of their names in the Databank. The online proficiency self-assessment test was made available by IICA from April 1, 2020 and the same has been communicated to the concerned Independent Directors for onward compliance.

(b) Changes in Key Managerial/ Management Personnel (KMP’s)

In terms of the provisions of Sections 2(51) and 203 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the following employees were holding the position of Key Managerial Personnel (‘KMP’) of the Company:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the KMP</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ms. Vibha Padalkar</td>
<td>Managing Director &amp; CEO</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Niraj Shah</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>3</td>
<td>Mr. Narendra Gangan</td>
<td>EVP, Company Secretary &amp; Head - Compliance &amp; Legal</td>
</tr>
</tbody>
</table>
In terms of the guidelines on Corporate Governance issued by IRDAI, the following senior management employees of the Company were holding positions of KMPs as on March 31, 2020:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the KMP</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ms. Vibha Padalkar</td>
<td>Managing Director &amp; CEO</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Suresh Badami</td>
<td>Executive Director</td>
</tr>
<tr>
<td>3</td>
<td>Mr. Niraj Shah</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>4</td>
<td>Mr. Parvez Mulla</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>5</td>
<td>Mr. Prasun Gajri</td>
<td>Chief Investment Officer</td>
</tr>
<tr>
<td>6</td>
<td>Mr. Srinivasan Parthasarathy</td>
<td>Senior EVP - Chief Actuary &amp; Appointed Actuary</td>
</tr>
<tr>
<td>7</td>
<td>Mr. Pankaj Gupta</td>
<td>Senior EVP (Sales) &amp; Chief Marketing Officer</td>
</tr>
<tr>
<td>8</td>
<td>Mr. Sanjay Vij</td>
<td>Senior EVP (Bancassurance) &amp; Chief Values Officer</td>
</tr>
<tr>
<td>9</td>
<td>Mr. Vibhash Naik</td>
<td>EVP – Human Resources, Learning and Development</td>
</tr>
<tr>
<td>10</td>
<td>Mr. Narendra Gangan</td>
<td>EVP, Company Secretary &amp; Head – Compliance &amp; Legal</td>
</tr>
<tr>
<td>11</td>
<td>Mr. Khushru Sidwha</td>
<td>EVP – Audit &amp; Risk Management</td>
</tr>
</tbody>
</table>

There were no changes in the KMPs during the year under review.

**Evaluation of the Performance of the Board, Committees of the Board and Individual Directors**

Pursuant to the provisions of the Act, and the SEBI Listing Regulations, the Board of Directors carried out an annual evaluation through an online module of its performance, and that of its Committees and Individual Directors. Further, the Independent Directors met separately, without the attendance of Non-Independent Directors and the members of the management and inter alia reviewed the performance of Non-Independent Directors, Board as a whole; and performance of the Chairman. They further assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board.

Overall, the Independent Directors expressed their satisfaction on the performance and effectiveness of the Board, all the Committees, Individual Non-Independent Board Members, the Chairman, and on the quality, quantity and timeliness of flow of information between the Company Management and the Board. The Nomination & Remuneration Committee also undertook an evaluation of individual Director's performance and expressed its satisfaction on performance of each Director.

There have been no material observations or suggestions, consequent to such evaluation and review.

**‘Fit and Proper’ Criteria**

In accordance with the guidelines for Corporate Governance issued by IRDAI, directors of insurers have to meet ‘fit and proper’ criteria prescribed by IRDAI. Accordingly, all Directors of the Company have confirmed compliance with ‘fit and proper’ criteria/ norms, prescribed under the guidelines on Corporate Governance issued by IRDAI.

Your Company has also received declarations from all the Directors in terms of Section 164 of the Act, confirming that they are not disqualified from being appointed as Director of the other companies.

**Directors & Officers (D&O) Liability Insurance**

While Regulation 25(10) of the SEBI Listing Regulations requires the Companies to take Directors and Officers Liability Insurance (D&O) for all its Independent Directors, your Company has in fact taken D&O Insurance for all its Directors (including Independent Directors) and Members of the Senior Management Team for such quantum and risks as determined by the Board.

**Succession Planning**

The Nomination and Remuneration Committee of the Board (NRC) oversees matters related to succession planning of Directors, Senior Management and other Key Executives of the Company.

