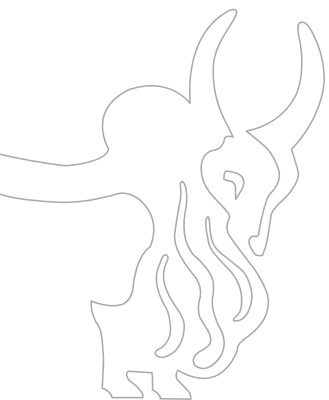




ALTERNATIVE  
PEOPLE  
BUSINESS  
EFFICIENT  
ENERGY  
SUSTAINABLE  
SOCIETY  
RESOURCE  
PLANET  
EFFICIENT  
WINDMILL  
FRIENDLY  
NATURAL  
RECYCLING  
BIOFUELS  
POWER  
WIND  
NATURE  
PROFIT  
UNIVERSAL BANKING  
ECO  
CONCEPT  
CONSERVATION  
TREE  
TECHNOLOGY  
SOLAR  
SUCCESS  
GREEN  
CLEAN  
PRODUCTION  
COMMUNITY  
ORGANIC  
EQUITY  
SUSTAINABLE  
THINKING  
CARBON  
TURBINE EMISSION  
OUTREACH  
WINDMILL TREE  
RESOURCE  
CO<sub>2</sub>



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In an earnest attempt to conserve nature and promote environmental sustainability, IndusInd Bank has printed this Report on 100% recycled paper. This is certified by



## Message from the Managing Director



03

At IndusInd Bank sustainability is key to operating our business in a way that helps our customers succeed financially while creating long-term economic growth and a better quality of life for the communities we serve. This is visible in the increase in our net worth and profits and in the various programs we have undertaken for social and environmental change. Our core values reflect the principles of sustainability and guide our efforts towards achieving customer satisfaction, client and shareholder trust, and benefits for society and the environment. We have a two pronged approach to instilling sustainability values; one, within the Bank among our employees and two, among the stakeholders who impact our business or are impacted by its operations. We intend to continue our mission of providing efficient services and excellent customer service within the backdrop of sustainable development and hope to gain the confidence of new stakeholders while reaffirming the faith of the old.

Through 2012-13, we have been scaling up our efforts to formalise a system within the organisation to manage sustainability initiatives. Having developed a formal environmental policy, we have taken the steps towards realising our goals and have created a further level of clarity in our CSR agenda. We have been honoured for our efforts at the Global CSR Excellence and Leadership Award 2013 for 'Best Use of CSR Practices in Banking and Finance' and 'Innovation in Corporate Social Responsibility Practices', at the BSE - 7<sup>th</sup> Social and Corporate Governance Awards for 'Best Corporate Social Responsibility Practice 2013' and with the 'Top Green IT Enterprise Award 2012' by CIO Magazine.

This year was marked by advancements that have improved our long-term sustainability and brand equity. Our Consumer Banking division has worked on products and services such as **Super Saver Packs**, **Forex Travel Cards** and **IndusPro Certification** that cater to the evolving needs of our customers. We are expanding our branch network in rural India aggressively and have opened 103 branches pan India. We have developed branches in 28 previously un-banked rural centres and our **Microfinance Partnership Program** has reached 4,400 villages. Our services reach rural India through **Indus Collect Reach**, an innovative device for loan collection that reduces our impact on the environment through reduced paper consumption.

As practitioners of Green Banking, IndusInd Bank has completed a network of over 100 Solar ATMs across the country. Simultaneously we have continued to promote the market for renewable energy by investing in several clean-tech projects and companies. We have also focused on several technological advancements that have a significant impact on paper and energy consumption. Through our **Green IT** mission, policy inputs from various verticals of the Bank are incorporated in the working of the Bank.

In the coming year, we expect to achieve our business goals while helping to address challenges in the current economic scenario. We are moving forward with energy and optimism, chartering our future goals, while keeping in mind our sustainability agenda and joining multi-stakeholder dialogues to advance these goals. I thank you for your interest in our Sustainability Report 2012-13 and look forward to further opportunities to share with you our achievements and successes in this important arena.

Sincerely,

**Romesh Sobti**

Managing Director & CEO

## Report Highlights

NET PROFITS ROSE BY   
**32.22%**



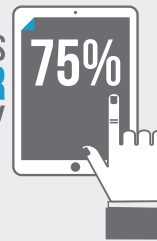
**103**  
RURAL BRANCHES ACROSS INDIA

MFI PRESENCE IN MORE THAN  
**4400**  
VILLAGES ACROSS  
**20**  
DISTRICTS

**1.4 LAKHS**  
FINANCIAL INCLUSION FOR RURAL CUSTOMERS



HANDHELD DEVICES  
**REDUCE PAPER**  
CONSUMPTION BY



CONTINUED DONATIONS TO  
**NGO**  
SUPPORT

  
**22%** INCREASE IN  
EMPLOYEE STRENGTH

  
**{ 288,000 }**  
MAN-HOURS OF TRAINING

  
**2768**  
EMPLOYEE COMPLETED  
GREEN BANKING  
E-LEARNING MODULE

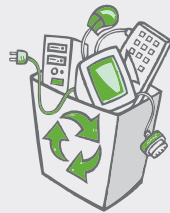
Planet

**5 JUNE, 2012**

LAUNCHED AN INTERNAL



ON WORLD ENVIRONMENT DAY



**16,889 KGS**  
E-WASTE COLLECTED  
AND RECYCLED

**2.62 KGS**

PER CAPITA EMISSIONS OF  
**CO<sub>2</sub>e INCLUDING**  
SCOPE 1 & SCOPE 2

**100**



SOLAR ATMS PAN INDIA

The Road Ahead

**OUR NEXT STEP IS AIMED AT**

- Developing a CSR Policy to formalise our pathway and define our process
- Developing solar rooftops for our facility in Chennai to further explore solar solutions
- Working on a sustainable branch design to green our Banks inherently
- Integrating Sustainability into Performance Assessment within the Green Champions program
- Improving the Employee Donation Scheme through larger contributions and support for various causes
- Protecting India's Forests through afforestation and community partnership to conserve the Tiger habitat



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## Introduction

On May 9, 2013 the daily mean concentration of carbon dioxide in the atmosphere, as measured by the Mauna Loa Observatory in Hawaii, surpassed 400 parts per million (ppm) for the first time in at least 3.2 million years. This remarkable milestone is a symptom of the debilitating effect of unsustainable human growth and development on our home planet. Issues like global warming, population growth, pollution, water and food scarcity and economic inequality are major drivers of change and are affecting both our natural environment and the communities that live within it. To address these issues we need to follow a new developmental pathway, one that is sustainable and meets the needs of both present and future generations.



08

Sustainability in the corporate arena has received a great deal of attention from the media and the business community for a number of years. The role of banks in contributing toward sustainable development is especially important, because of their intermediary role in an economy. At IndusInd Bank, sustainable development is not just seen as a public relations play, but as a serious issue with real implications for business performance. Our view of sustainability includes not just our financial performance and the economic growth of our company but also the communities and environment in which we operate - we have a 'Profit, People, and Planet' approach to the way we do business.

Sustainability is a catalyst for innovation and growth and at IndusInd Bank we recognise that truly sustainable business practices have far-reaching implications that balance economic benefits with environmental and social benefits. With this report IndusInd Bank will be submitting its third annual Sustainability Report and as with last year our focus remains on innovation and sustainability. The report will showcase a range of sustainability initiatives carried out and expanded during the course of the financial year and will also transparently disclose information on our ecological footprint and resource consumption.





## Who we are

### Our History



IndusInd Bank was conceived by Mr. Srichand P. Hinduja - the head of the Hinduja Group and a leading non-resident Indian businessman. IndusInd Bank first opened its doors in 1994; it was launched formally by the then Finance Minister of India, Dr. Manmohan Singh. IndusInd Bank derives its name and inspiration from the Indus Valley Civilisation - a culture described as 'one of the greatest of the ancient world' combining a spirit of innovation with sound business and trade practices. The Bank was one of the first new generation private banks in India that caters to the needs of both consumer and corporate customers.

IndusInd Bank started its operations with a capital amount of ₹ 1,000 million, today we have a net worth of ₹ 7,418 crores and cater to over 37.37 lakh customers across the country. We enjoy clearing bank status for both major stock exchanges - BSE and NSE - and three major commodity exchanges in the country - MCX, NCDEX, and

NMCE. We also offer DP facilities for stock and commodity segments.

Since the inception, the Bank has grown exponentially, driving our business through technology and innovation. From being a pioneer in the field of 'Internet Banking' in India in 1996, we have grown to develop a robust technology platform, supporting multi-channel delivery capabilities that not only increase customer satisfaction and operational efficiency but also play an important role in the Bank's commitment to sustainability.

### Our Organisational Profile

#### Business, Products & Services

IndusInd Bank operates a diverse range of businesses, which include Corporate Banking, Retail Banking, Treasury and Foreign Exchange, Investment Banking, Capital Markets, Non-Resident Indian (NRI)/ High Net-worth Individual (HNI) Banking and a Vehicle Financing Division. The Bank has specialised in retail banking services and is continuously upgrading its support systems by introducing newer technologies. We also offer commercial, transactional and electronic banking products and services. In 2012-13 IndusInd Bank's net-worth grew by 64% from ₹ 4,522.37 crores to ₹ 7,418 crores. The Bank deposits grew by 28% and advances by 26%, in spite of sluggish movement of the Indian economy.

