



HDFC Life Insurance Company Limited



Sar utha ke jiyo!

INTEGRATED REPORT 2020-21



Reflect

Reshape



Resurge

## An Ode to Unsung Heroes

FY 2020-21 was one of the most difficult years for humanity. The battle against COVID-19 saw countless individuals dedicate themselves for the greater good of the society. To all these unsung heroes, we express our heartfelt gratitude. We thank all the frontline medical staff, the sanitation workers, the essential service providers, as well as our own employees and partners, who worked selflessly and relentlessly during these trying times to help all of us stay safe.

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# About this Report

## Our Approach

Our first Integrated Report endeavours to provide a holistic assessment of HDFC Life's financial and non-financial performance. Reporting non-financial information enables stakeholders to understand the Company, its performance and its overall strategic direction in building a sustainable business.

This Report details multiple relevant aspects, including environmental, social and governance components. It covers information on our operating model, external environment, strategy, material matters, performance, governance, business model and our engagement with stakeholders.

## Voluntary Reporting

This report has been prepared by the Management in accordance with the guidance provided in the Securities and Exchange Board of India ("SEBI") circular dated February 6, 2017. Our approach to creation of sustainable value and our performance in delivering the same has been presented through the six capitals - financial, manufacturing, intellectual, human, social and relationship and natural. This report is also aligned to the nine principles of the National Voluntary Guidelines (NVG) as laid out by the Ministry of Corporate Affairs.

## Reporting Period

This Report covers the financial year from April 1, 2020, to March 31, 2021, and provides an overview of the operations and business activities of the Company. We recommend this Report be read in conjunction with the Annual Report 2020-21.

## Forward-Looking Statements

Please note that there are certain statements in this Report in relation to our business operations which are forward-looking. While these statements reflect our future expectations, a number of risks, uncertainties and other key factors could cause actual results to differ materially from our expectations. Nothing in this Report shall constitute an offer to sell or solicitation of an offer to buy securities.

## Materiality Determination

The determination of material matters takes into consideration our operating context, which includes the legal and regulatory compliance requirements, industry trends and risk management.

We have identified issues that may impact our value creation across financial, environmental and social dimensions. Our materiality matters are covered in detail on page [36].

## Feedback

For any questions or feedback regarding this Integrated Report or its content, please write to [investor.service@hdfclife.com](mailto:investor.service@hdfclife.com).



## HDFC Life at a Glance



### Vision

To be 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 for the industry. “The most obvious choice for all”.

HDFC Life was the first private life insurer to receive its licence from the IRDAI in the year 2000. We commenced operations in the year 2001. We offer innovative protection, pension, savings, investment and health solutions to customers. These solutions address multiple risks faced by the customer, including mortality, morbidity, longevity and interest rate risks. As on March 31, 2021, we offer 36 individual and 12 group products, along with seven rider benefits.

We have a team of 20,636 employees serving its customers across 390 branches pan-India. Our diverse digitally-enabled distribution network comprises partnerships with 300+ banks, non-banking financial companies (NBFCs), small finance banks (SFBs), micro-finance institutions (MFIs) and over 50 new ecosystem partners. We have a base of over 100,000 financial consultants and a meaningful online presence through which customers can access these solutions directly.

### Our Approach to Value Creation

We have constantly focused on innovating and adapting to changing circumstances. Over the years, we have overcome business challenges and volatility through a mix of agility and prudence while remaining true to our core values.

Our focus has been to ensure a seamless customer experience whilst offering relevant and innovative product solutions that help address ever-evolving customer needs. Through our digital initiatives and value-added services, we constantly strive to enhance customer experience, right from assistance in identifying the relevant product to completing the purchase smoothly, ensuring customer satisfaction post-purchase through prompt servicing.

We have consistently created long-term value for all stakeholders, including customers, employees, channel partners, agents and shareholders while following the governance frameworks laid out by the Regulators and our Board. Our focus on innovation, investments in digital, balanced product portfolio and diversified distribution has helped us deliver value, even during the ongoing COVID-19 pandemic. We are committed to honouring our stakeholders’ trust with a blend of innovation, agility and resilience.

## Growth Drivers

The year 2020 was an unprecedented one in many aspects. The outbreak of the COVID-19 pandemic touched all our lives, impacted individuals and communities and influenced global events.

In response to the COVID-19 pandemic, our first priority was to ensure the safety of our employees and also to provide seamless, uninterrupted service to our customers. We saw an increase in the awareness and need for life insurance products as uncertainties came to the fore.

We remain optimistic about the medium-to-long term prospects of the insurance industry in India across Savings, Protection and Retiral segments. The long-term Savings segment has been the traditional focus area of Indian insurers, and we expect demand from that segment to sustain. We believe that Protection and Retiral segments are multi-decade opportunities and can grow faster than Savings. HDFC Life is well-positioned to offer its wide range of solutions in one of the largest and under-penetrated markets globally.

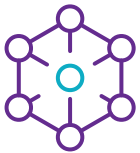


## HDFC Life at a Glance

### Key Strengths



Customer-centric approach



Diversified distribution



Balanced product portfolio



Robust risk management



Market-leading digital capabilities, focus on data analytics, AI development, automation

### Key Highlights

Number of lives insured - around **4 crore**

New Business Sum assured -  
**₹ 576,239 crore**

Assets Under Management -  
**₹ 173,839 crore**

Indian Embedded Value -  
**₹ 26,617 crore**

Total Premium -  
₹ **38,583 crore**

Value of  
New Business -  
₹ **2,185 crore**

Profit After Tax -  
₹ **1,360 crore**

Solvency -  
**201%**

## Core Values

Our core values framework 'EPICC' (Excellence, People Engagement, Integrity, Customer-Centricity and Collaboration) characterises our culture that fosters growth and progress, for us and all our stakeholders, for today and tomorrow.



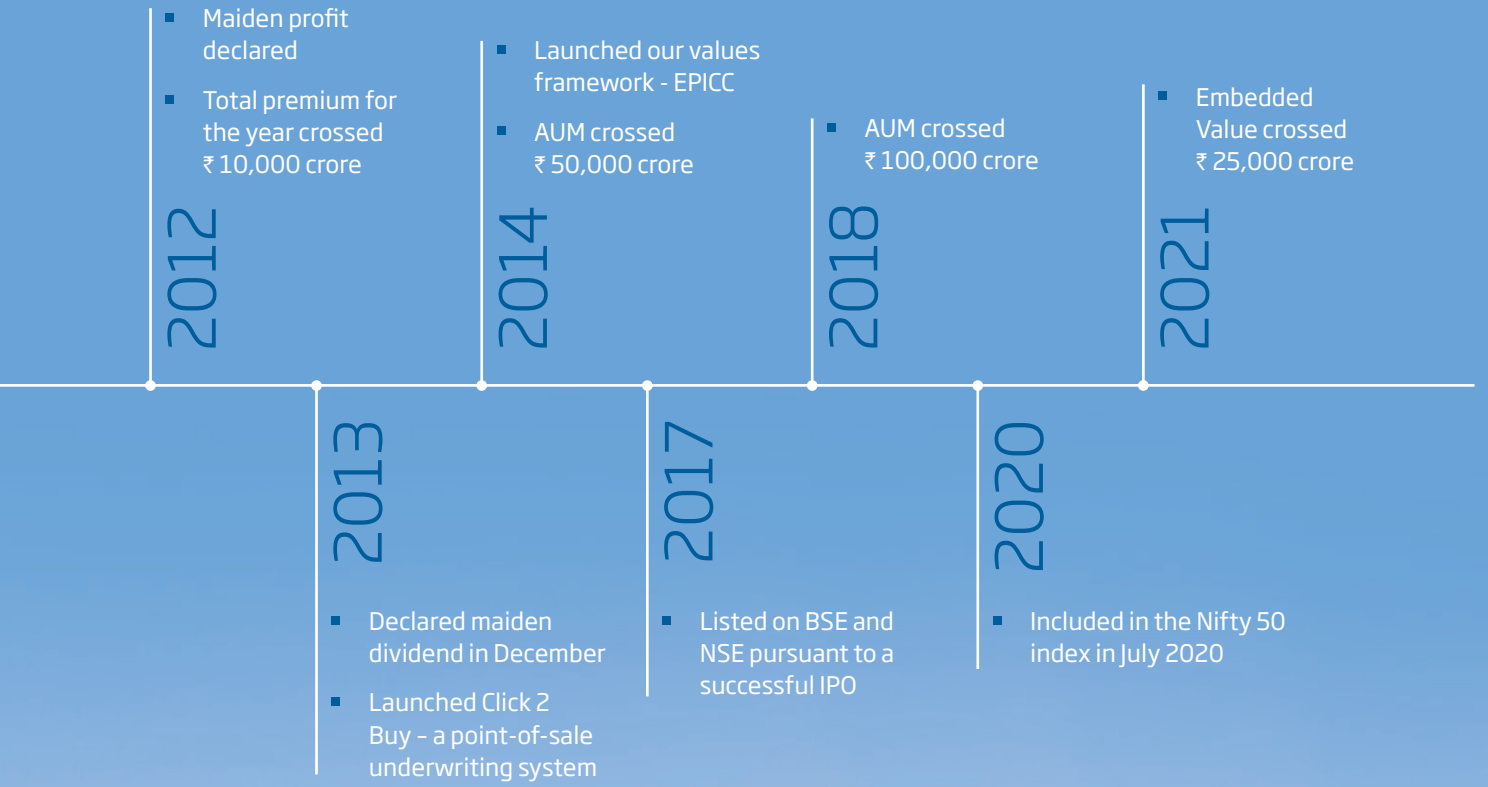
### Our organisational values characterise the following behaviours:

- **Excellence:** Commitment to being the best and delivering the best
- **People Engagement:** Respect, reward and recognition for people
- **Integrity:** Honest, transparent and committed way of doing what is best for customers and the Company
- **Customer-Centricity:** A set of beliefs, ideas and values that places the customer at the core of everything that we do
- **Collaboration:** Listening to all stakeholders and evolving together, assisting and supporting each other to achieve our common goal

# Corporate Journey and Milestones







# Introduction to Capitals that Power our Business

Our relevance as an insurer today and in the future and our ability to create long-term value are interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use them (value-adding activities), our impact on them and the value we deliver (outputs and outcomes).



## Financial Capital (FC)

Represents our financial position, growth and shareholder returns generated as a result of our disciplined approach towards managing our financial resources. Our financial resources include shareholder equity, borrowings and internal accruals. We optimally deploy our financial capital to grow the wealth of our customers and secure their future.

Premium Income  
₹ **38,583 crore**

Profit After Tax  
₹ **1,360 crore**

Return on Equity  
**17.6%**

Net Worth  
₹ **8,638 crore**

Borrowings  
₹ **600 crore**



## Manufactured Capital (MC)

Represents the physical assets, including branches, call centres and the equipment that enable us to conduct our operations and serve our customers, employees and other stakeholders. We continue to invest in enhancing the customer experience while achieving higher operational efficiency.

Number of Branches  
**390**

**40+**  
Virtual Locations

**300+**  
Distribution Partners

Land and Building  
₹ **237 crore**



## Intellectual Capital (IC)

Represents the collective knowledge and skills of our people and organisation gained through years of experience. We are constantly adding to this repository of knowledge and skills to strengthen our competitive advantage to ensure the alignment of our resources with our strategic intent. It also represents our digital capabilities, focus on data analytics/artificial intelligence and automation, which enhance our operational efficiency, improve customer experience and empower employees.

HDFC Life was awarded the 'Most Innovative Insurer - Life Category' award at the FICCI Insurance Industry Awards 2020.

**280+**  
bots deployed across  
**26** functions

Suite of **36** individual and  
**12** group products

**87%** of renewal payments  
made digitally

**< 4 hrs** policy conversion  
TAT



## Human Capital (HC)

Our people are at the heart of our success. Their diverse skill sets, expertise and industry knowledge, constitute our human capital. The expertise, engagement and motivation of our employees enable us to serve our customers better and fulfil the expectations of our key stakeholders. We invest in their competency building, engagement, welfare, health and safety.

HDFC Life has been recognised as a 'Great Place to Work' for the 11<sup>th</sup> time and was amongst India's 'Top 30 Best Workplaces' in the BFSI category in 2021.

Number of  
Employees  
**20,636**

Gender Diversity  
**24%** women

Over  
**100,000** Financial  
Consultants

## Introduction to Capitals that Power our Business



### Social and Relationship Capital (SC)

The quality of relationships that we maintain with our business partners, customers and society by catering to their collective interests drives our growth and competitiveness and generates goodwill. It makes us commercially viable and socially relevant.