**Meetings of the Board and its Committees, attendance and constitution of various Committees**

The details of meetings of the Board and Committees of the Board held during the year, attendance of Directors there at and constitution of various Committees of the Board, forms part of the Corporate Governance Report, which is enclosed as ‘Annexure 1’ to this report.

**Management Discussion and Analysis Report, Report on the Corporate Governance and Business Responsibility Report**

Pursuant to Regulation 34 of the SEBI Listing Regulations, Management Discussion and Analysis (MD&A) Report and Business Responsibility Report (BRR) is presented in separate sections, forms part of this report.

In compliance with SEBI Listing Regulations, a report on the Corporate Governance framework of the Company, with certifications as required under applicable Regulations (including guidelines on Corporate Governance issued by IRDAI) in annexed hereto as ‘Annexure 1’ and forms part of this report.
Directors’ Report

**Risk Management Policy**

Your Company has a defined Risk Management Strategy and a Framework that is designed to identify measure, monitor and mitigate various risks. A Board approved Risk Management Policy has been put in place to establish appropriate systems or procedures to mitigate all material risks faced by the Company. The said Policy is reviewed periodically by the Risk Management Committee of the Board. The risk management architecture of the Company has been detailed under the Enterprise Risk Management section of the Annual Report.

**Internal Audit Framework**

Your Company has institutionalised a robust and comprehensive internal audit framework/mechanism across all the processes, to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals and compliance with applicable policies, procedures, laws and regulations.

The Internal Audit function at HDFC Life works closely with other verticals in the ARM (Audit and Risk Management) Team and other assurance functions, considering relevant material inputs from risk registers, compliance reports and external auditor reports etc. The function also tests and reports compliance to Internal Financial Controls over Financial Reporting.

Internal audits are conducted by in-house Internal Audit team and co-sourced auditors. The function also undertakes follow-up on engagement findings and recommendations, in line with the approved framework.

The Internal Audit function reports its findings and follows up status on these findings to the Audit Committee on quarterly basis.

**Internal Financial Controls**

Your Company has institutionalised a robust and comprehensive internal control mechanism across all key processes. Your Company has also put in place adequate policies and procedures to ensure that the system of internal financial control is commensurate with the size, scale and complexity of its operations. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the Company, prevention and detection of frauds, accuracy and completeness of accounting records and ensuring compliance with corporate policies.

The internal audit, in addition to ensuring compliance to policies, regulations, processes etc., also test and report adequacy of internal financial controls with reference to financial reporting/statements.

Risk management is an integral part of the overall business strategy and planning for HDFC Life and is used to proactively manage risks and create value for our stakeholders. The Enterprise Risk Management (ERM) framework within the Company operates as a feed-in system to various internal and external stakeholders, management, and the Board of Directors. It encompasses a comprehensive set of practices, which has been integrated at a grassroots level within all functions serving the core business as well as shared services.

**Vigil Mechanism/ Whistle Blower Policy**

Your Company encourages an open and transparent system of working and dealing amongst its stakeholders. In accordance with Section 177(9) of the Act and Regulation 22 of SEBI Listing Regulations, your Company is required to establish a Vigil Mechanism for Directors and employees to report genuine concerns. Your Company has a Policy for Prevention, Detection and Investigation of Frauds and Protection of Whistle Blowers (“the Whistleblower Policy”), which also encourages its employees and various stakeholders to bring to its notice any issue involving compromise/violation of ethical norms, legal or regulatory provisions, actual or suspected fraud etc., without any fear of reprisal, discrimination, harassment or victimisation of any kind. The details of Whistle Blower complaints/concerns received, if any, and subsequent actions taken and the functioning of the Whistle Blower Mechanism is reviewed periodically by the Audit Committee and Risk Management Committee of the Board.

Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

A. Conservation of Energy

In view of the nature of business activity of the Company, the information relating to the conservation of energy, as required under Section 134(3) and Rule 8(3) of Companies (Accounts) Rules, 2014, is not applicable to the Company.