#### Key Business Highlights 2012-13

- Net worth moved to ₹ 7,418 crores
- Net Profit up by 32% to ₹ 1,061.18 crores
- Net Interest Income up by 31% to ₹ 2,232.86 crores
- Core Fee Income up by 36% to ₹ 1,239.34 crores
- Capital Adequacy Ratio (Basel II) at 15.36%; Capital Adequacy Ratio - Tier I at 13.78%
- Return on Assets (RoA) at 1.63% as against 1.57%
- Net NPA at 0.31% as on March 31, 2013 as compared with 0.27% the previous year
- Provisioning Coverage Ratio against NPAs at 70.13% as against 72.72%
- Earnings Per Share (Basic) increased to ₹ 21.83 from ₹ 17.20
- Dividend Declared of 30% as against 22% the previous year

### Offices, Branches & ATMs

IndusInd Bank is currently headquartered at One Indiabulls, Elphinstone Road, Mumbai and has several additional Corporate and Regional Offices across India. The Bank also has a widespread network of 500 branches across the country located in metro, urban, semi-urban and rural areas. This is a significant increase of 25% over its branch network in 2011-12. Additionally, the Bank has set up 882 of its own ATM centres and, through multilateral agreements, has also provided its customers with access to the ATMs of other banks. In addition to the above, the Bank also has Representative Offices in London and Dubai.

#### Strengthening our Network

|          | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|----------|------------|------------|------------|------------|
| Branches | 210        | 300        | 400        | 500        |
| ATMs     | 497        | 594        | 692        | 882        |



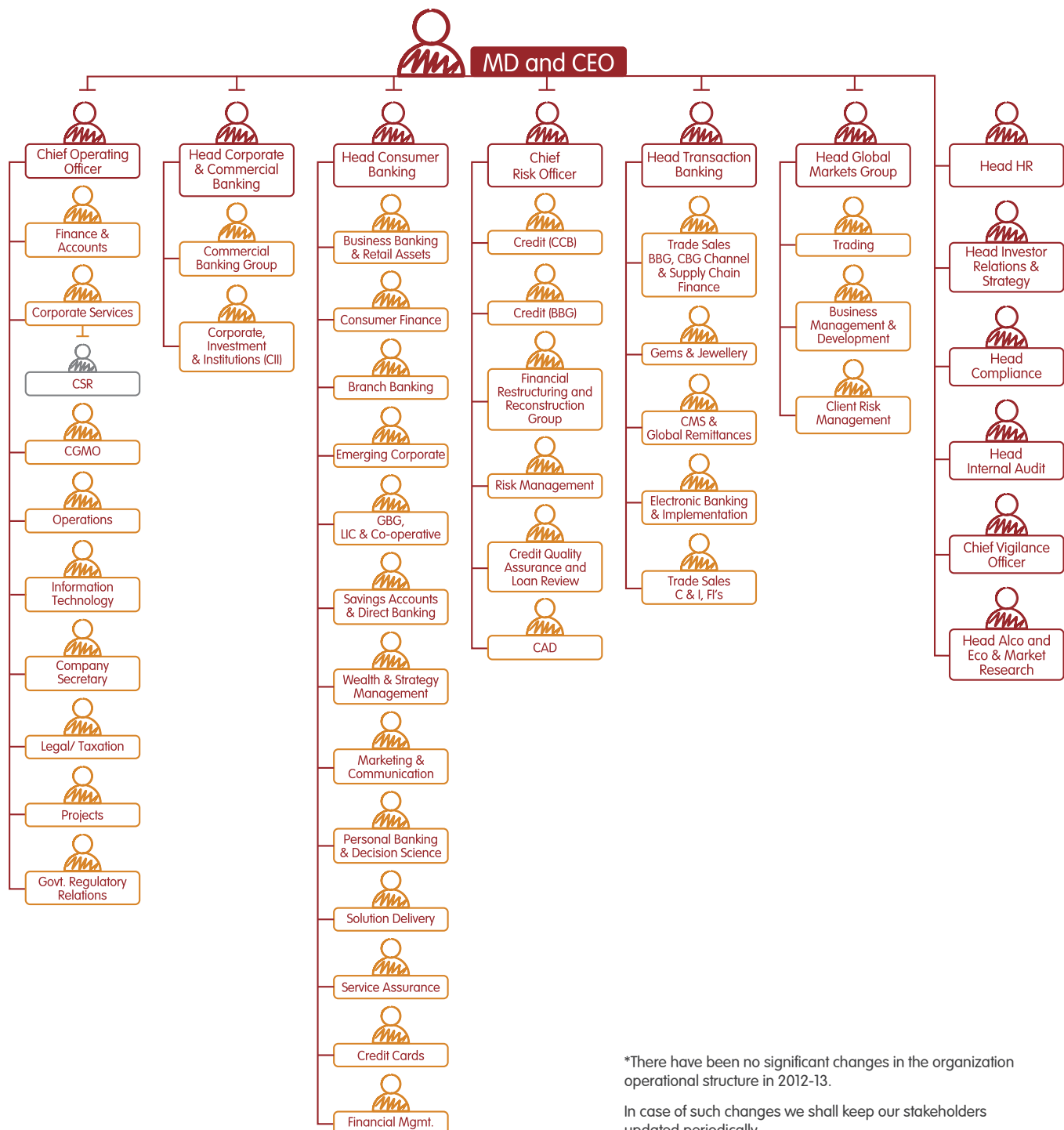
Note: Numbers given above are total branches in each state

• Branch/ Representative Office  
• Strategic Alliance

## Organisation Structure

Details on the CSR Department and the Organisational Structure of the Bank can be found in the diagram and content below. The CSR or Sustainability Department falls under the purview of Mr. Paul Abraham (COO) and is headed by Mr. Adwait Hebbar. The department's responsibilities include, but are not restricted to, the following:

- Spearheading the Bank's social commitments and community outreach programs
- Running the Bank's Green Champions Program
- Calculating, monitoring and reporting the Bank's carbon emissions (or carbon footprint)
- Developing and implementing an environmental policy
- Implementing solutions to reduce the Bank's GHG emissions
- Working with other departments and verticals to reduce the Bank's environmental impact
- Publishing IndusInd Bank's CDP and Sustainability Reports



\*There have been no significant changes in the organization operational structure in 2012-13.

In case of such changes we shall keep our stakeholders updated periodically.

## Awards & Accolades

- "Bank Growth Champion Award" at NDTV Profit Business Leadership Awards 2012
- "Best Use of CSR practices in Banking and Finance" and "Innovation in Corporate Social Responsibility Practices" at Global CSR Excellence and Leadership Award 2013
- "Best Corporate Social Responsibility Practice 2013" at BSE - 7<sup>th</sup> Social and Corporate Governance Awards
- "The Best Bank Award among Small Banks for IT Operational Effectiveness" by Institute for Development and Research in Banking Technology (IDRBT)
- "Best Bankers' Awards" for Best Private Sector Banker and Best Indian Banker (Category - Medium) was awarded to Mr. Romesh Sobti, MD & CEO, IndusInd Bank at Sunday Standard Finwiz 2012
- "Top Green IT Enterprise Award 2012" by CIO Magazine
- "Best Risk Management & IT Security" and "Best Use of Technology in Training and e-Learning" (1<sup>st</sup> Runners-Up) at IBA Banking Technology Awards
- "Best Online Bank" and "Best use of Business Intelligence and Best use of Mobility Technology in Banking" (2<sup>nd</sup> Runners-Up) at IBA Banking Technology Awards
- "Banking Frontier - Finnoviti Awards 2012" for 2 innovations - Cash-On-Mobile and Direct Connect Service
- "50 Most Talented Brand Leaders of India" was awarded to Mr. Mohit Ganju, Head - Marketing & Communication, IndusInd Bank at Brand Leadership Awards



## About this Report

Sustainability reporting is an important element in the corporate world's growing commitment to be accountable and responsible for actions taken as national and local citizens. Financial institutions that aim to foster sound economic development are also reporting on their environmental and social development and governance efforts. We, at IndusInd Bank issued our first Sustainability Report in 2011 and are committed to issuing a report at the end of every financial year.

### Report Profile

This is IndusInd Bank's 3<sup>rd</sup> Annual Sustainability Report covering a 12 month period from April 2012 to March 2013. This Report has been prepared in accordance with the nine principles outlined by SEBI in the National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business (NVG) as prepared by the Ministry of Corporate Affairs (MoCA) and is in line with our commitment to Corporate Social Responsibility (CSR) and regulatory requirement as per SEBI Circular [CIR/CFD/DIL/8/2012] dated August 2012. The Report also endeavours to follow the G3 guidelines of the Global Reporting Initiative, which has pioneered the world's most widely used sustainability reporting framework. The relevant technical protocols have been followed to report the various indicators.