CSR Spend  
₹ **20 crore**

Claim Settlement Ratio  
**99.4%**

**223,000+**  
CSR Beneficiaries

Around **4 crore**  
Lives Covered



### Natural Capital (NC)

The natural resources we consume to conduct our business and seamlessly deliver our products and services constitute our natural capital. We are proactively working towards reducing our environmental footprint. Moving away from physical to digital has helped us reduce our paper and electricity consumption.

**1,290+**  
number of trees saved

**41,695+**  
trees planted to date

Set up water ATMs across  
**12** villages

**43.9%** of policies issued  
digitally into electronic  
insurance account

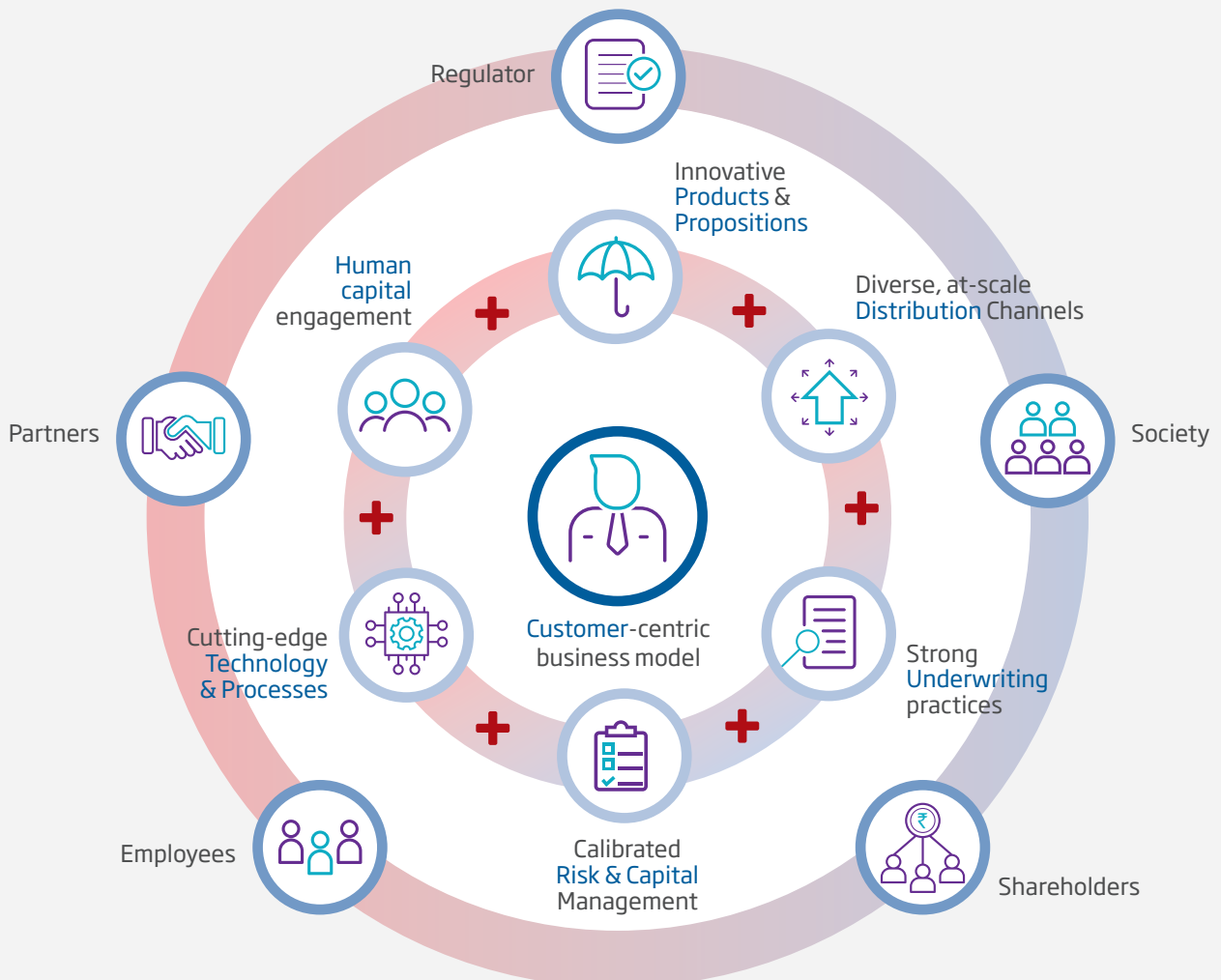
# Our Value Creation Model

As an organisation, we strive to create long-term value for all stakeholders by deploying six capitals - financial, manufactured, intellectual, human, social and natural. These enable us to drive the desired outcomes by following our five-pronged strategy - focus on profitable growth, creating a diversified distribution mix, undertaking market-leading innovation, reimagining insurance through a high-quality Board and Management team.

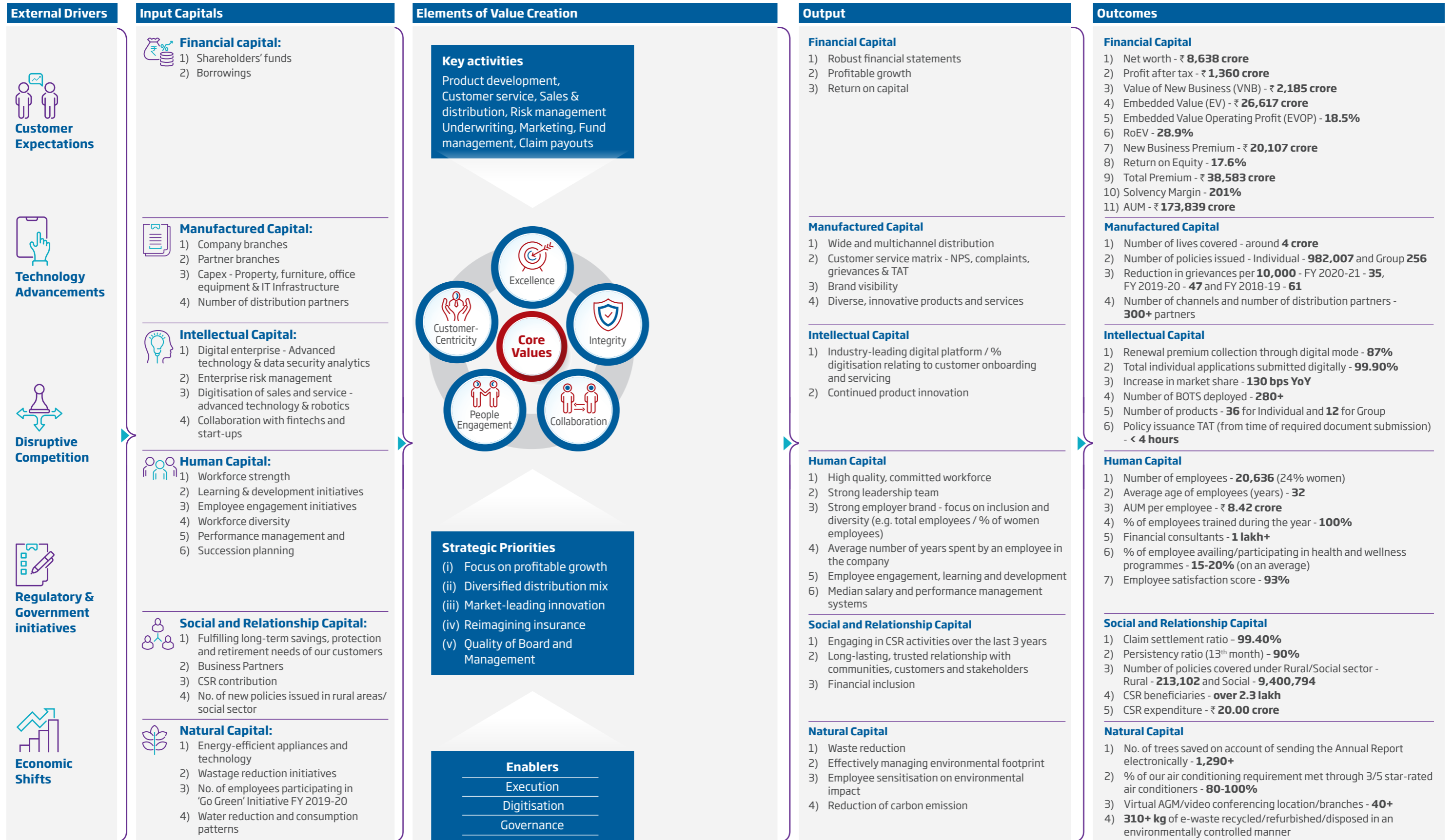
Our strategy aims to build a resilient, tech-driven and scalable business and fulfil our core purpose of protecting customers in the face of adversities and helping them become financially independent. All business activities are based on our values and vision.

We are a customer-centric organisation and strive to provide a seamless customer experience. At the same time, we follow a prudent approach in our risk management, investment philosophy and in underwriting new business with the objective to utilise our capital efficiently, settling all valid claims and generating sustainable profits.

## Creating and Sustaining value across stakeholders



# Business Model



## Strategy

Our agility and timely identification of emerging opportunities across products, services, distribution and technology while adapting to changing consumer preferences, have enabled us to create value for all our stakeholders. Our strategy is based on the broad themes of profitable growth, diversified distribution mix, market-leading innovation, reimagining insurance and quality of Board and Management.

Our approach has evolved considerably over time from being product-centric and driven by distribution to keeping customer needs and experience at the core of our strategy.



## 5 pillars of our Strategy:

 <p>Focus on profitable growth</p>	<p>Ensuring sustainable and profitable growth by identifying and tapping new profit pools</p>
 <p>Diversified distribution mix</p>	<p>Developing multiple channels of growth to drive need-based selling</p>
 <p>Market-leading innovation</p>	<p>Creating new product propositions to cater to the changing customer behaviour and needs</p>
 <p>Reimagining insurance</p>	<p>Market-leading digital capabilities that put the customer first, shaping the insurance operating model of tomorrow</p>
 <p>Quality of Board and Management</p>	<p>Seasoned leadership guided by an independent and competent Board; No secondees from group companies</p>

**Our continuous focus on technology and customer-centricity has enabled us to maintain business continuity during the COVID-19 outbreak**



# Strategy

We focus on all stakeholders, including customers, investors, employees, distributors and society, to ensure sustainable long-term value creation. Technology and risk management are integral components of our strategy.

## Focus on Profitable Growth

Our innovation efforts have enabled us to identify white spaces and tap opportunities such as individual protection, credit life and annuity ahead of the market. Focus on execution helped us scale up these business segments whilst maintaining a comfortable solvency position.

Taking an outside-in view has helped us reimagine our business model through product, service, process and technological innovations to create a roadmap for a sustainable profitable growth. Our financial risk

management framework has allowed us to create shareholder value even in an uncertain business and economic environment.

Track record of profitable growth:

Particulars	FY 2018-19	FY 2019-20	FY 2020-21
Individual APE growth	6.5%	18.1%	16%
Embedded Value (₹ crore)	18,301	20,650	26,617
EVOP (%)	20.1%	18.1%	18.5%
NBM	24.6%	25.9%	26.1%
VNB growth (%)	20%	25%	14%
PAT (₹ crore)	1,277	1,295	1,360
Solvency Ratio	188%	184%	201%

## Diversified Distribution

Our diversified distribution, comprising our proprietary channels and over 300+ partners, enables us to serve a wide range of consumers across geographies.

A few years ago, we saw the impact that digital business models, platforms and ecosystems were making in more developed markets in Asia and around the world. We transformed our model to put the customer at the centre of our processes. We launched multiple initiatives for bancassurance, agency and other channels, which helped us increase our geographic reach. We also partnered with new-age models such as fintech start-ups, online aggregators, and telecom companies, amongst others, to discover newer avenues of value creation. We now have more than 50 partnerships in the emerging ecosystems space.

We have created platforms powered by advanced analytics, automation and artificial intelligence to ensure smooth management of our distributor base.