B. Technology Absorption

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Research and Development (R&amp;D)</strong></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Specific areas, in which R&amp;D is carried out by the Company</td>
<td>NA</td>
</tr>
<tr>
<td>2.</td>
<td>Benefits derived as a result of the above R&amp;D</td>
<td>NA</td>
</tr>
<tr>
<td>4.</td>
<td>Expenditure on R&amp;D</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Capital</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>b) Recurring</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c) Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>d) Total R&amp;D expenditure as a percentage of total turnover</td>
<td></td>
</tr>
</tbody>
</table>

Technology Absorption, Adoption and Innovation

1. Efforts made towards technology absorption

- Upgrade and add capabilities to InstaSuite of applications to reduce the friction in the customer journey.
- Seamless API-based partner integration. Suite of tech offerings, which enable frictionless customer journeys such as Hello Selfie, Credit Mart & other widgets.
- Cloud migration to ensure high availability and scalable architecture.
- Big Data and analytics models across several business areas and built a range of AI-based capabilities.
- Robotic Process Automation.
- Customer Service further augmented on Mobile Apps.
- Quick Claim process - Life Easy, an analytics-driven investigation process.

2. Benefits derived as a result of the above efforts (e.g. product improvement, cost reduction, product development, import substitution and so on)

- Turnaround Time (TAT) for policy conversion has reduced from 2 days in FY 2015 to <4 hours in FY 2020. InstA our Virtual assistant handles over 13 lakh queries per month across about 960 query types. We rank #1 in spontaneous awareness amongst internet users (Private life Insurers).
- Approximately, 82% cases are issued via 'straight through processing'. System integration has helped customers fill an application form within 10 minutes for a large partner bank. InstaInsure journey is live with 7 key partners.
- Cloud migration will help increase scalability and performance. Current migration is at 30% and expected to be 70% by the next financial year.
Directors’ Report

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Your Company has Machine Learning (ML) models and algorithms serving multiple functions including new business (e.g., prediction of customers with high purchase power), on-boarding (e.g., predicting possible fraud or early claims), customer retention (e.g., predicting customers who may renew proactively) and employee management (e.g., identifying employees with high attrition risk). Our propensity models have helped increase appointment rates with customers by ~42%. Within the on-boarding process, the Risk+ model has helped convert additional premiums at lower risk and avoid potential payouts of about ₹ 210 crore through effective screening of high risk cases.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 210 bots across 27 functions automating process, making it more consistent and predictable.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• InstaServ enables 75% of customers’ requests instantly. InstaReceipt receipts cheques in 30 seconds reducing TAT by 90%.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Enabling certain segments of customers to notify a claim through a simple three-click journey in less than 5 minutes.</td>
</tr>
<tr>
<td>3.</td>
<td>In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) -</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>i. The details of technology imported;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ii. The year of import;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>iii. Whether the technology been fully absorbed;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>iv. If not fully absorbed, areas where absorption has not taken place, and the reasons thereof</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Expenditure incurred on Research and Development</td>
<td>NA</td>
</tr>
</tbody>
</table>

3. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) -
   i. The details of technology imported;
   ii. The year of import;
   iii. Whether the technology been fully absorbed;
   iv. If not fully absorbed, areas where absorption has not taken place, and the reasons thereof

4. Expenditure incurred on Research and Development

C. Foreign Exchange Earnings and Outgo
Details of foreign exchange earnings and outgo during FY 2020 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>(₹ in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Exchange Earnings</td>
<td>178.6</td>
</tr>
<tr>
<td>Foreign Exchange Outgo</td>
<td>169.7</td>
</tr>
</tbody>
</table>

Subsidiary Companies

1. **HDFC Pension Management Company Limited (“HDFC Pension”)**
HDFC Pension remains the #1 privately owned Pension Fund Manager in India in terms of AUM as also the fastest growing Pension Fund Manager under the NPS architecture. Its AUM as on March 31, 2020 was ₹ 8,265 crore, which is a growth of 60% over the last year. Its market share amongst all private owned pension fund managers grew from 54% in March 2019 to 60% in March 2020.

HDFC Pension has 5.5 lakh customers as on March 31, 2020 out of which 3.6 lakh are in the retail segment and 1.9 lakh in the corporate segment.

The subsidiary was formed with a strategic rationale of being a feeder to our annuity business and we remain enthused about the strong potential of this business. Effective April 1, 2019, central government employees have been allowed to choose amongst private owned PFMs thereby opening up a big opportunity for HDFC Pension.