### Report Scope & Audience

The Sustainability Report 2013 has been written for our customers, employees, shareholders, local and national civil society organisations and government bodies - anyone with an interest in the Bank's approach to sustainability and business. The scope and boundary of this report is based upon the guidelines presented in the GRI framework (G3 guidelines) and encompasses the pan India operations of IndusInd Bank and the actions of its employees therein.

### Report Content

In formulating this Sustainability Report, we have focused on topics and indicators that reflect the Bank's most significant economic, environmental and social impacts: the Bank's financial and economic performance (Profit), its employee welfare and community outreach programs (People) and its environmental impact and mitigation activities (Planet). Within all these areas, we have concentrated on show-casing our innovative approach to business and sustainability and transparent reporting of our environmental footprint. The report also provides a ready reference to IndusInd Bank's relevant policies, practices, and programs. To facilitate comparability, the structure of this report is similar to that of our Sustainability Report for 2011-12. While we have attempted to avoid unduly repeating information provided in our last two reports, some facts about IndusInd Bank's organisation and program are presented again so that this document may present a clear picture of our operations and initiatives.

This report has been researched and developed by the CSR department of IndusInd Bank, in partnership with the Centre for Environmental Research and Education (CERE). The data presented in the report is based on information present in public records, data provided by the Bank's various verticals and informal monitoring and reporting procedures.

The Bank's financial and economic performance (Profit), its employee welfare and community outreach programs (People) and its environmental impact and mitigation activities (Planet).

## Accountability & Governance

IndusInd Bank has continuously strived to strengthen its corporate governance systems, focusing on stakeholder and shareholder relations and accountability, improvements in the performance of board directors and committees and by paying attention to the way we run and operate our business. Furthermore, the Bank is beginning to widen its corporate governance agenda and driving corporate social responsibility by also taking account of environmental and social governance factors while considering its operations and investment decisions. On the whole, IndusInd Bank is committed to building a company that actively promotes transparency, ethics and integrity while engaging and meeting the needs of our various stakeholders.



### Good Corporate Governance

“Good governance is one which is accountable, transparent, responsive, equitable and inclusive, effective and efficient, participatory and which is consensus oriented and which follows the rule of law.”

Shri Anand Sinha  
Deputy Governor  
Reserve Bank of India  
March 19, 2013

At IndusInd Bank, good corporate governance is not just about meeting compliance but also about ensuring that the needs and interests of all of our organisation's stakeholders are taken into account in a balanced and transparent manner. The scope of good corporate governance covers every aspect of our day to day work lives - whether in assessing and disbursing credit, managing operations, dealing with customers, financial reporting and in general, our work ethics. Effective Corporate Governance is thus a part of the IndusInd Bank DNA and is driven by the Bank's Board of Directors and the various Committees of the Board.

## Board of Directors

| Name                 | Nature of Directorship                 | Occupation  |
|----------------------|--|---|
| Mr. R. Seshasayee    | Part-time Chairman                     | Executive Vice Chairman, Ashok Leyland Ltd.   |
| Dr. T. T. Ram Mohan  | Independent Director                   | Professor - Finance & Accounting, IIM Ahmedabad   |
| Mr. Ajay Hinduja     | Director                               | Industrialist.<br>Director, IndusInd International Holdings Ltd., Mauritius, a promoter company |
| Mr. S. C. Tripathi   | Independent Director                   | I.A.S. (Retired), Advocate  |
| Mr. Ashok Kini       | Independent Director                   | Managing Director (Retired), State Bank of India  |
| Mrs. Kanchan Chitale | Independent Director                   | Practicing Chartered Accountant   |
| Mr. Vijay Vaid       | Independent Director                   | Industrialist   |
| Mr. R. S. Sharma     | Independent Director                   | Management Consultant<br>Former Chairman & Managing Director of ONGC                            |
| Mr. Romesh Sobti     | Whole-time Director                    | Managing Director & CEO   |
| Mr. Y. M. Kale       | Alternate Director to Mr. Ajay Hinduja | Group President, Corporate Governance & Development in Hinduja Group India Ltd.                 |

## Committees of the Board

The Board has constituted several Committees to take decisions and monitor the activities falling within their terms of reference. The Board's Committees are as follows:



### Audit Committee of the Board

#### Members:

- Mrs. Kanchan Chitale - Chairperson
- Mr. Ashok Kini
- Mr. S. C. Tripathi
- Mr. R. S. Sharma

The role of the Audit Committee includes, inter alia: (1) Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; (2) Recommending to the Board, the appointment/ re-appointment of Auditors and fixation of audit fees; (3) Reviewing with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to: (i) Changes, if any, in accounting policies and practices and reasons for the same; (ii) Major accounting entries involving estimates based on the exercise of judgment by the management; (iii) Significant adjustments made in the financial statements arising out of audit findings; (iv) Disclosure of related party transactions, if any; (v) Qualifications in the draft Audit Report; and (vi) Review of Management Discussion and Analysis of financial condition and results of operations.

The specialised functions of the Audit Committee include: (1) Reviewing with the management, the performance of Statutory and Internal Auditors and the adequacy of the internal control systems; and (2) Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature.



### Committee of Directors

#### Members:

- Mr. R. Seshasayee
- Mr. R. S. Sharma
- Dr. T. T. Ram Mohan
- Mr. Romesh Sobti

The Committee of Directors exercises powers delegated to it by the Board, for managing the affairs of the Bank; for efficient control over operational areas; and for ensuring speedy disposal of matters requiring immediate approval.



### Compensation Committee

#### Members:

- Mr. R. Seshasayee
- Mrs. Kanchan Chitale

The Committee's role is to make recommendations on the issues of augmentation of capital and the issuance of the Bank's shares to its employees under an ESOP Scheme.



### Customer Service Committee

#### Members:

- Dr. T. T. Ram Mohan
- Mr. Vijay Vaid
- Mr. Ashok Kini
- Mr. Romesh Sobti

The Committee's function is to monitor the quality of customer service extended by the Bank, and to attend to the needs of customers.



### Finance Committee

#### Members:

- Mr. R. Seshasayee
- Mr. Ajay Hinduja
- Mr. S. C. Tripathi
- Mr. Romesh Sobti

The Committee's role is to decide on the appropriate mode of issue of capital; to finalise, settle, approve or agree to terms and conditions including the pricing for the said capital-raising programme; finalise, settle, approve, and authorise the executing of any document, deed, writing, undertaking, guarantee or other papers (including any modification thereof) of merchant bankers, investment bankers, lead or other managers, advisors, solicitors, agents or such other persons or intermediaries as may be deemed necessary for the capital-raising programme; to do all such things and deal with all such matters and take all such steps as may be necessary to give effect to the resolution for raising of capital and to settle/ resolve any question or difficulties that may arise with regard to the said programme.





### Human Resources Committee

**Members:**

- Mr. R. Seshasayee
- Mr. Ajay Hinduja

The Committee periodically reviews the Bank's HR function.



### IT Strategy Committee

**Members:**

- Mr. Ashok Kini
- Mr. Romesh Sobti

The Committee conducts Board-level overview of aligning Information Technology with the business strategy of the Bank aimed at offering better service to customers, improved risk management and superior performance.



### Nomination Committee

**Members:**

- Mr. R. Seshasayee
- Mrs. Kanchan Chitale
- Mr. Ajay Hinduja
- Mr. Romesh Sobti

The Committee conducts due diligence as to the credentials of any Director before his/ her appointment, and makes appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI. The Committee also discharges the functions of the Remuneration Committee envisaged in Clause 49 of the Listing Agreement.



### Remuneration Committee

**Members:**

- Mr. R. Seshasayee
- Mrs. Kanchan Chitale
- Mr. Vijay Vaidya
- Mr. Romesh Sobti

The committee oversees the framing, review and implementation of the Bank's Compensation Policy for whole time Directors/ Chief Executive Officers/ Risk Takers and Control function staff towards ensuring effective alignment between remuneration and risks.



### Risk Management Committee

**Members:**

- Dr. T. T. Ram Mohan
- Mr. Romesh Sobti
- Mr. Ajay Hinduja

The Committee's role is to examine risk policies and procedures developed by the Bank and to monitor adherence to various risk parameters and prudential limits by the various operating departments.



### Stakeholders Relations Committee

Members:

- Mr. Vijay Vaid
- Mr. Romesh Sobti

The objective of the Stakeholders Relations Committee is the redressal of stakeholders' complaints. The Company Secretary discharges the responsibilities of a Compliance Officer.



### Special Committee of the Board (for monitoring large value frauds)

Members:

- Dr. T. T. Ram Mohan
- Mrs. Kanchan Chitale
- Mr. Ashok Kini
- Mr. Romesh Sobti

In accordance with the directives of Reserve Bank of India, a Special Committee has been set up for monitoring and follow-up of cases of frauds involving amounts of ₹ 1 crore and above.



### Vigilance Committee

Members:

- Dr. T. T. Ram Mohan
- Mr. S. C. Tripathi
- Mr. Romesh Sobti

The Committee conducts overview of cases of lapses of vigilance nature on the part of employees of the Bank.