**40+**  
virtual branches

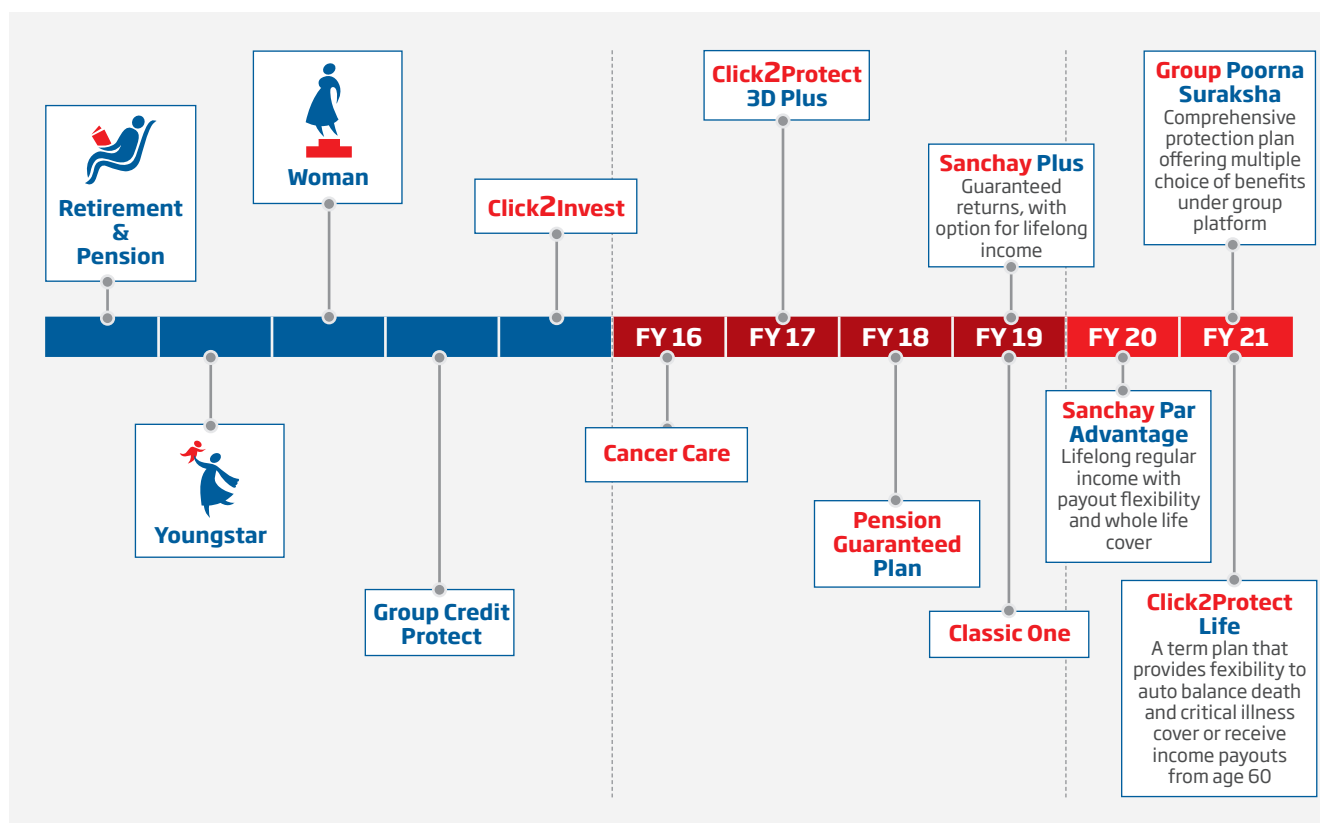
**50+**  
partnerships in emerging ecosystem vs 9 in FY 2016-17

Channel contribution*	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Bancassurance	72%	71%	64%	55%	61%
Brokers and Others	5%	5%	4%	9%	7%
Agency	12%	11%	13%	14%	13%
Direct including online	11%	14%	20%	22%	19%

\*basis annualised premium equivalent; Percentages may not add up due to rounding-off effect

## Market-leading innovation

Innovation in product design and delivery, backed by cutting-edge technology and comprehensive risk management, continues to be one of our key differentiators. At HDFC Life, we strive to identify latent customer needs and create attractive propositions.



Witnessing the growth in retail loans in India, in FY 2011-12, we launched HDFC Life Credit Protect, which provides term insurance coverage for loans obtained by retail customers. In FY 2017-18, we launched an innovative deferred pension, single premium annuity plan, HDFC Life Pension Guaranteed Plan. This product can be bought up to 10 years before the planned retirement age, with guaranteed income starting at the planned retirement date. Recognising the customer need for guaranteed income, in FY 2018-19, we launched a unique product, HDFC Life Sanchay Plus. In FY 2019-20, we introduced HDFC Life Sanchay Par Advantage, a long-term savings product, which offered a never-seen-before option of receiving cash bonuses from the very first month. In FY 2020-21, in response to the pandemic, we introduced a COVID-19-related product, Click2Protect Corona Kavach, along with our group company HDFC ERGO. Our new term product, HDFC Life Click2Protect Life, is designed to provide flexibility to auto-balance the death and critical illness cover or receive an income stream from

age 60. These innovations tie in with our strategy of profitable growth, by expanding the market and tapping niche customer segments. For example, through our partnership with Airtel, we offer a ₹ 4 lakh Group Term Insurance cover along with their prepaid bundle recharge. With this proposition, we have successfully insured more than 5 million lives since the launch and have enabled this with a policy issuance turnaround time of less than a second. Through our partnership with Paytm, we offered instant pre-approved insurance with a 3-click journey, thereby insuring over 1 million lives since the launch of the partnership.

While we have regularly launched innovative propositions, given our scale, the long-term nature of our business and the dynamic economic environment, it is pertinent to note that these innovations rest on a strong technology backbone and a comprehensive financial risk management framework. An illustration of market-leading innovation.

# Strategy

## Reimagining Insurance

Our focus has been to continuously build market-leading digital capabilities for greater reach, agility and efficiency. Our initiatives have led us to build platforms and ecosystems, ensuring seamless partner integration and simplifying sales and service journeys for our customers and partners.

Our suite of mobile applications, 'Insta Suite', helps frontline sales teams onboard customers efficiently. We continuously strive to leverage our capabilities in cloud computing, artificial intelligence (AI) and robotic process automation (RPA) for speed and ease. Our efficient platforms, powered by advanced analytics, automation and AI, enable us to service our partners seamlessly. We offer bespoke as well as plug-and-play technology integration solutions based on the digital maturity of our partners.

Our early investment in technology enabled us to smoothly transition the traditional business touch points to digital modes during the pandemic, minimising the impact on business, ensuring the safety of lives and helping us stay ahead of the curve. We are cognisant of the cyber-risks associated with increased digital adoption and have taken adequate measures as part of our risk management process.

### A few illustrations of Reimagining Insurance:

Renewal payments made digitally (number of policies)  
**95%**

Non-investigation claims settled in 1 day  
**97.62%**

Claims intimated via Life Easy that were settled in 1 day  
**100%**

No. of Robotic Process Automation (RPAs)  
**280+**



## Quality of Board and Management

Our Board consists of 11 Directors, including 6 Independent Directors, thus providing a good mix of Executive, Non-Executive and Independent Directors. The Board members are leaders with experience in running large organisations, which enables them to bring varied perspectives to our operations and provide effective governance.

We also have an Executive Committee comprising the Managing Director & Chief Executive Officer, Executive Director & Chief Distribution Officer, Chief Financial Officer, Chief Operating Officer, Chief Actuary & Appointed Actuary, Chief Investment Officer, Senior Executive Vice President (Sales), Head Human Resources, L&D and Admin and Senior Executive Vice President (Bancassurance) & Chief Values Officer. The Executive Committee, with its industry-specific knowledge and experience, is engaged in the day-to-day running of the business. The Executive Committee is supported by a high-performing and diverse management team.

# Operating Environment

## I. Overview

The FY 2020-21 year started with a stringent lockdown aimed at controlling the spread of the pandemic. Post the initial 2-3 months, the restrictions were progressively eased during the rest of the year. However, towards the end of the financial year, the number of COVID-19 cases started rising again, indicating a possible second wave. Globally, too, most countries went through a similar trajectory of initial lockdowns, subsequent easing and a second wave of infections. Monetary and fiscal authorities around the world unveiled various stimulus measures to cushion the economic blow from the pandemic and help their respective economies recover.

In India, most economic parameters bore signs of the effect of the pandemic. The fiscal deficit for the year was revised to ~9.5% from the budgeted level of 3.5% of GDP. Government revenues were severely dented with no relief on expenditure as the Government needed to take measures to support the affected sections of the economy. The Reserve Bank of India (RBI) also took multiple measures, including cutting interest rates to increase liquidity, allowing banks to provide moratoriums and restructure loans to affected borrowers, amongst others.

The Government's fiscal policy supported the economy through various measures - from providing food and income support to the most vulnerable sections, to providing investment incentives to industries to push up capital expenditure and consequently improve employment. The Government also increased infrastructure spending to attract private investment and trigger second order effects that would sustain growth. The Government committed to gradually ease fiscal deficit to 4.5% over the next 5 years.

The medium term outlook for the economy is more sanguine as the Government is expected to respond with less stringent and more localised responses to the second wave, while the increase in vaccinations is expected to help reduce further spread in infections.

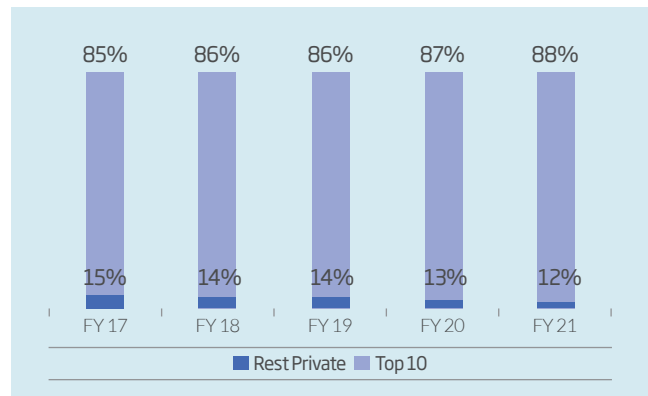
## II. Life Insurance Sector

The life insurance industry has evolved considerably over the last two decades - from a product and distribution centric approach to a more customer-

centric approach. Business models have also evolved, leading to changes in distribution strategy as well as the product portfolio, with technology viewed as a key enabler in the entire process. From a single insurer two decades ago, the market is thriving with 24 life insurers today.

During the FY 2020-21, the life insurance industry grew by 7% to garner ₹ 278,300 crore of new business premiums against ₹ 258,900 crore in the previous financial year.

Private insurers grew by 8% in individual business, while group business saw a growth of 20%. LIC recorded de-growth of 3% in individual business and growth of 1% in the group business. Development of alternate channels of distribution and product innovation have been the key drivers for the growth in market share of private insurers in the individual business, which has increased from 37% in FY 2011-12 to 60% in FY 2020-21.

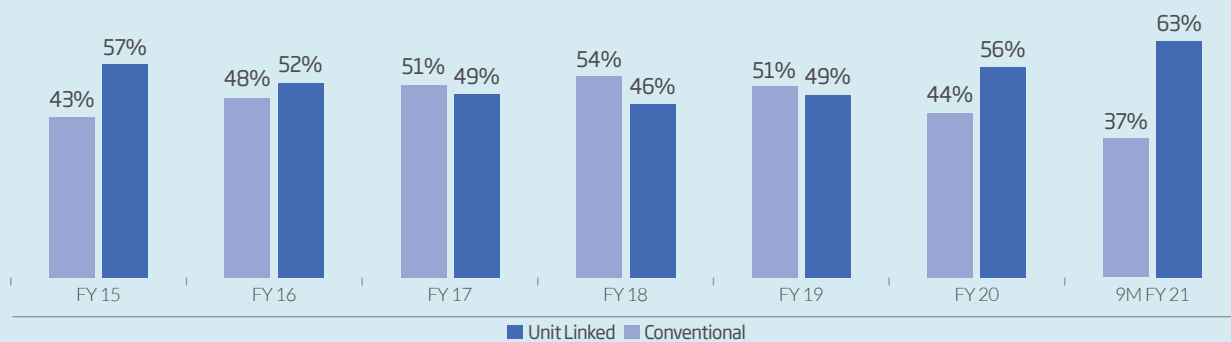


Note: Based on Individual New Business premium received  
Source: IRDAI data and public disclosures

Within the private sector, the top 10 insurers accounted for 88% of the market (in terms of individual WRP) in FY 2020-21, compared to 85% in FY 2016-17. Distribution arrangements with large banks have been a key driver for most of these insurers.