Additionally, HDFC Pension started its operations as a Point of Presence (POP) in both retail and corporate NPS segments and has positioned itself strongly in this segment as well.
Financials and Business Outlook

A synopsis of financial performance is shown below:

\[
\begin{array}{l|cc}
\text{Particulars} & \text{FY 2020} & \text{FY 2019} \\
\hline
\text{Gross Income} & 349.9 & 274.2 \\
\text{Total Expenses} & 430.7 & 308.9 \\
\text{Profit/(Loss) before Tax} & (80.8) & (34.7) \\
\text{Provision for Tax} & - & - \\
\text{Profit/(Loss) after Tax} & (80.8) & (34.7) \\
\end{array}
\]

2. HDFC International Life and Re Company Limited (“HDFC International”)

In the year 2016, HDFC International was established as a wholly-owned subsidiary, in Dubai International Financial Centre (DIFC). HDFC International was set up with the primary objective of offering life reinsurance capacity in the UAE and other GCC nations.

HDFC International is regulated by the Dubai Financial Services Authority (“DFSA”) and is licensed to undertake life reinsurance business. It operates in and from the DIFC and currently offers reinsurance solutions to ceding insurers based in the Gulf Cooperation Council (GCC) and Middle East & North Africa (“MENA”) regions. It provides risk-transfer solutions, prudent underwriting solutions and value added services, among others, across individual life, group life and group credit life lines of business.

In December 2018, HDFC International has been assigned a long-term insurer financial strength rating of “BBB” with a stable outlook by S&P Global Ratings. In December 2019, S&P Global Ratings reaffirmed long-term insurer financial strength of “BBB” while maintaining the outlook as “Stable”.

Financi 86

als and Business Outlook

During FY 2020, HDFC International earned a Gross Income of US$ 7.3 million while its expenses stood at US$ 0.8 million. The period under review ended with the Company declaring its second successive annual profit, with the figure standing at US$ 0.4 million.

HDFC International has successfully completed four financial years of operations and is steadily building experience in the GCC Life reinsurance market. It has continued to focus on the need for creation of stable and diversified revenue lines while accelerating revenue and profit growth. HDFC International looks to establish meaningful and long-term business associations which are mutually win-win. HDFC International has been working with ceding insurers to provide reinsurance support for long-term individual life policies and also collaborate on facultative arrangement on group programmes.

HDFC International’s aim is to become partners in the journey of the insurers to help them realise their potential through reinsurance solutions which enable and empower them to innovate and optimise as per the needs of their market segments.

Consolidated Financial Statements

In accordance with Section 129(3) of the Act and SEBI Listing Regulations, Consolidated Financial Statements of the Company along with its wholly-owned Subsidiaries viz., HDFC Pension Management Company Limited (“HDFC Pension”) and HDFC International Life and Re Company Limited (“HDFC International”), have been prepared in accordance with the applicable Accounting Standards issued by ICAI and forms part of this report.

Statement containing salient features of the financial statements of Subsidiaries

A statement containing the salient features of the financial statements of the subsidiaries in the prescribed Form AOC-1 as required under Rule 5 of the Companies (Accounts) Rules, 2014 forms part of the financial statements.

Swabhimaan/ Corporate Social Responsibility

As part of its initiatives under Corporate Social Responsibility (“CSR”), your Company has undertaken projects in various areas including Education, Livelihood, Health, and Environmental Sustainability. The CSR Policy is framed basis the activities permitted under Schedule VII of the Act. The annual report on Corporate Social Responsibility activities is enclosed as ‘Annexure 2’ and forms part of this report. The Corporate Social Responsibility Policy of the Company as approved by the Board has been hosted on the Company’s website at https://www.hdfclife.com/about-us/csr

Consistent with the requirements of Section 135 of the Act and applicable CSR Rules, your Company has set up a Board-level CSR Committee to look after the CSR initiatives. The Committee is headed by Mr. Deepak S Parekh, as the Chairman, Mr. Ranjan Mathai and Ms. Vibha Padalkar as Members. The composition of the CSR Committee is in accordance with Section 135 of the Act.