## Compliance

At IndusInd Bank, we have a dedicated Compliance function that facilitates management of Compliance Risk and has defined policies to ensure adherence to statutory guidelines. The function autonomously scrutinises and monitors compliance aspects at various stages. The Compliance function is also a part of the Operational Risk Management Committee, and vets new products and processes and reviews changes proposed to existing ones. In order to articulate fair compliance metrics, we have enabled a MIS system of on-line Compliance Certification for Branch Managers and various Functional/ Business Unit Heads. This facilitates quick reporting of default incidents and initiation of corrective action. The Bank has also taken several steps to ensure better compliance at the execution stage by enhancing processes and controls and by ensuring early detection of any deviations.



|   |         |
|---|---------|
| Fines paid for non-compliance by IndusInd Bank for FY 2012-13**   | 15 Lacs |
| Actions initiated against IndusInd Bank for non-compliance by regulatory bodies for FY 2012-13  | None    |
| Any products offered as part of IndusInd Bank's portfolio banned in any markets or have any been subjected to questions by stakeholder/ public. | None    |

\*\*In the FY 2012-13, the Bank was penalised ₹ 15 lacs (₹ 5 lacs each for Financial Years 2007-08, 2008-09 and 2009-10) by IRDA for having received as a Corporate Agent certain payments from the MS Cholamandalam General Insurance Co. Ltd (insurer) towards infrastructure facilities, database sharing, etc. apart from the permissible commission amounts during July 2012. In response to this fine, the Bank and Cholamandalam have ceased payouts related to infrastructure facilities and database - sharing since August 2012 in accordance with the IRDA order in July 2012.

### Promoting Compliance Awareness

Compliance is not just a matter of having the right policies and procedures in place; rather good corporate governance has to be embedded into the culture of an organisation, reaching across departmental verticals and employee strata. Systems and structures can provide an environment favorable to good corporate governance practices, but at the end of the day it is the acts or omissions of the people charged with related responsibilities that will decide whether governance objectives are in fact achieved. The Compliance Function of IndusInd Bank regularly engages with employees by providing reference material in the form of learning modules, short memos (compliance guides) on important topics and case studies analysing 'on ground events'. Several steps have been taken to create awareness and disseminate knowledge on the compliance framework and the consequences of non-compliance.

**Compliance Flashes:** Real life cases of compliance defaults depicting what went wrong and the learnings there from are circulated on email to the employees. Events that occurred in domestic and global arenas are covered in these flashes.

**Compliance Guides:** Informative one/ two pager Compliance Guides containing salient features in brief have been issued on important topics to enhance the awareness of these compliance aspects.

**AML News:** Significant developments in India/ Overseas related to AML circulated for enhancing appreciation of KYC/AML issues.

**Tit Bits:** Topical compliance related developments/ events from India and Overseas to enhance awareness are circulated amongst all the staff.

**Compliance Bulletin:** A quarterly bulletin on Compliance aspects ‘Compliance Quest’ was published for enhancing awareness of Compliance framework. This publication includes briefs on new regulations, compliance related events, global/ domestic trends in compliance, etc. With a view to encouraging the Bank’s employees to keep updated on regulatory aspects, a quarterly ‘Compliance Contest’ is held that is open to all staff. It comprises a Quiz and a Crossword on compliance aspects related to banking activities.

**Compliance Newsletter:** A compliance newsletter ‘Compliance Bytes’ containing compliance related news/ information from India and abroad, and the domestic Regulatory Highlights was issued on monthly basis.

**Compliance Training:** Seminars on Compliance and Vigilance aspects were conducted for the Managers Customer Service & Operations (MCSOP), Operations/ Marketing Executives from branches, Central Acquisition Teams, BMU and PAQ Units. During these seminars cases of defaults/ deviations were discussed to bring home the risks associated with non-compliance. Group exercises on default cases were also given.

The various initiatives taken during FY 2011-12 and FY 2012-13 are given below:

| Initiative | 2011-12  | 2012-13  |
|------------|--|--|
| Guides     | 21   | 16   |
| Flashes    | 40   | 31   |
| Seminars   | 47 Seminars covering 1047 employees (MCSOP, Ops, Sales Others) at 23 Centres | 45 Seminars covering 1046 employees (MCSOP, Ops, Sales Others) at 23 Centres |

### Compliance Visits

Test studies were carried out for sample branches/ Corporate Office Departments/ Associate Agencies/ Desk Studies for assessing the status of level of compliance in significant areas. Sample checks are done in areas considered important from a compliance perspective like meeting KYC (Know Your Customer) requirements, cash transactions, handling of AML (Anti-Money Laundering) alerts, forex transactions etc. Also customer service aspects like display of notices/ codes, holding customer service meetings, security & surveillance and other such aspects are verified.

KYC being one of the most critical compliance aspects is a major focus area during the branch visits. To ascertain the fulfillment of KYC requirements, interactions are held with the Sourcing Executives, the Manager - Customer Service & Operations (MCSOP) and other Executives. Similarly during visits to other Functional Units, interactions are held with the employees handling these activities to assess adherence to the stipulated guidelines/ instructions. The study reports are circulated to the concerned Department Heads for taking necessary steps to identify areas for improvement and address them appropriately.



The Studies done during FY 2011-12 and FY 2012-13 are given below:

| Location  | Nature of Studies  | 2011-12                      | 2012-13   |
|---|--|------------------------------|---|
| Branches  | General Compliance aspects at Branches   | 108 branches<br>(5 Studies)  | 108 branches<br>(4 studies)   |
|   | Customer Service   | -                            | -   |
|   | Testing of Compliance of Depository Services                                   | -                            | -   |
|   | CRMS Reports Veracity  | -                            | 30 branches   |
|   | Handling of Tatkal Kits  | -                            | 20 branches   |
|   | Export of Foreign Currency   | -                            | 2 branches  |
| Consumer Finance Units                                    | General Compliance aspects   | 41 Units (4 Studies)         | 43 Units (4 Studies)  |
|   | CFD State Offices  | -                            | 12 Units (2 Studies)  |
| Associated Agencies                                       | Offsite ATMs by Prizm Payments   | -                            | 25 Offsite ATMs   |
|   | Handling of Outward Remittances by AD - II Forex Dealers                       | 15 Units                     | -   |
|   | Handling Inward Remittances received through Zoha Inc under MTSS by sub-agents | -                            | -   |
|   | Voucher Verification Units   | 6 Units                      | 6 Units   |
|   | Record Retention Agencies (RRA)  | 2 Agencies                   | -   |
|   | Outward Forex Remittances referred by Influencing Agents                       | 10 Units                     | -   |
|   | Home Loans tie-up with HDFC  | 1 Unit                       | -   |
|   | 3-in-1 Account arrangement with Kotak Securities                               | 1 Unit                       | -   |
|   | Tracking of Account Opening Forms  | -                            | Centralised Processing Unit   |
|   | Storage of Account opening forms/ KYC documents                                | -                            | Branch office at Vashi (Mumbai) & warehouse facility at Khopoli (2 Units) |
| Corporate Office Departments (includes Centralised Units) | CFD at Karapakkam, Chennai   | 1 Unit                       | -   |
|   | Foreign Exchange Transactions undertaken at Centralised Processing Cell (CPC)  | -                            | -   |
|   | Testing of Compliance of Centralised Clearing Cells                            | -                            | -   |
|   | Depository Centralised Processing Centre                                       | -                            | -   |
|   | CPU Account Opening Process  | -                            | Central Processing Unit   |
|   | Payroll Process  | -                            | -   |
|   | Complaints handling by Banking Operations Department                           | -                            | -   |
|   | Account Opening HUB Study  | -                            | -   |
|   | Corporate Netbanking   | CMS Operations Unit          | -   |
|   | Derivative Activity  | 1 Unit                       | -   |
|   | Deliverables Management Process  | CPU                          | -   |
|   | Depository AML Alerts  | DP-AML Unit                  | -   |
|   | Identification of Suspicious Transactions For Filing STRs                      | AML Cell                     | -   |
| Credit Cards Operations                                   | -  | Credit Cards Operations Unit |   |

| Location   | Nature of Studies                        | 2011-12 | 2012-13   |
|--|--|---------|---|
| Corporate Office<br>Departments<br>(includes<br>Centralised Units) | Adherence to KYC Provisions              | -       | AML Cell, DP Cell &<br>Credit Cards<br>Operations Unit<br>(3 units) |
|  | Monitoring of Currency Chest             | -       | Currency Chest  |
|  | Risk Profiling of Customers              | -       | AML Cell &<br>Centralised<br>Processing Unit<br>(2 Units)           |
|  | Handling of Welcome Kits                 | -       | Centralised<br>Processing Unit                                      |
| Desk Studies   | Display on Bank's Website                | Yes     | Yes   |
|  | Review of Shops & Establishments (S & E) | Yes     | -   |
|  | Registration of Branches                 |         |   |
|  | Review of Licenses of Offices            | Yes     | Yes   |
| Analysis of Audit<br>Report  | Analysis of Frauds                       | Yes     | -   |
|  | Branches                                 | 200     | 200   |
|  | Consumer Finance Units                   | 100     | 111   |
|  | Corporate Office (CO) Departments        | 10      | 9   |
|  | CGMO                                     | 16      | 12  |
|  | Offsite ATMs (OSAs)                      | 46      | -   |
| Special Projects   | Centralised Clearing Cells (CCCs)        | 8       | -   |
|  | Money Changing Activities                | -       | -   |
|  | Money Transfer Service Scheme (MTSS)     | -       | -   |
|  | Sanction - Countries/ Banks              | -       | -   |

## Vigilance

IndusInd Bank considers Discipline and a proactive Vigilance Mechanism to be indispensable requirements for its development and sustainability. A successful company is one that enjoys the faith and confidence of its customers, various stakeholders and the public at large. The objective of Discipline and the Vigilance Mechanism in the Bank is to enhance the level of managerial and operational efficiency and effectiveness and by doing so protecting the integrity of the Bank and its stakeholders. The Bank employs robust prevention and detection mechanism to minimise the risk of indiscipline, misbehaviour, fraud etc. Deviant or fraudulent behaviours are traced, identified and analysed and are followed up by deterrent action. Furthermore, a Vigilance History of delinquent and suspect employees has been developed and updated till March 31, 2013.