## II (a) Product Mix across Private Insurers

### Product mix



Source: Based Overall WRP (Individual and Group)

Source: IRDAI and Life Insurance Council data, HDFC Life Analysis

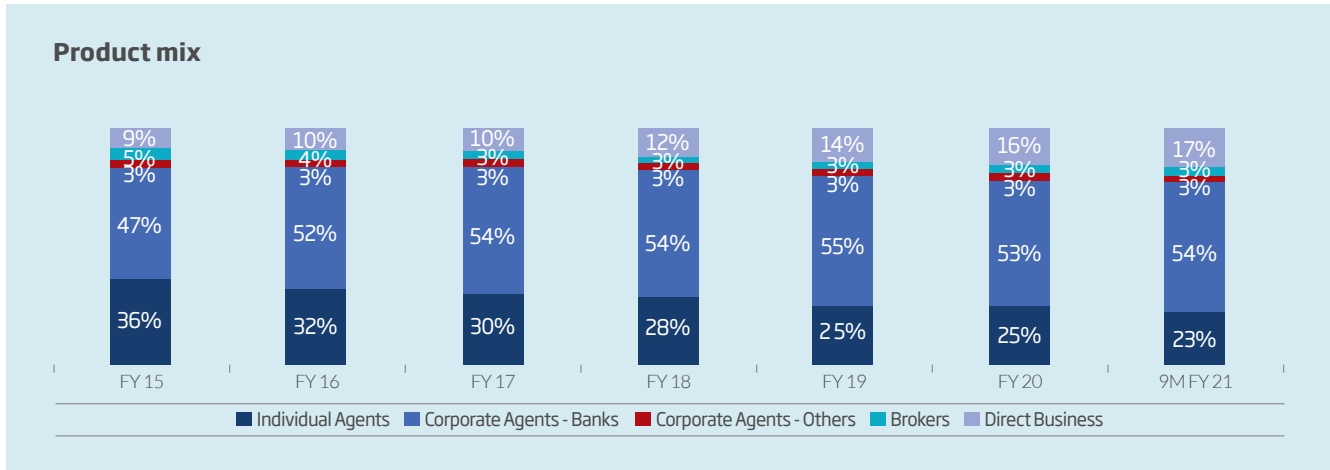
Diversification within savings products, driven by product innovation, changing customer preferences and evolving regulations, has resulted in private life insurers shifting focus from a largely unit linked dominated product mix to a more diversified one. The pandemic induced awareness for the need for more insurance and long-term wealth creation led

to further diversification in the savings segment in FY 2020-21. Over the last few years, private insurers have increased their focus on the under-penetrated protection segment, both within the individual and the group segments. Focus on the retirement space has also increased given the market opportunity.



# Operating Environment

## II (a) Product Mix across Private Insurers



Note: Based on Individual New Business premium received  
Source: IRDAI data and public disclosures

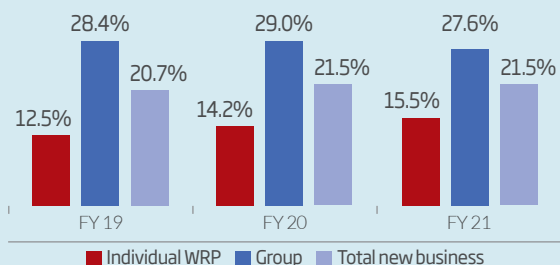
There has been a steady shift in the distribution mix over time - business sourced by the bancassurance channel has gradually increased with expansion in number of branches and widening reach across India. Implementation of open architecture by some of the larger banks, has enabled more insurers to achieve scale, while also presenting the customer with more product choices.

The direct channel (including online) has also gained traction over the years and has showcased

higher growth than most other channels. Increasing digital awareness, coupled with the government's drive towards digitisation, is helping the online channel emerge as a key distribution channel, especially for younger customers. Insurers are also tying up with partners within the non-traditional ecosystem (e.g., e-commerce companies, fintechs, cab aggregators, etc.) to diversify their distribution mix further.

## III. Our Performance

### Market Share



HDFC Life continued on its trajectory of delivering consistent and predictable performance in FY 2020-21, while outpacing industry growth. We recorded a growth of 17% in terms of Individual WRP during FY 2020-21 on a base of 19% growth in FY 2019-20. The private industry grew by 8% on a base of 5%

growth in FY 2019-20. The operating environment in FY 2020-21 also had several logistical challenges - lockdowns that prevented our sales teams from meeting customers, customer hesitation for medical tests, inability to access our workspaces, temporary shutdown of our centralised call centres, customer hesitation to visit our branches, amongst others. Despite this, we covered around 4 crore lives and paid over 2.9 lakh death claims, with a payout value of over ₹ 3,000 crore. Our strategy remains to deliver on shareholder's expectations while focusing on customer-centricity and technology. Digital is the backbone of our growth story, and we continue to invest in technology with a view of simplifying the buying journey and enhancing servicing experience for customers whilst creating new product propositions.

# Risk Management and Business Continuity Planning

## A) Risk Management

### Enterprise Risk Management

Risk management is an integral building block for creating and protecting value - a core competency woven into the overall culture and strategy of the organisation. The ERM framework is enabled by an established risk governance policy, and it is characterised by:

**1**

An appreciation throughout the organization that risk management is everybody's responsibility.

**2**

An iterative process of identifying key risks, putting in place risk mitigation plans and monitoring results.

**3**

A dedicated risk management team with defined roles and responsibilities, which functions under the guidance and supervision of Chief Risk Officer ('CRO').

**4**

Risk oversight by the management through the Risk Management Council and the Board vide the Risk Management Committee.

#### The key objectives of ERM at HDFC Life are:

- 1** Protection of the interests of our key stakeholders including policyholders, shareholders, employees
- 2** Adherence to applicable regulations
- 3** A strong corporate governance culture
- 4** Proactive identification, assessment, monitoring and reporting of risks
- 5** A structured, comprehensive and dynamic mechanism for conducting business within acceptable risk parameters





# Risk Management and Business Continuity Planning



Our Risk Management Policy draws broad contours of the Risk Management Framework, which is used to identify, assess, monitor, review and report risks as well as controls within the Company. The Risk Management Team is guided by our Risk Management Committee and the Risk Management Council to develop and implement risk assurance practices.

Our Risk Management Framework is based on a 'Three Lines of Defence' approach. Every function is

empowered to utilise this framework in its respective area of operation and forms the first line of defence. Control functions like Risk Management and Compliance act as the second line of defence and are independent of business operations. The role of the third line of defence is performed by the Internal Audit function, which provides an independent assurance to the Audit Committee and the Board on the functioning of internal controls.

## Risk Management across different categories of risks:

**A. Operational Risk:** The risk of loss resulting from inadequate or failed internal processes / people / systems or external events, including legal risk. (Capitals impacted: FC, HC and IC)

**Mitigation measures:** Operational risks are managed through tools like Risk Control Self-Assessment (RCSA), where risk assessment is conducted by the first line of defence, the process owners, operational loss data collection and incident management framework, control reports, risk reviews, and Key Risk Indicators (KRIs). The risks are discussed with stakeholders and mitigation strategies are devised with appropriate monitoring and control.

**B. Technology and Business Continuity Risk:** Risks hampering the confidentiality, integrity and availability of information systems and underlying data. (Capitals impacted: FC, IC, HC and SC)

**Mitigation measures:** The risks are managed through the following practices: periodic drills for business continuity and IT disaster recovery, ISO 27001 compliance, a comprehensive Information Technology and cyber-security policy, categorisation of data based upon its importance

and sensitivity, architectural alignment to integrate data security measures with enterprise IT architecture, defining rights to data, cyber-security governance and focus on areas pertaining to cyber-security, detection of a potential data breach through tools such as DLP (Data Leakage Program), regular review (internal and external audits, risk reviews) of the controls, including regular review and monitoring of vendors and outsourced processes, periodic monitoring and reporting of key technology projects through internal and Board Committee forums.

**C. Compliance / Regulatory Risk:** Risks emanating from non-adherence to the regulatory, judiciary and legislative mandates and guidelines, leading to fines and penalties. (Capitals impacted: FC and SC)

**Mitigation measures:** The risks are managed through practices such as disseminating regulatory notifications and actionables and ensuring implementation of the same. They are also managed via Compliance Council, where key business proposals are tabled, as well as compliance reviews. All major system changes / new developments or business integrations are evaluated from a regulatory perspective and implemented only post compliance sign-off.



# Risk Management and Business Continuity Planning

**D. Strategy and Planning Risk:** Risks emanating from non-achievement of strategic objectives, deviation from strategic plans, external and internal factors. (Capitals impacted: FC, IC, HC and SC)

**Mitigation measures:** Regular strategy review meetings, governance cadence by leadership team, monthly business review meetings, special cross-functional councils and focus groups to handhold strategically important areas and initiatives.

**E. Insurance Risk:** Risks arising due to adverse movement of mortality, persistency, morbidity and expense rates. (Capitals impacted: FC)

**Mitigation measures:** Product design, Board-approved underwriting policies, reinsurance arrangements, experience monitoring for claims, cost reviews & cost control initiatives, persistency reviews, annual review of assumption setting exercise.

**F. Subsidiary-related Risks:** Risks originating from subsidiary company actions. (Capitals impacted: FC and SC)

**Mitigation measures:** Oversight of subsidiary company actions and risks. The Risk Management Committee of each of the subsidiary companies provides an update at least on a quarterly basis to the Risk Committee of the parent company highlighting the key risks and the status. Each of the subsidiaries also has its own governance structure in the form of Risk, Investment, Audit Committee etc., as well as Committee of the Board of Directors.

**G. Financial Risk:** Comprises the following types of risks:

**a. Market Risk:** Risk of loss resulting from adverse movement in market prices across asset classes and investment positions. (Capitals impacted: FC)

**Mitigation measures:** Equity risks are managed by restricting the exposure to particular industry segments and individual companies via controlled investment mandates, resulting in a diverse range of equity holdings. Also, there are limits placed on fund-switching options offered to customers, and there's a stop-loss policy framework that defines the tolerances at the security level vis-à-vis changes in the benchmarks at various levels, with a defined plan of action once stop-loss is triggered.

Interest rate risk is mitigated by monitoring interest rates regularly and activating action plans when they move beyond a threshold level in either direction, offering premium payment terms that can be supported by investment returns, investment in securities of suitable durations so that the reduction in reinvestment yield when interest rates fall is offset by capital gains on securities, and durations and cash flow matching via various hedging instruments.

**b. Liquidity Risk:** Market Liquidity Risk is the inability to liquidate an asset, and Funding Liquidity Risk is the inability to meet obligations when due. (Capitals impacted: FC and SC)

**Mitigation measures:** Funding Liquidity Risk is managed by monitoring, on a regular basis, that sufficient liquidity is maintained to meet short-term obligations.. This is done by timing cash inflows and outflows through cash flow matching and by maintaining a minimum mix of liquid assets. Mitigation measures for managing Market Liquidity Risk include investing in on-the-market curve securities, high credit quality papers as well as investment in stocks forming part of benchmarks with sufficient market capitalisation. There are also concentration/stock limits prescribed by the IRDAI, which needs to be mandatorily complied.

**c. Credit Risk:** Risk of loss resulting from counterparty defaults to meet obligations in accordance with agreed terms. (Capitals impacted: FC and SC)

**Mitigation measures:** Investing primarily in sovereign-rated and AAA papers.

**d. Asset Liability Mismatch Risk:** Impact due to adverse liquidity and interest rate movement on the financial statements. (Capitals impacted: FC)

**Mitigation measures:** Monitoring mismatch in cash flows of assets and liabilities, re-balancing assets to more closely match the liabilities both by timing and nature, implementation of cash flow matching and duration matching investment strategies as appropriate, use of sensitivity and scenarios analysis tools to measure the impact of any mismatch to ensure that they remain within acceptable limits.