The CSR initiatives/ projects undertaken by your Company are in accordance with Schedule VII of the Act.

As prescribed under Section 135 of the Act, certain companies are required to spend at least (2%) of their
average Net Profits made during the three immediately preceding financial years, in pursuance of their Corporate Social Responsibility Policy. Accordingly, your Company had spent ₹ 19.77 crore towards various CSR activities specified in Schedule VII of the Act during FY 2020.

**Extract of the Annual Return**

As per the provisions of the Act, an extract of the Annual Return of the Company in the prescribed Form MGT - 9 is enclosed as ‘Annexure 3’ and forms part of this report, and is also available on the Company’s website at https://www.hdfclife.com/about-us/Investor-Relations.

**Related Party Transactions**

Pursuant to Section 177 read with Section 188 of the Act read with Regulation 23 of the SEBI Listing Regulations, the Audit Committee of the Board approves the related party transactions of the Company, if any, on a quarterly basis. All the related party transactions entered during the year under review were in the ordinary course of business and on an arm’s-length basis, thus not requiring Board/ Members approval.


During the year, there were no material transactions with related parties, which are not in the ordinary course of business and on an arm’s-length basis.

M/s G.M. Kapadia & Co, Chartered Accountants and Joint Statutory Auditors of the Company, reviewed the related party transactions for each of the quarter up to quarter ended December 31, 2019, and their report was placed at the meetings of the Audit Committee for review, along with details of such transactions.

For the quarter ended March 31, 2020, M/s B.K. Khare & Co., Chartered Accountants, reviewed the related party transactions and their report was placed at the meeting of the Audit Committee for review, along with details of such transactions.

As per Accounting Standard (AS) 18 issued by ICAI on ‘Related Party Disclosures’, the details of related party transactions entered into by the Company are also included in the Notes to Accounts, forms part of this Report.

**Ind AS Roadmap**

The Ministry of Corporate Affairs (MCA) had laid down the roadmap for implementation of Indian Accounting Standard (‘Ind AS’) for the insurance sector beginning from April 1, 2018 onwards with one year comparatives through press release on January 18, 2016. Subsequently, the International Accounting Standard Board (IASB) issued the new standard IFRS 17 - Insurance Contracts on May 18, 2017 with effective date on or after January 1, 2021. Consequently, the Insurance Regulatory Development Authority of India (‘IRDAI/ Authority/ Regulator’) issued a circular dated June 28, 2017, deferring the implementation of Ind AS for insurance sector in India for a period of two years to be effective from FY 2021 and required insurance companies to submit proforma Ind AS financial statements on quarterly basis to the Regulator.

The IASB has since then been deferring the implementation dates, during FY 2019, the effective date of IFRS 17 to periods beginning on or after January 1, 2022 and in March 2020, further delayed the effective date of IFRS 17 to periods beginning on or after January 1, 2023.

Hence, the Authority vide its Circular dated January 21, 2020, notified that the effective date of implementation of Ind AS shall be decided after the finalisation of IFRS 17 by IASB and accordingly, the Circular dated June 28, 2017 stands withdrawn and the requirement of quarterly proforma Ind AS financial statements as directed under the said circular has been dispensed with. The Final dates for Ind AS implementation are yet to be announced by the Authority.

**Statutory Auditors**

M/s G.M. Kapadia & Co, Chartered Accountants (Firm's Registration No. 104767W) and M/s Price Waterhouse Chartered Accountants LLP (Firm’s Registration No. 012754N/N500016), are the Joint Statutory Auditors of the Company.

The Joint Statutory Auditors have not made any qualification, reservation, adverse remark or disclaimer in their report for FY 2020. Further, during FY 2020, the Joint Statutory Auditors have not come across any reportable incident of fraud to the Audit Committee or the Board of Directors.

As per the IRDAI Corporate Governance Guidelines, a Statutory Auditor can conduct audit of Insurance Company for a maximum period of 5 years at a time. Further, as per the Act, an audit firm can be appointed as Statutory Auditor for not more than two terms of five consecutive years.
The Ministry of Law and Justice has pursuant to the Companies (Amendment) Act, 2017 read together with the Ministry of Corporate Affairs’ (MCA) notification dated May 7, 2018 has done away with the requirement of ratification of appointment of Statutory Auditors at every AGM, as per the first proviso of Section 139 of the Act, and the Companies (Audit and Auditors) Second Amendment Rules, 2018. Therefore, no approval of Members is being sought for ratification of appointment of Joint Statutory Auditors at every AGM.