### An Overview of Vigilance Cases at IndusInd Bank

| Vigilance Cases                              | FY11      | FY12      | FY13     |
|--|-----------|-----------|----------|
| Dismissed                                    | 15        | 9         | 1        |
| Terminated                                   | 10        | 1         | -        |
| Other Punishments (warning/resignation etc.) | 6         | 3         | -        |
| Under Process                                | 4         | -         | -        |
| <b>Total of Vigilance Cases</b>              | <b>35</b> | <b>13</b> | <b>1</b> |

As is evident from an overview of the Vigilance Cases, IndusInd Bank's commitment to promoting a compliance mindset amongst its employees and its robust mechanisms for the detection of illegal or unethical behaviour has significantly reduced the existence of any kind of deviance and in the financial year 2012-13, only one case related to vigilance.

# PROFIT

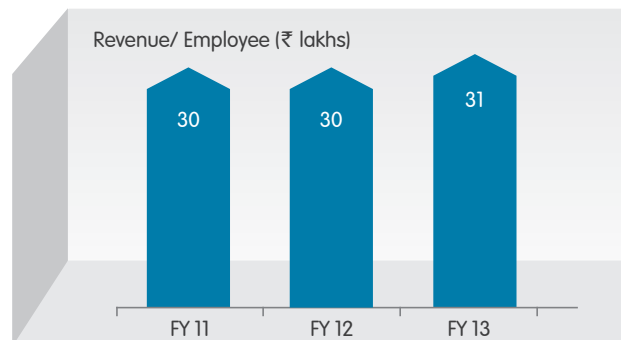
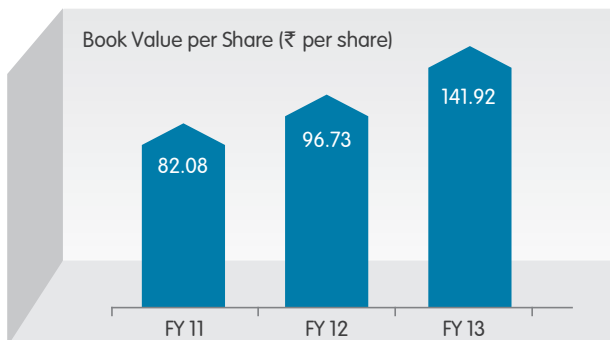
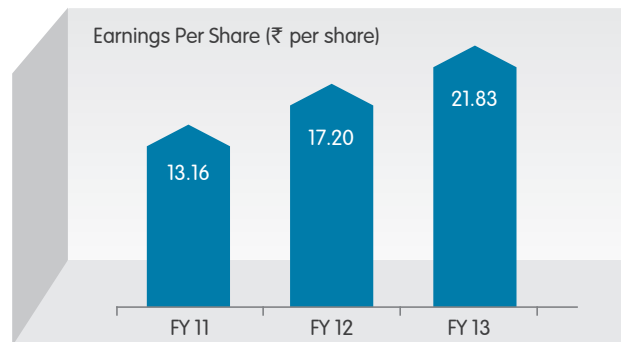
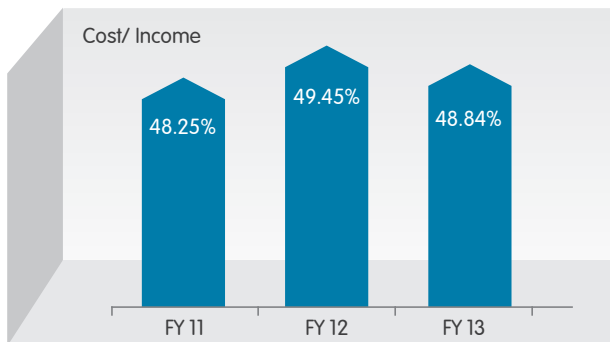
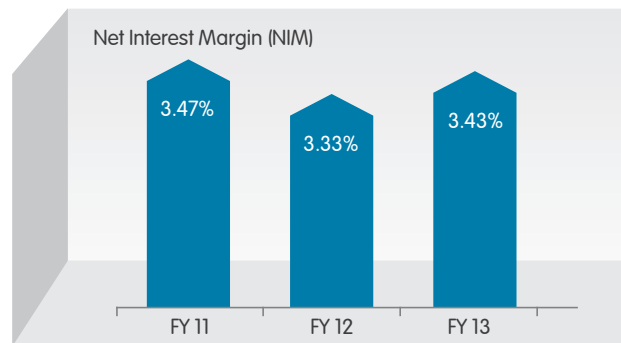
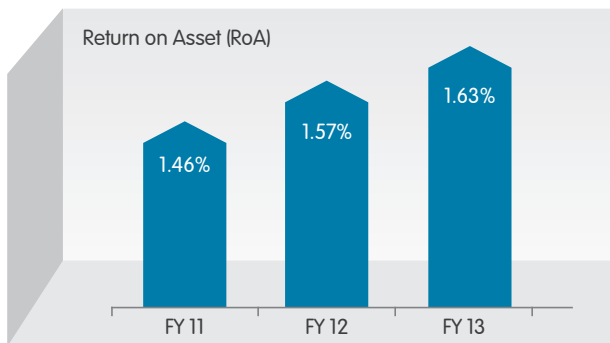


Many of the sustainable practices initiated over the last two years have continued to gain momentum and have added to the financial gains of the Bank. The Bank has strengthened its rural banking position by adding various services which cater to vulnerable sections of the society. It has also reached out to over 25 previously un-banked sectors. IndusInd Bank's Financial Inclusion approach has benefitted the underprivileged sections of society by giving them access to banking facilities which were previously unheard of. At the same time the Bank has been highly creative in its approach towards sustainably managing its Microfinance Systems. Corporate Banking has been expanding its investment in renewable energy by taking up projects in wind energy and solar energy. All of the above have contributed significantly to the growth of the company, in terms of services provided, customers reached, staff experiences and revenue generation, while measuring up against a sustainability yardstick.

## Business Performance

The financial year 2012-13 continued to be tough in terms of the operating environment through most of the year. Despite that, the Bank's Net Profit rose by 32.22% to ₹ 1,061.18 crores as against ₹ 802.61 crores in the previous year. The Operating Profit was higher at ₹ 1,912.89 crores as against ₹ 1,447.99 crores in the previous year, a rise of 32.11%. The core earnings of the Bank, through Net Interest Income, improved by 31.02%. Yield on advances remained steady at 13.77%. The cost of deposits showed a sharper increase at 8.49% as against 8.06%, in the previous year, an increase of 43 basis points. This stable performance was supported by IndusInd Bank's continued commitment to responsible corporate governance, and sustainable business practices. The intrinsic strength of our diverse portfolio described in the latter sections has ensured sustainable economic growth.

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## Public Policy Development

IndusInd Bank is aware of the implications of the current climatic risks and opportunities on the organisation’s activities. In order to prepare for any future uncertainties in the financial world, IndusInd Bank has actively participated in policy discussions in various forums. We are proud to be associated with various bodies within the banking industry to facilitate the development of policies that support smooth functioning in the current economy and that promote the mitigation of the impacts of the service sector on the environment. The Bank remains a member of the following organisations:

### Member of the Organisations



Confederation of Indian Industry

Confederation of Indian Industry (CII)



Bombay Chamber of Commerce & Industry

Bombay Chamber of Commerce & Industry (BCCI)



Indian Merchants' Chamber (IMC)



Indian Banks' Association

Indian Banks Association (IBA)



Fixed Income Money Market and Derivatives Association of India (FIMMDA)



Foreign Exchange Dealers Association of India (FEDAI)



Indian Institute of Banking and Finance (IIBF)



BANKING CODES AND STANDARDS BOARD OF INDIA

Banking Codes and Standards Board of India (BCSBI)



International Chamber of Commerce  
The world business organization

International Chamber of Commerce (ICC)

## Consumer Banking

During 2012-13 the Consumer Banking business has shown a healthy growth in revenue; a year-on-year rise of 47%. This growth reflects our dedication towards our customers whose satisfaction drives our services. In continuation with our sustainable approach to banking practices we have initiated a number of small but definitive steps over the years to bring about a variation in our offerings for consumers with an aim to create change within the system. This change is reflected in our products and services, our various management decisions and in the day-to-day functioning of the Bank.