**H. Emerging Risks:** Emerging risks are the new or developing risks that can affect our financial strength, competitive position, viability or reputation over a medium-to-long term period, but the extent and nature of any potential losses are particularly uncertain due to insufficiency of information. Emerging risks may present a threat or an opportunity for the enterprise as a whole or for a certain business unit or geography. The key categories of emerging risks are:



**Economic**



**Geopolitical**



**Regulatory /  
Legal**



**Environmental /  
Societal**



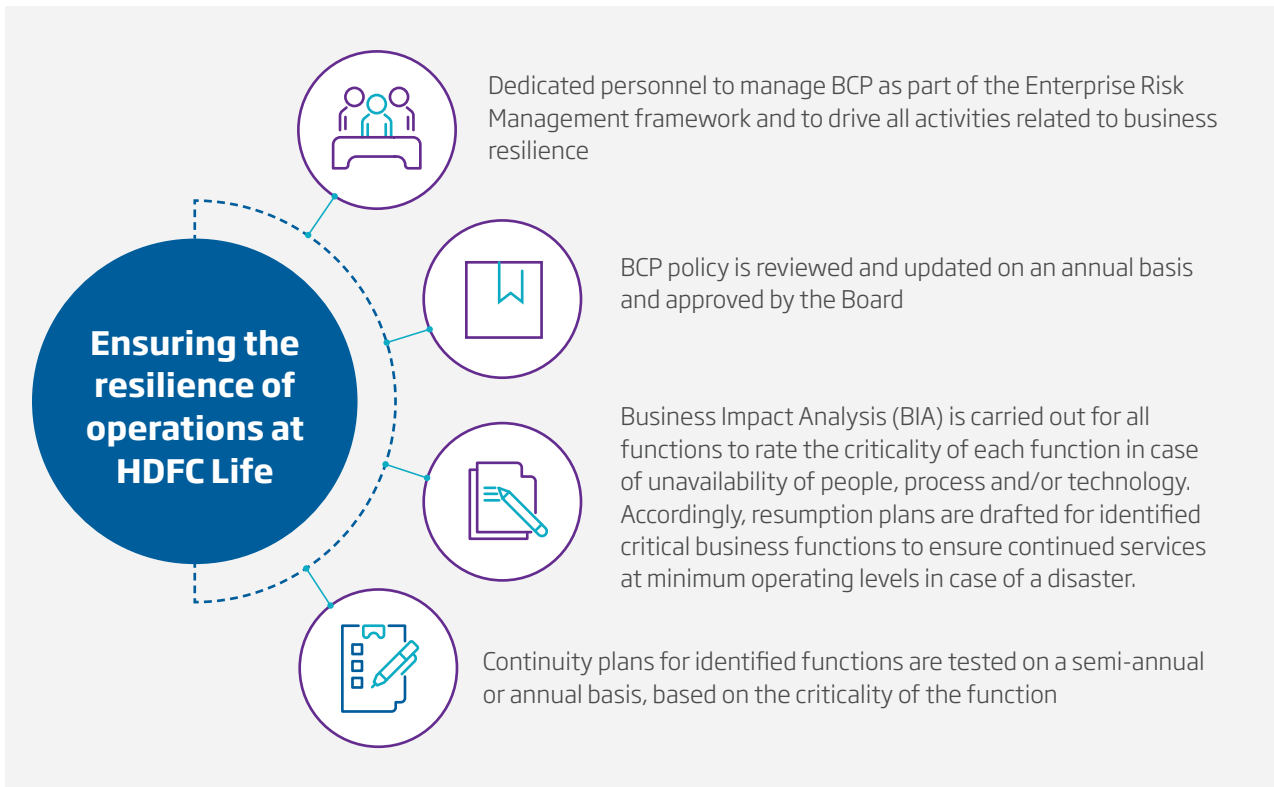
**Technological**

(Capitals impacted: FC, MC, IC, NC, HC and SC)

**Mitigation measures:** Conducting a management survey to rank the top emerging risks under each of the above five categories and devising broad level mitigation measures to prevent or reduce the impact. Since the timing of the risks is uncertain, our aim is to focus on key emerging risks and prepare mitigation plans for them.

# Risk Management and Business Continuity Planning

## A) Business Continuity Planning (BCP)



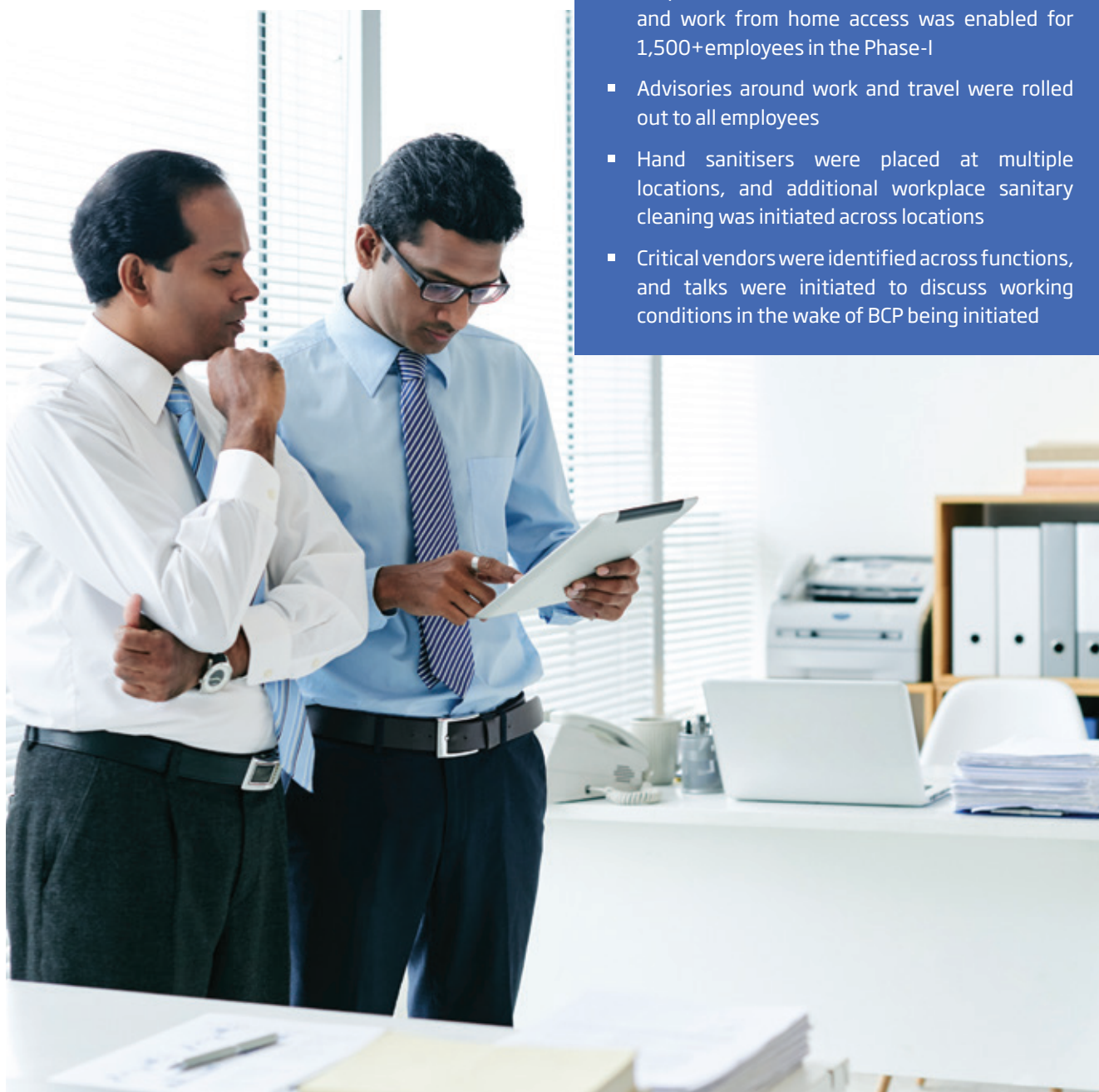
### Materiality Matrix for HDFC Life

Activity	Description	Frequency of Activity
Business Impact Analysis (BIA)	It is the process of determining the criticality of business activities and associated resource requirements to ensure resilience of operations in case of business disruption	Annually for critical departments and once in 3 years for all departments
Functional recovery procedures	They enable an organisation's recovery of its critical business processes in an efficient and timely manner in the event of a disaster	Once in a year for all critical departments
BCP testing / drill	Verification of the adequacy of recovery plans by conducting BCP drills	Once in a year for critical departments; twice in a year for investment operations



### Continuity during the COVID-19 Pandemic

COVID-19 was declared a pandemic by the WHO in early 2020, identifying it as a global threat to humans and economies alike. Various directives were issued by the central and state governments in the wake of the outbreak, advising citizens to quarantine themselves at home and instructing businesses to carry out their operations remotely (by enabling employees to work from home).



### Early steps taken at HDFC Life to maintain operational resilience

- Critical business functions were intimated of the potential lockdown and asked to plan for contingency measures
- List of critical personnel required for carrying out these operations was identified
- Required infrastructure was made available, and work from home access was enabled for 1,500+ employees in the Phase-I
- Advisories around work and travel were rolled out to all employees
- Hand sanitisers were placed at multiple locations, and additional workplace sanitary cleaning was initiated across locations
- Critical vendors were identified across functions, and talks were initiated to discuss working conditions in the wake of BCP being initiated

# Risk Management and Business Continuity Planning

## Risk Management across different categories of risks:



### BCP team

- Phase-wise BCP readiness of critical functions ensured pre-lockdown
- BCP invoked in a timely manner
- Allocation of assets and remote accesses prioritised for critical functions to enable business teams to work from home
- Seamless functioning of high regulatory impact functions
- Technical support provided on priority
- Zonal task force created to ensure employee health and safety



### Vendors / Partners

- Call centres made functional in a short span of time to support business and customer needs
- Service levels agreed for the lockdown period to ensure sufficient availability of vendor services



### Human Resources

- Rostering plans introduced in line with government directives
- 70% advance salary processed for mid and junior level employees
- Virtual onboarding and training of new employees



### Business functions

- Daily monitoring of productivity trends across sales and service touch points
- Customer service levels maintained
- Seamless functioning of high regulatory impact functions, aided by prioritised technical support
- Deployment of digital sales tools



### Admin

- Hygiene standards maintained across offices and branches
- Regular inspection of electrical and other sensitive infrastructure
- Transportation and logistics of personnel, hardware assets, documents, etc.



### Customers

- Existing digital touch points leveraged and new digital servicing options enabled
- Periodic communication sent to customers providing details of alternate methods of communication
- Branches opened in a phase-wise manner based on directions from local authorities





# Risk Management and Business Continuity Planning

## **Our ongoing response to COVID-19 and update on the second wave**

In terms of the current situation, the second wave does appear to be steeper than the first one. We are hopeful that its impact on public health and the economy would be curtailed by a speedy vaccination drive and discipline observed by our fellow citizens.

The vaccination programme in India has been rolled out in four phases. The first group included healthcare and frontline workers. This was followed by those over 60 years of age and above 45 years with comorbid conditions. From April onwards, people above 45 years of age could get vaccinated, and from May 2021 onwards, vaccination has been opened up to all citizens 18 years and above.

In the interest of the health and safety of our employees, we, at HDFC Life, started a programme to facilitate the vaccination for all our employees and their families. A majority of our employees are in the 18-45 years group, and our endeavour is to get them vaccinated as soon as possible. While we already have a tie-up with one of our medical partners for the same, we are simultaneously in talks with multiple other large hospital chains to accelerate the vaccination drive for all our employees across the country.

We have also undertaken various other initiatives like providing financial assistance (advance salary) in case employees or their family members face a medical exigency. Through our tie-up with medical service providers, we are also offering oxygen concentrators and ICU-at-home in certain geographies, Doctor on Call services, emotional and mental assistance helpline, medicines and lab test at discounts, amongst other initiatives. We have also conducted extensive awareness drives to spread the message on COVID-19 safety protocols and on the importance of getting vaccinated.

Once vaccine supplies strengthen, we have a plan to set up camps in our 390+ offices across the country, where not only our employees but also those of our partners can get vaccinated. Our emergency team is active 24-x7 in putting patients in touch with medical resources to the best extent that we can. We coordinate closely within our group entities to share on-ground trends as well as resources.




In such trying times, we would like to re-emphasise that the health and safety of our employees, customers and partners remain our top priority. We acknowledge our role as a responsible corporate citizen and will continue to broaden our efforts across a larger set of stakeholders over time.






# Stakeholder Engagement

We aim to create value for all our stakeholders. To continue delivering sustainable growth, we engage, develop and strengthen our relationship with stakeholders and take inputs from them to enhance business strategy. Our stakeholder engagement has been detailed below:



Stakeholder	Modes of Engagement	Key Expectations	Response: How do we deliver value
 <b>Customers</b>	a) Corporate website; Assisted touch points like a branch; Self-serve touch points like WhatsApp bot, chatbot, app, customer portal etc. b) Engagement for claim processing and settlement c) Customer satisfaction survey	a) Need-based and innovative products b) Data security c) Simplified service and best-in-class customer experience d) Easy and quick claim settlement	a) Create innovative and customer-centric products b) Nudge customers to self-service avenues c) Increase operational efficiency through automation, data insights and security measures d) Augmentation of touch points, both physical and virtual, to improve availability and reach
 <b>Shareholders and Investors</b>	a) Annual General Meetings b) Quarterly results calls c) Annual Report, Public Disclosures and Investor Presentations d) Investor conferences and meetings	a) Value creation b) Risk management c) Adoption of sustainable business practices	a) Consistent and predictable delivery of growth and profitability b) Differentiated business model with multiple sources of value generation c) Tangible diversification benefits of robust risk management
 <b>Employees</b>	a) Feedback, recognition and talent management b) Learning and development initiatives c) Employee engagement, wellness and safety initiatives d) High touch point communication through town halls, mails, etc.	a) Career development opportunities, a culture of diversity and inclusion & fair compensation b) Regular training c) Employee engagement d) Wellness and safety	a) Fair, transparent & timely performance appraisal process b) Increased employee engagement, mobile-based learning programmes c) Adoption of a holistic approach towards wellness, physical and mental health d) Building a talent pipeline for specific roles through succession planning

Stakeholder	Modes of Engagement	Key Expectations	Response: How do we deliver value
 <b>Government/ Regulatory Authorities</b>	a) Compliance with regulatory requirements, notifications, circulars and guidelines b) Regular meetings, seminars and participation in industry forums c) Corporate announcements, e-mails, letters d) Periodic submissions, Regulatory visits / interactions	a) Sound Corporate Governance - Fair dealings, conduct and transparency, timely disclosures b) Regulatory and legal compliance c) Contribution towards development of industry	a) Play a proactive role in creating awareness about the need for insurance b) Comply with all the applicable regulations c) Navigate the complexities involved in regulatory reviews / inspections
 <b>Business Partners Vendors and Reinsurers</b>	a) One-to-one meetings, annual reviews b) Contracts, e-mails, calls, virtual interactions c) Periodic surveys	a) Long-term partnership b) Favourable product and value proposition c) Ease of doing business and data security d) Timely payment as per terms of contract	a) Offer compelling value proposition to distribution partners b) Innovative product propositions and market-leading digital capabilities to cater to evolving customer needs c) Timely payment for services d) Digital services and well-defined information and cyber-security policy
 <b>Communities</b>	a) CSR partnerships and implementation of CSR-related projects b) CSR-related disclosures in public domain c) Reduction of environmental footprint	a) Work for causes such as Education, Health, Livelihood, Environmental Sustainability, Disaster Relief etc. b) Community development and growth c) Employee participation/ volunteering	a) Adoption of sustainable business practices b) Working with communities / weaker sections c) Providing employees with volunteering opportunities d) Sourcing policies from rural areas e) Engaging with vendors employing less privileged and rural resources

The stakeholder engagement process for the Integrated Report development is limited to a sample size taken from internal stakeholders, i.e., employees and senior management. The viewpoint of external stakeholders was considered by taking inputs from these internal stakeholders, who are continuously engaging with relevant external stakeholder groups to understand their expectations.