Appointment of M/s G.M. Kapadia & Co, Chartered Accountants was approved by the Members in the 16th AGM of your Company held on July 14, 2016, for a consecutive period of 5 years i.e. until the conclusion of the 21st AGM. Appointment of M/s Price Waterhouse Chartered Accountants LLP, Chartered Accountants was approved by the Members in the 19th AGM held on July 23, 2019, for a second consecutive term of 5 years, i.e. up to the conclusion of the 24th AGM.

The resolution seeking revision in remuneration payable to Joint Statutory Auditors in connection with the audit of the accounts of the Company for FY 2021. has been included in the Notice of the 20th AGM for approval of Members.

Independent Auditors’ Report
M/s G.M. Kapadia & Co., Chartered Accountants and M/s Price Waterhouse Chartered Accountants LLP, Joint Statutory Auditors of the Company, have audited the financial statements for FY 2020 and their report enclosed to the financial statements, forms part of this report.

Audit observations, if any, and corrective actions taken by the Management are presented to the Audit Committee of the Board from time to time.

There are no qualifications, reservations or adverse remarks/ observations made in the Auditors’ Report.

Reporting of frauds by Auditors
During the year under review, there have been no instances of fraud reported by the Auditors pursuant to Section 143(12) of the Act and the Rules made thereunder to the Audit Committee of the Board.

Legal Update
There are no significant and material orders that were passed by the regulators, courts or tribunals that impacted the going concern status of your Company, or which can potentially impact your Company’s future operations.

Material changes and commitments affecting the financial position
There have been no material changes and commitments, affecting the financial position your Company, which have occurred between the end of the financial year to which the Balance Sheet relates and the date of this report.

Secretarial Audit Report

There are no observations/ qualifications/ adverse remarks in the Report of the Secretarial Auditor.

Compliance with Secretarial Standards issued by ICSI
Your Company is complying with the applicable provisions of Secretarial Standards on 'Meetings of the Board of Directors' (SS-1) and 'General Meetings' (SS-2), issued by the Institute of Company Secretaries of India ("ICSI").

Maintenance of Cost Records
Being an Insurance Company, your Company is not required to maintain cost records as per sub-section (1) of Section 148 of the Act read with Companies (Cost Records and Audit) Rules, 2014.

Change in the nature of business
During the financial year under review, there has been no change in the nature of business of the Company.

Deposits
Your Company has not accepted any deposits during the year under review and hence provisions of the Act relating to acceptance of Public Deposits are not applicable to the Company.

Loans, Guarantees or Investments
In line with the clarification given by the Ministry of Corporate Affairs under the “Removal of Difficulty” Order dated February 13, 2015, the provisions of Section 186 of the Act relating to loans, guarantees and investments do not apply to the Company.
Employee Stock Option Scheme(s)

In line with the practice of incentivising the employees through issue of stock options, your Company has in the past granted stock options and continues to grant stock options to its eligible employees (including employees of its subsidiary companies) under the various employee stock option schemes formulated from time to time.

Your Company has formulated various Employee Stock Option Scheme(s) which helps it to retain and attract right talent and in administering the issue of Stock Options to its eligible Employees including that of its subsidiary companies. The Nomination and Remuneration Committee (NRC) administers the Company's ESOP schemes. There has been no material variation in the terms of the options granted under any of these schemes and all the schemes are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 (“SBEB Regulations”).

The Annual Certificate on compliance with SBEB Regulations, issued by Statutory Auditors of the Company is being made available for inspection at the forthcoming AGM of the Company.

During the year under review, there were no instances of loan granted by the Company to its employees for purchasing / subscribing its shares.

The statutory disclosures as mandated under the SBEB Regulations, have been hosted on the Company's website at https://www.hdfclife.com/about-us/Investor-Relations

Sale of shares by Standard Life (Mauritius Holdings) 2006 Limited

During the year under review, Standard Life (Mauritius Holdings) 2006 Limited (‘Standard Life’), one of the Promoters of your Company sold 25,01,32,381 equity shares of the Company in tranches, details of which are furnished below. The above sale of shares by Standard Life has resulted in dilution of their shareholding in the Company from 24.66% as on March 31, 2019 to 12.25% as on the date of this report.