### Putting Customers First

At IndusInd Bank we aim to build deep and lasting relationships with our customers. We are determined to treat our customers fairly and ensure that we are transparent in our dealings with them, while trying to meet all their banking needs and requirements. Our products and services are carefully planned based on the current market requirements and also incorporate feedback from our customers. We also conduct regular reviews of customer satisfaction and take complaints very seriously. We regard complaints as opportunities that enable us to improve our business and our customer relationships.

Customer complaints received during the FYs 2011-12 and 2012-13

| Particulars   | FY 2011-12 | FY 2012-13 |
|---|------------|------------|
| Complaints outstanding at the beginning of the period | 307        | 325        |
| Add: Complaints received                              | 18,772     | 17,093     |
| Less: Complaints disposed off                         | 18,754*    | 17,041**   |
| Complaints outstanding at the end the period          | 325        | 377        |

\*During the FY 2011-12, Bank received 26,893 complaints, of which 8,121 complaints were resolved within the next working day, hence not included in above table.

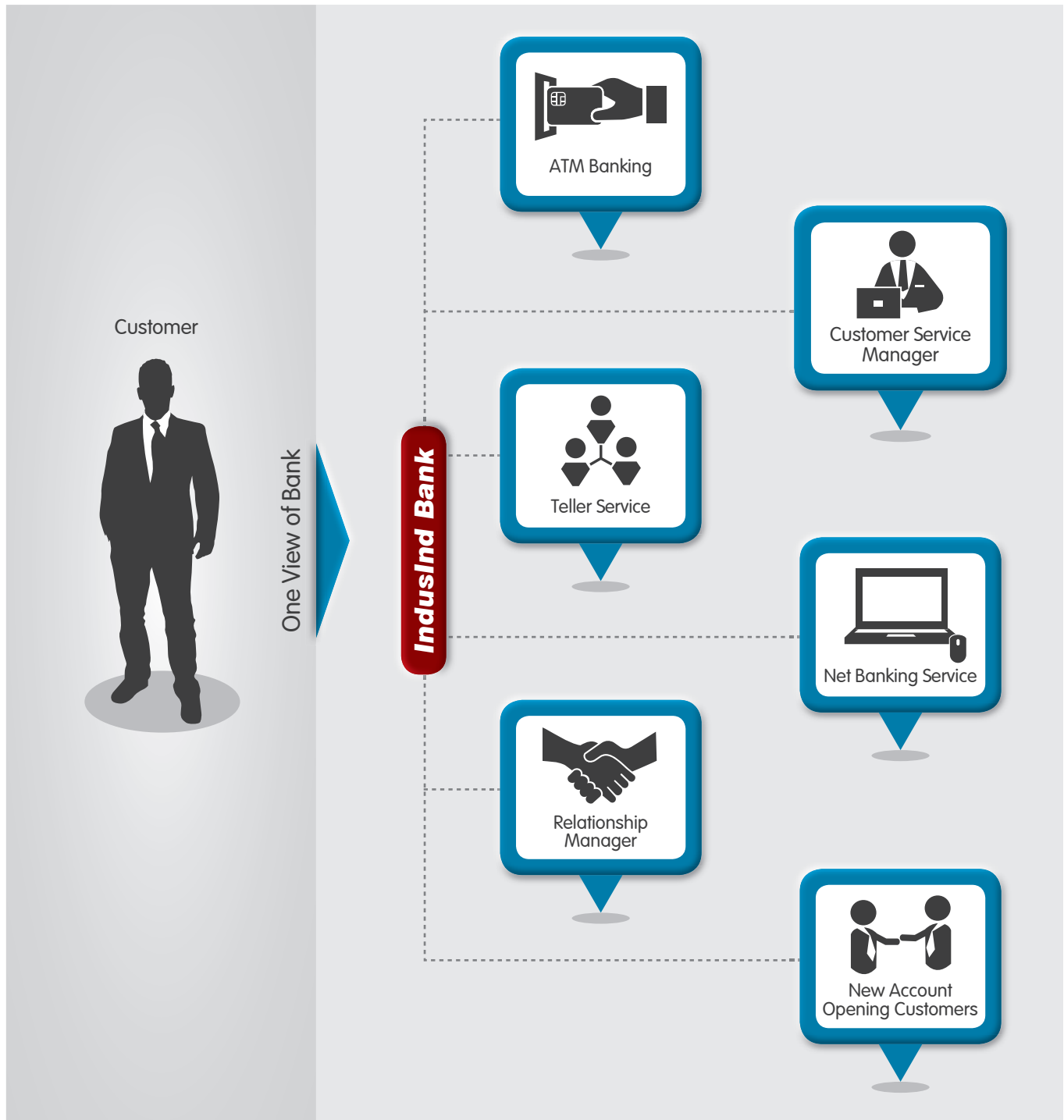
\*\*During the FY 2012-13, Bank received 27,254 complaints, of which 10,161 complaints were resolved within the next working day, hence not included in above table.

Customer service procedures are reviewed by Committee on Procedures & Performance Audit of Public Services (CPPAPS) periodically. CPPAPS evaluates feedback on the quality of customer service received from Branches and other Functional Heads. The committee reviews the feedback on customer service and the implementation of commitments in the Code of Bank's Commitments to Customers received from BCSBI. CPPAPS ensures that all regulatory instructions regarding customer service are followed by the Bank.

The Committee is supervised by the Customer Service Committee of the Board (CSCB) and as per Calendar of Review, at least 2 CSCB meetings to be held once every 6 months. Accordingly, during this FY (2012-13), CPPAPS meetings were held on August 29, 2012 and January 11, 2013 and CSCB meetings were held on September 13, 2012 and February 12, 2013.

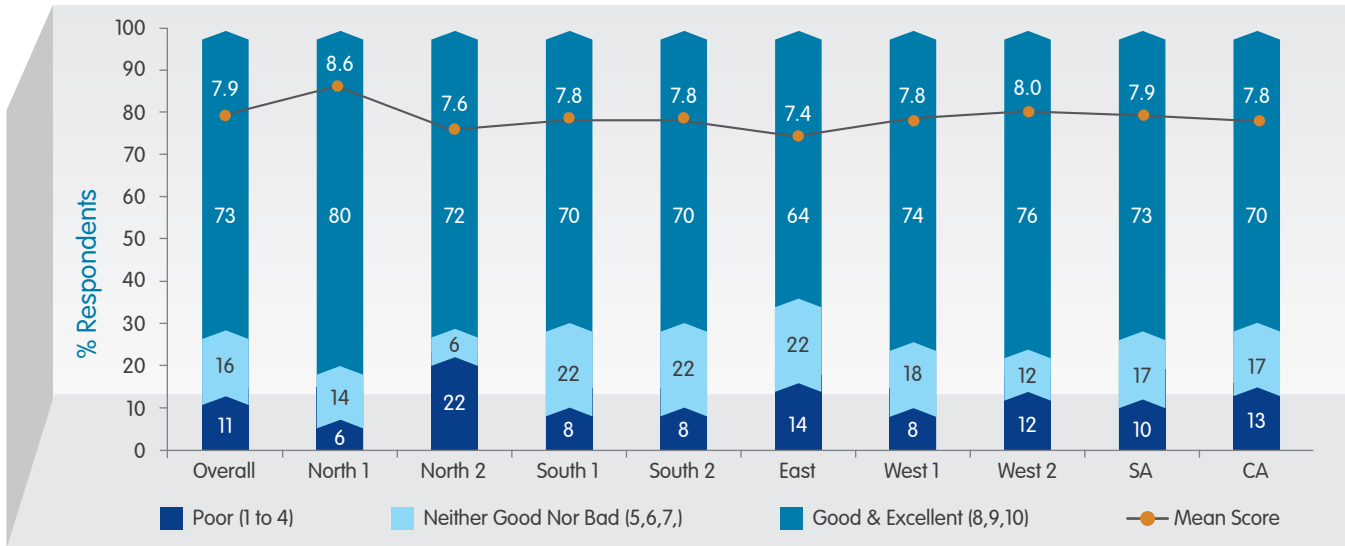
### Customer Transaction Satisfaction Survey

To further improve our services for customers, the Bank conducted a Client Transaction Satisfaction Survey (CTSS). It was a means to understand the Bank's outreach to customers and the perception in the market. The objective of this exercise was to identify the degree of satisfaction of customers with respect to their interactions with these contact centre verticals:



The survey also assessed the service quality experienced by customers while dealing with the IndusInd Bank Phone Banking Service, Net Banking and ATM Banking. It was conducted between January to March 2013. The graphs overleaf highlight the overall experience of customers in using our Phone Banking, Net Banking and ATM Banking services respectively.