# Materiality

Material topics have a direct or indirect impact on an organisation’s ability to create, preserve, or erode economic, environmental and social value for itself, its stakeholders and society at large. Our leadership team identify material issues by taking account of the feedback from our stakeholders and the risks and opportunities posed to our business.

A list of material issues developed based on secondary data, peer review and global/regional industry trends are detailed below:



Business Ethics	Brand & Reputation Management	Customer Engagement & Satisfaction	Employee Health & Safety
Customer Privacy & Data Security	Risk Management	Management of the Legal & Regulatory Environment	Employee Training & Development
Product Innovation	Employee Recruitment, Diversity & Inclusion	Sustainable & Responsible Investment	Financial Inclusion - Access & Affordability
Community Development Relations	Labour Practices	Resource Consumption & Waste Management	Climate Change & Green House Gas (GHG) Emissions



## Financial Capital

We recorded an improvement in all key financial metrics during the current year. From a value creation perspective, our primary focus continues to be a) growth of Value of New Business (VNB), b) enhancement of our Embedded Value (EV), and c) steady surplus generation to fund new business growth.

With suitable products and appropriate risk management practices, we have built a resilient balance sheet. We monitor and manage our liquidity and asset-liability positions on a continuous basis. As on March 31, 2021, our solvency ratio stood at 201%, against the regulatory requirement of 150%.

Premium  
₹ **38,583** crore

PAT  
₹ **1,360** crore

New Business Premium  
₹ **20,107** crore

Return on Equity  
**17.6%**

Embedded Value Operating Profit (EVOP)  
**18.5%**

Return on Embedded Value (RoEV)  
**28.9%**

Embedded Value (EV)  
₹ **26,617** crore

Value of New Business (VNB)  
₹ **2,185** crore

Net Worth  
₹ **8,638** crore

Borrowings (sub-debt)  
₹ **600** crore

Dividend\*  
₹ **408** crore

AUM  
₹ **173,839** crore

\* Proposed final dividend of ₹ 2.02 per share recommended by the Board in its meeting held on April 26, 2021, will be paid post receipt of the Members approval in the ensuing annual general meeting.



## Manufactured Capital

Constantly widening our reach to our customers while maintaining a diversified distribution mix is one of the key pillars of our strategy. Our focus on developing a multi-channel distribution platform enables us to reach and service our customers effectively, provides us with the flexibility to adapt to changes in the regulatory landscape and mitigate the risk of over-reliance on any single channel. All our distribution channels have been independently profitable as well.

Our diversified distribution network built over two decades comprises 390 branches, over 300 partnerships with banks, NBFCs, MFIs, SFBs, brokers, new ecosystem partners, over 100,000 individual agents and online access to our customers. We believe that our distribution model enables us to gain coverage across diverse customer segments. As a result of our focus on customer needs and distribution efficiencies, we have managed to build economies of scale across most of our distribution channels.

We continue to pursue profitable growth by improving sales productivity and efficiency, optimum utilisation of the distribution network of our distribution partners while equipping them with advanced online and digital sales solutions. We have developed scalable distribution platforms, which can be customised and rolled out rapidly and efficiently across our distribution partners. Our 'plug-and-play' onboarding process has made it easier for our bancassurance partners to start selling our products while providing us with access to their wide distribution networks.



# Manufactured Capital

## Diversification of Distribution

- 300+ traditional partners including 50 new ecosystem partners ; 1200+ direct channel employees; over 1,00,000 financial consultants
- Our new ecosystem partners include Paytm in e-commerce, PaisaBazaar in lending space, others include Just Dial, Apollo Health, Axis Mutual, Maruti Suzuki, to name a few.

## Bancassurance

- We are seeing consistent growth in our bancassurance channel
- We continue to focus on improving our servicing, products and customer journeys across existing partners while also adding new partners to the distribution mix. We have constantly invested in digital initiatives and end-to-end integration of customer journeys with all our distribution partners
- In terms of new initiatives, we have rolled out Pre-Approved Sum Assured (PASA) with some of our large distribution partners
- Some of the new partners onboarded last year include YES Bank, SBICAPS Securities Ltd. (a subsidiary of SBI Capital Markets), Edelweiss Broking Limited, State Bank of Mauritius, Doha Bank, WheelSEMI Pvt Ltd., Auxilo Finserve Pvt Ltd., amongst others

## Proprietary focus

We are focused on developing and strengthening our proprietary distribution, namely Agency, Direct and Online channels.

### Agency

- Agency channel continues to gain traction and scale, with a focus on profitable product mix and maintaining the quality of business
- We primarily sell long-term savings and protection plans, as well as some unit-linked insurance products, through this channel
- Our focus on improving quality of business is reflected in a strong 13<sup>th</sup> Month Persistency of over 90%

- We have continued to implement technology and mobile solutions to drive agent productivity and heighten engagement
- We shall continue to focus on recruiting quality agents, improving agent training and productivity, fine-tuning our agent incentive schemes and equipping our agents to better serve our customers and win new business

## Direct and Online

- Our direct sales channel is engaged in selling our products directly to customers, without the involvement of any intermediaries, through both online channels and offline channels
- There is a multi-dimensional approach covering branch walk-ins, telesales, digital touch points, cross-sell to credit protect customers, defence channel, amongst others
- Our direct channel is designed to up-sell and cross-sell to our base of existing customers by leveraging analytical tools to determine customer preferences
- We also have an advanced online platform that is user-friendly and customer-centric. It guides our customers and distribution partners right from onboarding to policy issuance
- Under online channel, we are not only able to tap a younger customer segment, but it also enables us to expand our geographical presence, especially in non-metro

## New Ecosystem partnerships

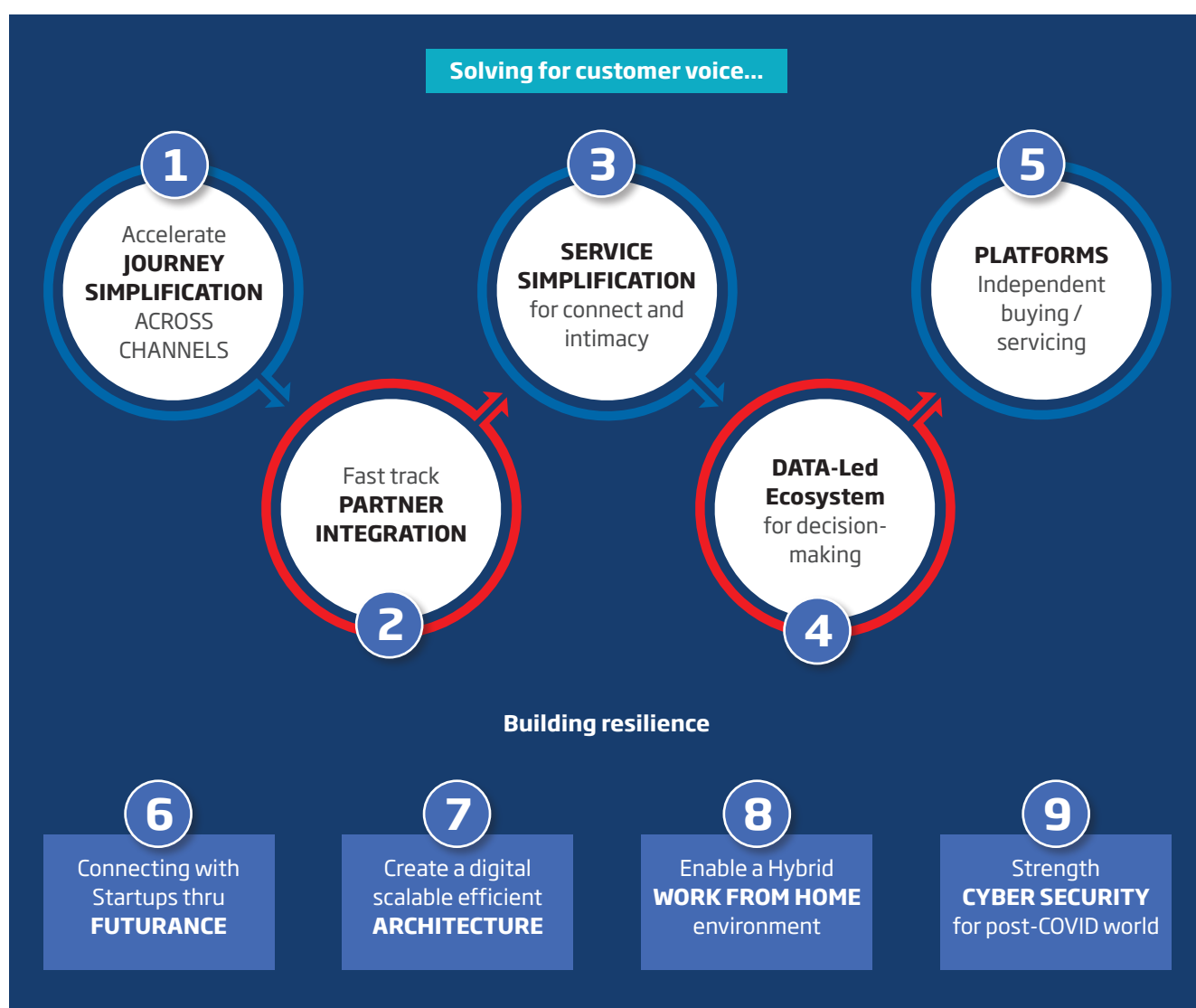
- Our new-age ecosystem partners belong to a diverse range of industries, ranging from carpool aggregators like Uber & Ola, leading e-commerce player like Paytm to healthcare providers like Healthspring
- We believe that non-traditional distribution partnerships have huge growth potential, given the wider customer access and significantly under-penetrated life insurance market across cities in India
- We remain excited about being able to tap the wider market through such non-traditional distribution channels





# Intellectual Capital

Our intellectual capital comprises our technical & product know-how, deep insights regarding our customers, digital ecosystems, strong relationships with multiple partners, proprietary platforms and growth engines. As a customer-centric company, we constantly seek customer voices and leverage this pool of intellectual capital to solve customer problems/issues based on those voices. We have five engines powering this model focused on solving customer problems, and they are supported by four pillars that provide resilience in a volatile environment.



# Intellectual Capital



## 1 Journey Simplification

Simplifying the customer onboarding process is one of the key elements, as it is important to increase the ease of transaction and enable a simple and frictionless experience.



**<4 hrs. policy conversion TAT\***

**51% online business 5 year CAGR\*\***

**<2 min policy issuance turnaround time (TAT) on Instalnsure platform**

**>99% policy issuance journeys fulfilled digitally**

Note:

\*Policy issuance TAT (turnaround time) is calculated from the time all required documents are submitted by the customer

\*\*Online includes business sourced through own website, online business sourced through banks / corporate agents and web aggregators

## 2 Partner Integration

Efficient platforms powered by advanced analytics, automation and Artificial Intelligence (AI) are continuously developed to service our diverse distribution network.