<table>
<thead>
<tr>
<th>Date of transaction</th>
<th>Number of shares sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 03 and May 06, 2019</td>
<td>3,30,32,381</td>
</tr>
<tr>
<td>August 14, 2019</td>
<td>6,71,00,000</td>
</tr>
<tr>
<td>October 30, 2019</td>
<td>10,00,00,000</td>
</tr>
<tr>
<td>March 27, 2020</td>
<td>5,00,00,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,01,32,381</strong></td>
</tr>
</tbody>
</table>

Appointed Actuary’s Certificate

The certificate of the Appointed Actuary on valuation and actuarial assumptions is attached to the financial statements and forms part of this report.

Prevention of Sexual Harassment Policy, and disclosure under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Company is committed to providing a work environment that ensures every employee is treated with dignity and respect and afforded equitable treatment. Your Company has implemented a robust framework on Prevention of Sexual Harassment which is in line with the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013. Your Company has instituted an Apex Committee and four (4) zone wise Internal Committees (ICs) in line with the regulatory requirement, for redressal of sexual harassment complaints (made by the victims) for ensuring timebound treatment of such complaints. The Apex Committee is chaired by a senior woman executive of the Company. The Apex Committee has an external senior woman member who is an expert on the subject matter. All zonal ICs have minimum of 50% women representatives, and their functioning is overseen by the Apex Committee. The Risk Management Committee of the Board is periodically updated on matters arising out of the Policy/Framework, as well as on certain incidents, if any.

Pursuant to the said Act, the details of the total reported and closed cases pertaining to incidents under the above framework/law are as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of complaints pending as on the beginning of the financial year</td>
<td>9</td>
</tr>
<tr>
<td>Number of complaints filed during the financial year</td>
<td>32</td>
</tr>
<tr>
<td>Number of complaints closed during the financial year</td>
<td>37</td>
</tr>
<tr>
<td>Number of complaints pending as on the end of the financial year</td>
<td>41</td>
</tr>
</tbody>
</table>

Note:
1. The said complaints were resolved within defined TAT, immediately after completion of the financial year.

Directors’ Responsibility Statement

In accordance with the requirements of Section 134 of the Act, the Board of Directors state that:

i. In preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures (if any);

ii. Such accounting policies have been selected and applied consistently, and judgements and estimates made that are reasonable and prudent, so as to give a true and fair view of the Company’s state of affairs, as on March 31, 2020, and of the Company's profit for the year ended on that date;
iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. The annual accounts have been prepared on a going concern basis;

v. Internal financial controls have been laid down to be followed by the Company and such internal financial controls are adequate and operating effectively; and

vi. Proper systems have been devised to ensure compliance with the provisions of all applicable laws, and such systems were adequate and operating effectively.

Appreciation and Acknowledgement

Your Directors wish to place on record their gratitude for all the policyholders, shareholders, customers, distributors, and business associates for reposing their trust and confidence in the Company. Your Directors would also take this opportunity to express their appreciation for hard work and dedicated efforts put in by the employees and for their untiring commitment; and the entire senior management for continuing success of the business in difficult times.

Your Directors further take this opportunity to record their gratitude to Housing Development Finance Corporation Limited (‘HDFC Ltd.’) and Standard Life (Mauritius Holdings) 2006 Limited, Promoters of your Company for their invaluable and continued support and guidance and also to Insurance Regulatory and Development Authority of India (‘IRDAI’), Securities and Exchange Board of India (‘SEBI’), Ministry of Corporate Affairs (‘MCA’), Reserve Bank of India (‘RBI’), Pension Fund Regulatory and Development Authority (‘PFRDA’), Life Insurance Council, Stock Exchanges, Depositories and other governmental and regulatory authorities for their support, guidance and co-operation from time to time.

On behalf of the Board of Directors

Sd/-
Deepak S Parekh
Place: Mumbai  Chairman
Date: April 27, 2020 (DIN: 00009078)