### Phone Banking



### Net Banking



### ATM Banking



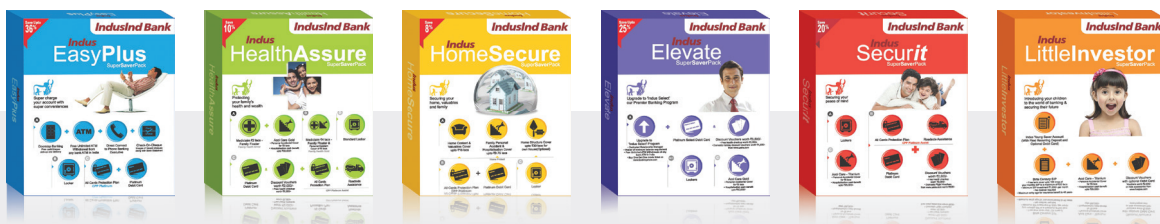
73%, 85% and 87% of customers felt the Phone Banking, Net Banking and ATM Banking services respectively were good & excellent and that they were satisfied with the quality of service that was being provided. Reasons for the average or poor score were identified and based on that the lacunae in the functioning of customer services were processed. IndusInd Bank is committed towards increasing customer satisfaction by focusing on training for improved communication skills and improving the efficiency of the internal system. Internally the Bank has identified the steps that need to be taken henceforth to achieve quick resolution of queries by providing up-to-date back-end support by means of quick access to customer account information and immediate action on complaints made by the customers.

### Meeting Customer Needs

In 2012-13 IndusInd Bank launched various new products and services keeping our customer requirements in mind. Most of our products and services look to reach out to our urban and rural customers. A few of the innovations for this year are listed below:

### Super Saver Packs

Keeping "Responsive Innovation" as our guiding motto we launched Super Saver Packs, a first of its kind in our industry. The packs are need-based solutions wherein multiple financial products/ services are packaged in a box and offer the customer flexibility to choose across multiple options in a transparent and hassle free manner thereby saving cost and time. We also educate the customers on reducing their footprint on the environment by promoting internet banking, and reducing paper consumption through e-statement registration.



### IndusPro Certification

The Bank started a unique initiative to certify its frontline staff through the IndusPro Certification program, a 5 day intensive experimental program conducted in collaboration with an international training organisation. It is conducted partly as an e-learning module and partly as classroom sessions. This is a step in improving our customer relations and strengthening our position in the industry. The Bank focussed on key service propositions such as client engagement and operating process management to enhance the quality of delivery of banking products and services. Both existing and new employees are certified only after successfully clearing knowledge and skill tests conducted at the end of the program. The IndusPro certification program has won the top award "Best Initiative of the Year" at the Global World Congress for TACK/TMI partners concluded in Athens recently.



### Forex Travel Card

The Bank has introduced Pre-paid Forex Cards to offer a full suite of banking and payment services to its affluent, growing retail client base. Forex Cards are offered in 6 currencies, viz. US Dollar, Euro, Sterling Pound, Singapore Dollar, Australian Dollar and Saudi Riyal. The card can be used to withdraw cash in the local currency of the country one is in. This reduces time wasted standing in queues to purchase different currencies while in India or to exchange Traveller's Cheques at Money Changers abroad. Paired card kits are also provided to equip customers with an extra back-up card, in case their primary card is damaged, lost or stolen.

## Growth in Our Credit Card Business

The Credit Card business was acquired by IndusInd Bank from Deutsche Bank on 1 June, 2011. This year the focus was to scale up the scope of our business operations while ensuring retention of our existing customer base. The business made significant progress during the year through distribution leverage in new centres where the Bank has branches but where the Credit Card business was previously not present. Credit Card acquisition was commenced in the cities of Coimbatore, Lucknow, Indore, Ahmedabad, Jaipur, Hyderabad, Kochi and Chandigarh. The business strengthened its distribution capabilities in the existing cities, by leveraging the opportunities available for cross-sell. The Bank also introduced new product variants during the year, which helped scale up bookings.

The business has focused on enhanced service delivery and strong client engagement tools to ensure that service forms the key differentiator in the marketplace. With sophisticated products, catering to affluent segments and a strong delivery platform in place, the business is well placed to further leverage the strong branch network and seizing of the strong cross-sell distribution opportunities.

In a bid to support actions for biodiversity conservation IndusInd Bank's Credit Card Division has tied up with Sanctuary Asia - India's leading nature and conservation magazine. The magazine was founded by Editor Bittu Sahgal in 1981 to create awareness among Indians about our disappearing natural heritage. Sanctuary Asia and Sanctuary Cub are bimonthly magazines, each published six times a year. IndusInd Bank, through this tie up, is able to reach out to customers who are unaware of the issues facing national parks and sanctuaries. An avenue is provided for customers to learn about their natural heritage and provide a well-established network to reach local communities across India to support our natural forests and wildlife. During December 2012 to February 2013, 38 orders were received.



## Corporate Banking

The Corporate and Investment Banking Group (C&I) of IndusInd Bank covers large corporate clients. They provide universal banking solutions to large Indian and multinational corporates. Over the last 4 years, this unit has become a banker to almost all the well-known Industrial houses of the country and actively participates in their short term and longer term financing requirements. C&I has consolidated its strong reputation as a provider of innovative solutions to complex funding requirements and is beginning to expand its funding portfolio with a view to increasing its focus on projects with an environmental or social aspect.

The Bank has also tied up with an upcoming renewable energy business which is setting up wind farms in India with a power capacity of 550 MW by FY13 & 1000 MW by FY14.

## Fostering New Technologies & the Renewable Energy Sector

As per industry estimates, the Global Renewable Energy Sector is to be valued at close to \$ 480 billion by 2015. At IndusInd Bank we are doing our bit to be a part of this growth story through different pathways. We have consciously supported the renewable energy sector and the role it plays in mitigating India's Greenhouse Gas emissions. In the following section, we present a brief snapshot of our portfolio in this sector and reflect upon its important contribution to both the Bank and its stakeholders and society at large.

## Promoting Wind Energy

### Manufacturing Wind Turbine

IndusInd Bank has partnered with a company which is a fully integrated player in the wind energy market for manufacturing wind turbines of 2 MW based on a double bed induction generator wind turbine. The company has a capacity of 150 wind mills/ year. The association goes back to 2011 which was the first year of operation. IndusInd Bank has given this company regular working capital lines of ₹ 80 crores along with a bridge loan of ₹ 100 crores.



### Operating Wind Farms

IndusInd Bank is also engaged with a company that is involved in the business of operating wind farms and the generation and sale of electricity. This Company has operational wind assets of more than 150 MW and has an ambitious vision to reach 3000 MW of power generation. The Bank is one the first bankers to finance the working capital requirements of the company by issuing Advance Payment or Performance Guarantees. The Bank also disbursed a bridge loan of ₹ 100 crores.

### Powering State Utilities

The Bank has also tied up with an upcoming renewable energy business which is setting up wind farms in India with a power capacity of 550 MW by FY 13 & 1000 MW by FY 14. The Company develops alternate energy sources (wind energy) & supplies the power to state utilities. The Company's operations help the state utilities to cover up the shortfall in power supply & provide adequate power to industrial & other units. Renewable energy not only helps to bridge the gap of short supply of power but also extends support for environmental initiatives through production of clean energy.

### Backing Solar Power

IndusInd Bank through long term loans, has funded the set-up of a Company involved in the production of Photovoltaic modules (or panels) using polycrystalline cells which can generate electricity from 75 watts to 300 watts. This Company has an annual capacity of 15 MW located at SEEPZ-SEZ Mumbai and has a proposed plant capacity of 115 MW. The Bank is the sole banker for the company with working capital limits of ₹ 18 crores. The Company is currently implementing and operating solar projects of 247 MW under various government policies in India. Of the total 247 MW, 30 MW is already operational, and the remaining 187 MW is under development.

### Waste Management Solutions

Recently, all municipal corporations are enforcing strict guidelines on waste treatment in line with a sustainable development ethos. The Bank has successfully completed the syndication of a term loan facility of ₹ 220 crores for financing the Integrated Municipal Solid Waste Management Project of a Delhi-based Company. A Municipal Waste Management system will be set up at a project cost of ₹ 343 crores.



## Financial Inclusion & Our Approach

At IndusInd Bank, we realise that financial inclusion is not a goal but a journey towards creating a strong and healthy eco-system for the underprivileged section of the society, who can then work towards prosperity in their lives. With this vision in mind, a step-by-step approach towards bringing rural and marginalised communities within the folds of basic financial services in a systematic, cost effective yet profitable manner has been envisaged through our extensive network of rural branches and our 'Micro-credit' scheme.

### Reaching Rural India

As a part of the RBI directive, IndusInd Bank under the Inclusive Banking agenda, has adopted multiple channels to reach out to the disadvantaged, vulnerable and marginalised segments of society in a cost effective and sustainable manner through Priority Sector Banking. Through this, the Bank can reach out to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation. These are small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and marginalised sections of society.