**Deep Integration** with partner, enabling a seamless journey for customers and auto-population of data

**End-to-end servicing** of partner requests on Partner Portal

**InstaPRL** enabling digital onboarding of agent, **98K+** applications closed in one year since launch

**LifeNext Portal** developed for group partners

To manage:

- Onboarding, Underwriting & Issuance
- Claims & Servicing
- Cross-sell

## 3 Service Simplification

Given that insurance contracts are for a long term, it is imperative for us to invest in areas that would make it convenient for customers to reach us.



**99.4%** Claims Settlement Ratio

**280+** bots deployed across functions

**89%** interactions via self-serve mode

**87%** renewal collections via digital platforms

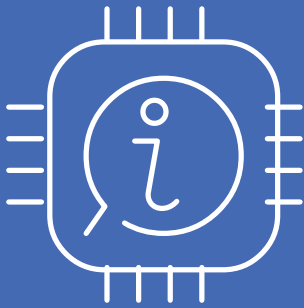
**95%** customer chats closed via chatbot

Mobile app usage increased to **3.2X** in last one year

# Intellectual Capital

## 4 Data Labs

In 2012, the World Economic Forum stated that personal data was becoming a new economic 'asset class'. We have harnessed our customer data to improve customer experience and business quality by enhancing our computing power and analytics capability.



**Risk+** Advance Machine Learning Model, helps predict and avert early claims

**Facesense: 98%** precision rate (face recognition application)

**98%** NLP engine comprehension rate (used for chat interpretation)

**1.6mn+** monthly queries answered and **99%** insta accuracy rate (virtual assistant for Sales and Service)

## 5 Platforms and Ecosystem

Platforms and ecosystems enable us to provide consumers a more holistic proposition, with adjacent offerings that improve stickiness. They also help us meaningfully tap into the customer base of our partners and give us an opportunity to generate new profit pools.



**Life99** - Monthly active users: **8K+**; **85K** registered users

**Futurance** a program to identify startups with cutting-edge technology, launched in partnership with IvyCamp





## Human Capital

We are in the business of creating long-term relationships and sustained value, and our people remain the driving force behind our success. Our people processes focus on right hiring, developing for higher productivity and creating an engaged talent pool, with digitalisation bringing it all together. We believe that values are the most critical element that reflects the conduct of a company. HDFC Life's values, in conjunction with clearly identified leadership behaviour, enables employees across levels to fulfil their responsibilities towards internal and external stakeholders in an effective way.

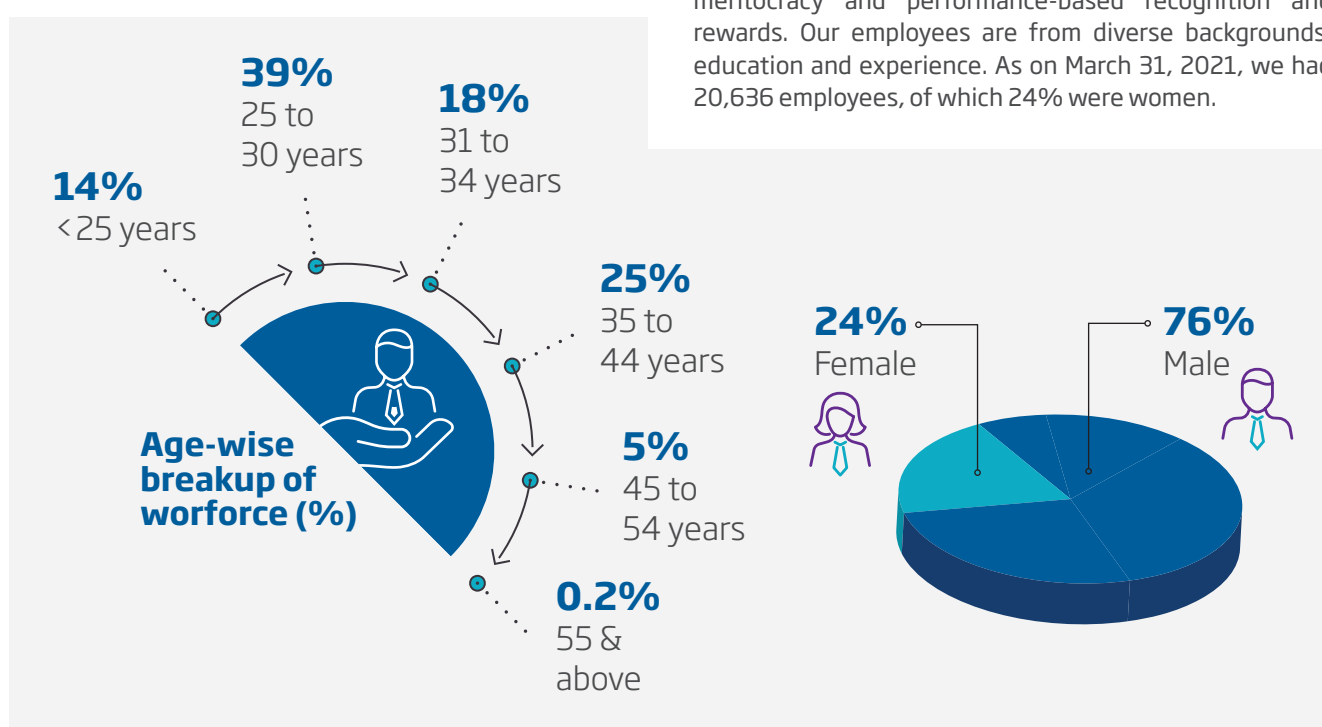
During the past year, we responded with agility to overcome the challenges posed by the COVID-19 pandemic. Employee safety and health were key priorities with initiatives such as financial assistance, doctors on call, medicine / lab tests at discounted rates, assistance for emotional and mental well-being, ICU@home service, group health benefit program and safe, sanitised work locations. We ensured continuity in customer service through capability development, guidance on the use of digital enablers and ongoing communication. We intensified our employee engagement with increased leadership connect across employee groups, a platform for employees to showcase talent, extended engagement to employees' families and timely and frequent employee appreciation.

### Workforce Strength and Diversity

Our employer brand personality reflects goal orientation, dependability, being conventional, new age, a trend-setter and caregiver.

We believe in treating people with respect and dignity, fostering an atmosphere of open communication, care and candour. We also respect the right of individuals to achieve professional and personal balance in their lives. A well-defined code of conduct for our employees provides the guiding principles on aspects such as information security, whistle-blowing practices and anti-bribery/corruption.

We are an equal opportunity employer with a culture of meritocracy and performance-based recognition and rewards. Our employees are from diverse backgrounds, education and experience. As on March 31, 2021, we had 20,636 employees, of which 24% were women.



# Human Capital

We keep reviewing our policies and actions from an inclusion standpoint, e.g., at the earliest hint of COVID-19, we had requested pregnant employees to start working from home. We have also undertaken various other initiatives like providing financial assistance (advance salary), offering oxygen concentrators and ICU-at-home in certain geographies, Doctor on Call services, emotional and mental assistance helpline, medicines and lab test at discounts, amongst other initiatives.

Initiatives such as Punaragaman enable employees who have had to take a break in their career to restart it as per their convenience. We are flexible in our hiring and are open to hiring part-time, flexi-time or gig workers.



## Performance Management and Succession Planning

We have taken various measures to build a diverse and rich talent pool and to create a robust pipeline for the future.

Through career progressions/advancements and Internal Job Postings (IJPs), we encourage employees to opt for cross-functional movements, thereby broadening their professional exposure. The application process is entirely digitised. Under our referral program, employees can share job opportunities in the organisation within their social network on WhatsApp, Facebook and LinkedIn. This helps us build our brand, attract the right talent and also helps employees earn incentives. Various assessment tools, designed internally, are used to ensure that employees are aligned with our core values.

Over the years, we have developed alliances with universities and academia for a 'train-and-hire model'

for Frontline Sales (FLS) roles. For managerial positions, we have a campus hiring programme which inducts fresh minds from top business schools in the country. We have a 'Graduate Trainee Programme' to build a strong pipeline of the new-age technology skill set in the organisation.

We have institutionalised the talent review and employee development processes to assess the potential and developmental needs of talent across middle and senior management levels. Our succession planning process for senior leadership levels is based on a detailed approach of identifying positions that are critical to the organisation's strategic goals and operations. For all such positions, internal successors are identified and developed over a period of time. The development interventions for identified successors include role broadening, cross-functional exposure, opportunities to lead large projects/initiatives and educational opportunities at premier institutions.

We are committed to creating and sustaining a high-performance culture. Therefore, our performance management system is deeply entrenched in the principles of the Balanced Scorecard.

Our compensation policy ensures that we benchmark ourselves with the external market in order to stay attractive as a potential employer. With the objectives of attracting, retaining and motivating the best talent, long-term incentives have been introduced. At the junior and middle management levels, the schemes are cash-based; for senior employees, an ESOP-based scheme encourages them to contribute to sustained corporate growth and profitability. All enrolments in these schemes are for high performing employees.

### Learning and Development Initiatives

We have invested in digital collaboration tools and adopted a contemporary and progressive learning ecosystem to engage with the workforce of today.

MConnect, our mobile-based self-service app, empowers employees to carry out routine operational tasks such as marking attendance, applying for leaves, managing expenses, etc. Through this, they can access vital portals such as compensation and career microsite and also remain updated about corporate-level announcements and updates.

MLearn, our mobile learning app, provides bite-sized learning and certifications to employees, partners and distributors. The app hosts a rich repository of content rendered in engaging formats such as videos, infographics, summary cards, quizzes, etc. These cover a holistic curriculum for life insurance professionals across concepts, processes, products, regulatory aspects, etc.

Apart from the digital communication platforms, we also strive to continuously create and steer forums where employees can gain information and seek answers to their queries. 'CEO Communication' is one such forum that helps in orienting employees to the vision, values and strategy of the organisation.

### Awards and Recognitions



We were recognised as a 'Great Place to Work' for the 11th time and were among India's 'Top 30 Best Workplaces' in the BFSI category in 2021. Please refer the Annual Report for more details.

Our employee appreciation programmes, 'Sparsh' and 'Shikhar', recognise and reward exceptional and consistent performance and value-driven behaviours at an individual and team levels.

### Employee Engagement and Wellness Initiatives

We come together to share the spirit of festivals and special occasions like Family Day, Sports Day, etc. that are organised at different points during the year. We care not only for our employees but for their families, too. On Family Day, employees proudly bring their family members to work and share with them the pride they feel of being a part of HDFC Life.

For work-life balance, employees have the facilities of flexi-shifts, crèche, work from home and sabbatical on an as-needed basis. To support our women employees and build a more inclusive workplace, we provide 26 weeks of fully paid maternity leave. All our male employees, irrespective of tenure, are entitled to 5 days of fully paid paternity leave in case of childbirth or adoption.

Our employee wellness programme covers physical, emotional and mental wellness. For physical well-being, we have a wellness app that runs challenges and contests; and for emotional well-being, we have an employee assistance programme that caters to the mental health counselling requirements of employees.

Additional sick leaves, transfers, relocation assistance, etc., are covered under our HR policies. For health and safety, initiatives such as fire drills, sanitation and fumigation are periodically carried out.

While we focus on all these initiatives, the ultimate proof lies in the endorsement by employees. Such endorsements are captured through 'E-Sat Survey - Voice of the Employee', an anonymous employee satisfaction survey conducted annually. In FY 2020-21, the survey covered 95% of our employees.



# Social and Relationship Capital

Sustainable businesses are nurtured by trust and loyal long-term relationships with employees, customers, business partners and society as a whole.



## I) Ensuring Customer Satisfaction

Customer-centricity is one of our core values.

The concept of customer-centricity and its benefits cannot be undermined. We focus on organisational culture, structure, processes, and financial metrics to drive it. Strong leadership commitment, organisational agility, robust systems and process support help us deliver superior customer experience in an omni-channel environment.

Our customer-centric processes begin right from knowing the customer well. By understanding the customer better, we are able to identify the right needs and consequently design products that address those needs. We also engage with our customers and educate them about our products and services in a transparent manner. We also constantly seek customer feedback and diligently work to improve ourselves basis that feedback. We believe our approach has helped us ensure customer satisfaction across the customer lifecycle. We also acknowledge that there are times when our customers may find us falling short. To address these situations, we have put in place a strong

grievance redressal mechanism that works to win back the customer's trust. Our constant focus to improve customer satisfaction has resulted in improvement in C-sat scores, higher persistency and a reduction in our complaints ratio.

## II) Respecting the privacy of our customers and their data

We believe that ensuring the privacy of our customers and their data is of utmost importance. This is key to retaining the trust of our existing customers and also of prospective customers who are members of the wider society. To do this, we have put in place 'The HDFC Life Privacy Policy', which is applicable to all customers of HDFC Life and users of [www.hdfclife.com](http://www.hdfclife.com) website and consequential services and products made available on the website by HDFC Life.

It has a defined framework that maintains the privacy of HDFC Life customers' data. Precautions such as encryption using SSL certificates, role-based access to our systems/applications and password-based authentication are taken to protect customer data. We also have a comprehensive data privacy policy



that ensures compliance with laws and regulations applicable to HDFC Life's collection, storage, use, transmission, disclosure, retention and deletion of personal data, sensitive personal data and critical personal data (also referred to as personal information, sensitive personal information and critical personal information in this policy).

#### Steps taken by HDFC Life to ensure data protection:

- Appropriate controls in place to check for PII data, which is blocked accordingly
- All external e-mails are scanned by the Data Leakage Prevention (DLP) system, which is also installed on 'End-Points', thus safeguarding data even when a device is outside the corporate network
- Password protected files are blocked for non-approved e-mail addresses
- Excel files as an attachment are only allowed to approved domains
- All external devices (USB, CD-DVD Drive, data card, etc.) are blocked on the official systems at the office and in the WFH environment. Additional devices such as printers, copiers, scanners are not allowed in the WFH environment
- Installation of any software on laptop is not allowed 24x7 Security Operations Centre (SOC) monitoring in-place to detect and alert any abnormal activities

We follow a zero-tolerance policy on data leakage, and strict action is taken against any Company person violating the policy, as per the Fraud Risk Management Policy.

### III) Increasing Financial Inclusion

#### Rural and Social Sector Obligations

We maintain our focus on taking insurance to rural areas and also endeavour to tailor our products and processes to support these regions, considering customer needs. As part of our overall business, we have achieved the prescribed regulatory targets of social and rural business.

**Rural Business:**  
Achieved **21.7%**,  
versus prescribed  
requirement of **20%**  
of the overall business

**Social Business:**  
Insured **9,400,794**  
social lives versus  
prescribed **3,062,325**  
social lives.

In our pursuit to promote financial inclusion, we have launched insurance products designed for the economically weaker sections where the premium starts from as low as ₹ 100 per month. In addition, there are micro-insurance products that are offered through our micro-insurance agents or our partner microfinance institutions. In line with the Government's social scheme 'Pradhan Mantri Jeevan Jyoti Bima Yojana', to offer the benefits of insurance to the masses, we launched HDFC Life Pradhan Mantri Jeevan Jyoti Bima Yojana Plan, a pure group term insurance product that ensures financial security for the member's family in the event of the policyholder's death.

## Social and Relationship Capital

**Group Jeevan Suraksha and Group Term Insurance:** These are micro-insurance products designed for members of microfinance institutions, co-operatives, self-help groups, etc., to provide protection against financial liabilities arising from a family member's death. These plans can be availed at nominal costs, and they cover the marginalised communities. We have covered more than 4 crore micro-finance consumer lives as part of our group insurance.

**Life insurance bundled with prepaid recharge:** We tied up with Airtel, whereby the telecom firm offers a complimentary ₹ 4 lakh Group Term Insurance cover along with its ₹ 279 prepaid recharge. With this proposition, we have successfully insured around 75 lakh lives till March 31, 2021.

**Promoting financial literacy:** When it comes to financial literacy and awareness about life insurance, our efforts are focussed on educating both prospective

and existing customers. Through campaigns, we make people aware of the need and importance of life insurance for themselves and their families, and through customer engagement, we keep our policyholders informed of their rights and duties. Here are a few highlights of our insurance awareness and literacy programme:

**Financial literacy initiatives:** We have tied up with NGO for helping us conduct large-scale financial literacy sessions among weaker and underprivileged sections of society. Also, we run on-ground knowledge sessions with the help of field sales teams and partners.

**Policyholder education:** We engage with our policyholders and, through regular communication, keep them informed of their policy with us, their rights and duties as a policyholder, fraud/spurious calls/malpractices, available grievance redressal mechanisms, amongst others.





#### IV) Fulfilling our Corporate Social Responsibility

We are committed to making a positive impact in sectors such as Education and Livelihood, Healthcare and Sanitation, Environmental Sustainability and also towards the fight against the COVID-19 pandemic. Under our social umbrella of 'Swabhimaan', the Company reaches out to disadvantaged communities to empower them.

As a responsible Corporate Citizen, we contribute to nation-building through its CSR projects/programmes, in true letter and spirit, as enshrined in the Act. All CSR interventions are conceived and implemented through a focussed approach towards target beneficiaries for generating maximum impact. Our CSR initiatives are carried out either in partnership with credible implementing agencies or directly through projects executed by project management teams.

Our Corporate Social Responsibility Policy is designed in consonance with Section 135 of The Companies Act, 2013, to lay down the guidelines for undertaking CSR initiatives of the Company and in accordance with the Companies (Corporate Social Responsibility Policy), Rules, 2014, as amended from time to time.

'Swabhimaan' interventions are also aligned with the UN Sustainable Development Goals (SDGs). There is a strong connection with the brand's core emotion that revolves around 'Pride' or 'Sar Utha Ke Jiyo', representing the philosophy of enabling individuals to live with their heads held high by making them financially independent. The 'Swabhimaan' projects / programmes are identified and assessed by the CSR Monitoring and Evaluation team. Post their due diligence, projects/programmes are recommended to the Internal Committee and finally presented to the CSR Committee for its directions and approvals.

We believe that it is not just the Company, but our employees, too, who can make a difference to society. Every employee is encouraged to volunteer and contribute towards various social causes that they pledge for. Employees are empowered to design, implement or participate in socially relevant and beneficial projects that allow them to collaborate in their eco-systems and contribute to the society, acting as change-makers.

The CSR Policy and details of projects/programmes undertaken are available on the Company's website at: <https://www.hdfclife.com/about-us/csr>

# Social and Relationship Capital

## V) Integrating Environment, Social and Governance (ESG) in our business strategy

HDFC Life is committed to industry-leading ESG standards that shape a sustainable future for the communities we serve and creating long-term value for all our stakeholders.

**Social:** HDFC Life plays an important role in addressing the key risks of mortality, morbidity and longevity that set back communities if left unmitigated. We also play a vital role in the growth and development of the nation. The premiums from individuals are pooled and deployed into instruments that finance investment in long-horizon sectors like infrastructure and others that support economic growth.

**Governance:** We aim to build the foundation of our Corporate Governance philosophy on the principles of integrity, transparency, accountability and responsible corporate conduct with an intention to enhance investor confidence and create enduring value for all its stakeholders. Our philosophy on Corporate Governance plays a pivotal role in protecting the interest of all its stakeholders and maximisation of their long-term profitability as well as value creation. We are committed to maintaining the highest levels of ethical standards, which comprise integrity, corporate governance and compliance framework.

**Environment:** Our objective is to ensure the sustainable future of our planet. To meet this objective, we are working on multiple initiatives to reduce our carbon footprint using a blend of consumption rationalisation, eco-friendly technology and efficient ways to reduce, reuse and recycle waste.

We are working to incorporate ESG considerations in every aspect of our business with tangible and measurable outcomes for our customers and communities. Our success will be shaped by the long-term well-being of the people we engage with, the places in which we operate and the planet that we leave to our future generations. We have started our long-term ESG Strategy reflective of our responsibility as an industry leader.

Initiatives undertaken with respect to ESG have been outlined in our quarterly / annual disclosures, such as investor presentations and annual reports. While ESG is an evolving concept, we are trying to identify the areas we need to focus on and then integrate those in our day-to-day business processes.

We track the external benchmarks and indices like DJSI (now S&P Global) and MSCI, and our endeavour is to adopt the best global practices to be ahead of the curve. We have been evaluated and rated on ESG by various external institutions, including MSCI and S&P Global (DJSI).



## Natural Capital

Every business consumes natural resources during the course of its lifetime and operations. However, we believe that we must also give back to the planet in the interest of sustainability. Using a blend of consumption rationalisation, eco-friendly technology and more efficient ways to reduce, reuse and recycle, we strive to ensure a sustainable future of our planet. Our operations are compliant with the Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, and E-waste (Management) Rules, 2016.



### 1. Energy emissions and water conservation

We are developing an internal framework to track and measure our carbon footprint. In our strategy to combat climate change, we will strive to reduce our greenhouse gas emission by taking initiatives to monitor and reduce our energy consumption. We expect our per capita electricity consumption to reduce on the back of these initiatives. Given the looming danger of water scarcity, we are also taking measures to conserve water. We have taken the following initiatives to reduce the overall consumption of energy and conserve water at our branches:

- 3 star and above-rated appliances used and regular maintenance carried out to ensure efficiency
- Replacement of Tube/CFL lights with LED lights (69% of branches currently use LED lighting)
- Implementation of switch rooms across 384 branches resulting in reduced air-conditioning usage (both in running hours and temperature settings), leading to decrease in electricity bill units by 14%
- Replacement of Uninterruptible Power Supply UPS with new energy efficient devices; reduction of UPS capacity by 50% (equivalent to 750 KVA)
- Replacement of bottled drinking water with water purifiers
- Installation of sensor-based taps at the corporate office and other select office locations

# Natural Capital



## 2. E-waste management

We aim to mitigate the harmful environmental impact of e-waste and make sure that our e-waste is recycled and disposed of in an eco-friendly manner through government-certified waste disposal agencies. During FY 2020-21, approximately 310 kg of e-waste was recycled/refurbished/disposed of in an environmentally controlled manner, conforming to the guidelines of E-Waste (Management) Rules, 2016. We have also donated our old IT assets to recycling agencies for helping underprivileged sections of the society.

## 3. Other waste management initiatives

We comply with the Hazardous and Other Wastes (Management and Transboundary Movement) Rules 2016. We discourage the usage of single-use plastics. Some of the initiatives taken in this direction include the usage of biodegradable garbage bags, reusable plates, cutlery, and wooden stirrers. We have also replaced plastic bottles and cups with glass bottles and cups in our conference rooms.

## 4. Digitisation

We have also reduced our paper usage by introducing e-forms for customers and moving to online documentation. We strive to make our processes paperless and green. Our printers are configured with default double-sided printing, and we encourage employees to reduce the usage of hard copy of documents to the maximum possible extent. We also encourage our policyholders to opt for demat or dematerialised (i.e., online copy) of their policy document. Currently, demat accounts for 43.9% of our new business. In addition, in accordance with the Ministry of Corporate Affairs guidelines on virtual annual general meetings of shareholders, our annual report was communicated digitally to our shareholders in FY 2019-20 and we expect this practice to continue in the current year as well.

## 5. Reducing operational footprint

We intend to reduce our operational footprint through our eco-friendly activities, thus helping in the conservation of our environment. We have set up 40+ video conferencing rooms to encourage virtual meetings and reduce travel, thereby decreasing our carbon footprint. We have created 17 city forests (including 7 city forests in FY 2020-21) in suburban Mumbai and Maharashtra, using the Japanese Miyawaki Plantation method, covering approximately 45,000 sq. ft., area with over 50 different native species. Till date, HDFC Life has planted a total of 41,695 trees.

## Outlook

We remain sensitive about the health impact and loss of lives due to the current pandemic and continue to prioritise employee, customer and partner safety. We have been able to demonstrate resilient performance in FY 2020-21 in spite of the challenging environment. However, given the resurgence of COVID-19, we continue to maintain a cautiously optimistic stance for FY 2021-22 and will evaluate our approach on a dynamic basis. We will strive to achieve sustainable new business growth and maintain an upward trajectory on new business margins whilst adhering to a robust risk management approach.

The current pandemic has led to a higher awareness around the need for protection and the inadequacy of current insurance coverage at a household level. Life insurance has emerged as a prominent theme to protect one's family whilst securing long-term financial goals. The three structural long-term opportunities addressed by the life insurance sector are as follows:

- Long-term Savings:** India has traditionally been a savings led economy, and we expect this trend to sustain over the medium-to-long term. The demand for various product categories would depend on consumers' risk appetite and the evolving macro-economic environment. We expect sustained overall growth in this segment in the next financial year on the back of our bouquet of products catering to different customer needs.
- Protection:** We see signs of normalisation of demand for individual protection. We are seeing encouraging trends in our credit life business on the back of improvement in disbursements. We remain confident about the medium-to-long term prospects of protection in India, on the back of under-penetration, higher awareness, rising affluence and increasing levels of consumer credit. We shall continue to address the protection opportunity in a calibrated manner as we penetrate deeper and wider into the Indian market through appropriate pricing and underwriting.

- Retirement:** We are optimistic about the growth opportunity in this segment given the changing demographics, increase in life expectancy and low levels of social security. Our endeavour is to expand sources of new business and introduce new products while ensuring appropriate risk management for our Annuity and long-term income solutions. Our pension subsidiary is at the forefront of offering solutions under the National Pension System (NPS), and we expect growth momentum to continue for this segment for the foreseeable future.





*Sar utha ke jiyo!*

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