During the FY 2012-13, we have reached out to 5,15,620 clients from the Base of the Pyramid (BOP) segment. Of these clients, 28% were Scheduled Castes, 4% were Scheduled Tribes, 38% were from Backward Communities, 15% were accounted for from the Minority Segment and a majority of them were women. The Bank has overall disbursed ₹ 464.92 crores to this section of society. The Bank has an outstanding amount of ₹ 14,323 crores under the priority sector (lending to agriculture sector viz farmers, self-help groups etc., micro and small enterprises, micro credit, weaker sections, micro-finance institutions etc.) which constitutes 40.56% of the Adjusted Net Bank Credit.

As on March 31, 2013, the Bank had 103 rural branches out of the total network of 500 branches pan India. During the year 2012-13, the Bank opened 61 branches in rural centres which included 28 unbanked rural centres. As per RBI guidelines, an unbanked rural centre would mean a rural centre (Tier 5 and Tier 6 centres i.e. centres with population less than 10,000) that does not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions. During the year, the Bank also spent approx. ₹ 81 lakhs on branches opened in unbanked rural centres.

The number of rural branches increased from 42 in 2011-12 to 103 in 2012-13, an increase of 145%. There has been an increase in deposits by 112.3% since 2011. The advances increased by 258.3% since 2012 and by 581.6% since 2011.

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As on March 31 (Amount in crores)

| Rural Branches | 2011   | 2012   | 2013   |
|----------------|--------|--------|--------|
| Deposits       | 276.85 | 622.15 | 587.95 |
| Advances       | 54.2   | 103.10 | 369.47 |

### Microfinance Initiatives

At IndusInd Bank, we take our social responsibility very seriously and use innovative strategies and resources to reach out to those segments of society that have poor access to information on financial planning and banking services. Aside from the traditional channels of reaching out to this segment, the Bank has conceived a collaborative approach wherein a suitable intermediary is appointed after thorough due diligence in order to extend financial services to the rural community as part of a Board approved "Partnership Program".

While connecting with our customers, client targeting is an important element to reach the right and deserving section of society. In the absence of conventional tools like income and a lack of reliable Government data, surrogate indicators like Housing Index, Progress out of Poverty Index and others help in identifying suitable clients. Microfinance Institutions (MFIs) act as intermediaries between the Bank and its rural clients and have processes and systems in place to offer convenient and flexible terms of timely and affordable interventions while retaining the rigidity required for a financial transactions. Since September 2011 IndusInd Bank has appointed two MFIs, namely - Cashpor Micro Credit and Samhita Community Development Services in Uttar Pradesh and Madhya Pradesh respectively.

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The salient features of the partnership program have been described below:

- Intermediary** - A suitable partner is appointed who has time tested and efficient processes of reaching out to the segment in a cost effective, efficient and suitable manner. Due diligence is conducted to assess the suitability of the intermediary in terms of their operations, financial position, technology absorption, HR policies and leadership abilities of the management. Our current intermediaries extend small value credit to the poor.
- Customer Convenience** - Typically rural customers remain away from the mainstream financial services due to their inability in documentation as well as travelling distances. The services under the Bank's partnership program are essentially provided at the door step of the customer with very easy documentation in the local language. Early morning group meetings are organised for collection of daily repayments. The venue for such group meetings are kept within a radius of around 500 meters to 1 km of the household. The meetings are conducted early in



the morning so that the customer can immediately move for her daily livelihood activities after paying her repayments. Most importantly, there is no collateral associated with the credit assistance from the Bank and they do not have to pledge any belongings as a security. Same modus operandi would be followed for savings services as well with an additional convenience of visiting the nearby MFI branch of the partner. The Customer Service Agent visits the villages on a daily basis for rendering the services. The underlying and guiding principle behind the entire servicing approach is not simply to have affordable and timely financial intervention but also to have it at the convenience of the villager.

- **Technology** - In order to implement the model seamlessly, the Bank has put in place a separate Core Banking Solution where such customers' data is processed as per appropriate Know Your Customer (KYC) compliances. All financial transactions are also hosted in this solution with consolidated entry in the core CBS. Appropriate front-end technology solutions are also being adopted wherever available to provide transparency and efficiency at the convenience of the end user. The suitable front end technologies would also be utilized for product scaling.
- **Monitoring and Control** - Given that this is a first of its kind model for the banking sector with significant amount of risk, it was essential for the Bank to put in place certain control measures to ensure complete adherence to established norms and processes including all kinds of regulatory compliances as elaborated below:
  - **FI-CPU:** A dedicated Central Processing Unit deployed for the regular KYC checks and loan sanctions basis certain credit bureau checks
  - **BAU:** A Business Analytics Unit keeps a daily track of the loan portfolio and the various performance indicators based on the daily data flowing in to the Bank's system through various hand-offs from the intermediary
  - **Field Supervision:** The key factor from which the Bank derives its comfort is through a dedicated field level supervisory staff who visits the ground operations of the partner on a regular basis to observe and assess the operational procedures and report for any kind of deviations from agreed upon and established norms
- **Revenue Sharing** - While reaching out to marginalised communities is a part of the IndusInd Bank value system, it is important for all partnerships to be commercially and financially viable. To meet this requirement the Bank has established an appropriate revenue sharing model with the partner on the basis of mutually agreed terms.
- **Products** - The fundamental idea behind providing affordable credit is to enable the segment to enhance their income generating activities in order to be able to save a reasonable amount after taking care of their necessities such as old age security and children's education. IndusInd Bank therefore strives to scale up its products in a manner that the poor can engage in all forms of savings meant for different purposes. For example, savings can be offered in terms of term deposits, suitable pension products for old age planning as also insurance to safeguard any untoward unfortunate incident in the family. The arrangement, therefore, initially starts with small value micro credit and is envisaged to scale-up for extending Savings, Remittance, Insurance, Recurring Deposits and Fixed Deposits.
- **Client Targeting** - Based on the comprehensive customer targeting policies of the existing partners, we have been able to reach out to people who did not have traditional banking facilities. A snapshot analysis of the available customers' profile would indicate that our outreach under the Program has been to the most poor and vulnerable sections of the society
  - Out of the total clients enrolled under the program so far, 44% were SC, 1% ST & 51% Backward Communities. The entire clientele being women
  - 73% has agriculture as the main occupation, 19% has Agri-allied and 8% were having non-farm based occupation
  - A sizeable 85% do not have access to toilets; while the entire sets of customers rely on tap or well for drinking water. Almost 92% use fuelwood as cooking energy source and close to 98% do not having access to any savings
  - Around 88% of the enrolled customers have less than ₹ 5,000 monthly income

Such figures are a clear indication about the profile of the customers that the Bank has brought under its fold.
- **Current Geographical Outreach** - As part of the arrangement, IndusInd Bank services are being rendered through 9 reputed partner organisations and currently we have established a reach to more than 1.4 lakh rural customers in more than 4,400 villages across 20 districts.

The quantitative status of the program as on March 31, 2013 is given as below:

| Particulars                                      | Details        |
|--|----------------|
| No. of BC/Partners Approved                      | 9              |
| No. of BC/Partners on-boarded                    | 4              |
| No. of Districts Covered                         | 20             |
| No. of Operating Villages                        | 4,481          |
| No. of Operating Slums                           | 182            |
| No. of Operating Units of Partner (MFI branches) | 77             |
| Customer Service Points (CSPs)                   | 285            |
| No. of Clients Enrolled                          | 1,42,168       |
| No. of Loans Extended                            | 94,250         |
| Amount of Micro-Credit Loan Outstanding          | ₹ 93.15 crores |
| No. of Savings Accounts Opened                   | 50,000         |

The average loan size has been around ₹ 8,000 with the actual loan size varying between ₹ 5,000 - 50,000. The customers are usually women. The loans are put to variety of uses ranging from agriculture, petty shop, livestock, education, high cost debt redemption, tailoring, ready-made garments, consumption and others. IndusInd Bank has also set up bulk lines on the MFIs for on-lending to retail customers. The wholesaling approach above helps us leverage the financial strength of the Bank with the local understanding of the MFI thereby reaching the client in a cost effective manner. The success of IndusInd Bank's Microfinance Partnership Program and our commitment to promoting banking in rural India means that we are hoping to extend our banking services to more than 7 lakhs poor villagers all across India in the FY 2013-14.

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## Customer Success Stories

The IndusInd Bank Micro-credit program has helped hundreds of customers to improve their socio-economic standing and act as models for their communities. We would like to use this report to share some of their amazing stories with our various stakeholders and showcase the supportive role our Microfinance scheme plays in promoting equity and financial inclusion.

## Case Study

### Cashpor: Client Salma

Salma hails from a village in Gazipur, UP. A widow early in her life she could not afford good treatment for her ailing husband. She was forced to take loans from local money lenders at exorbitant rates coupled with harsh recovery mechanisms. She eventually had to mortgage and subsequently sell her 1.5 acres of farm land in order to repay the loan of ₹ 50,000.

During this phase, Cashpor came to her rescue and she took her first loan of ₹ 6,000 in September 2004 to start a bangle selling business in the local market which she repaid by August 2005. Consequently she took two more loans to expand her business and also get her daughter married. Her son travels to nearby villages to sell goods while she handles her own shop. Salma's struggle is now a benchmark case study for other members of her family and society and is a great example of how a little financial support, sheer determination and grit can help someone move out of poverty.

### Samhita Community Development Services: Client Shashikala

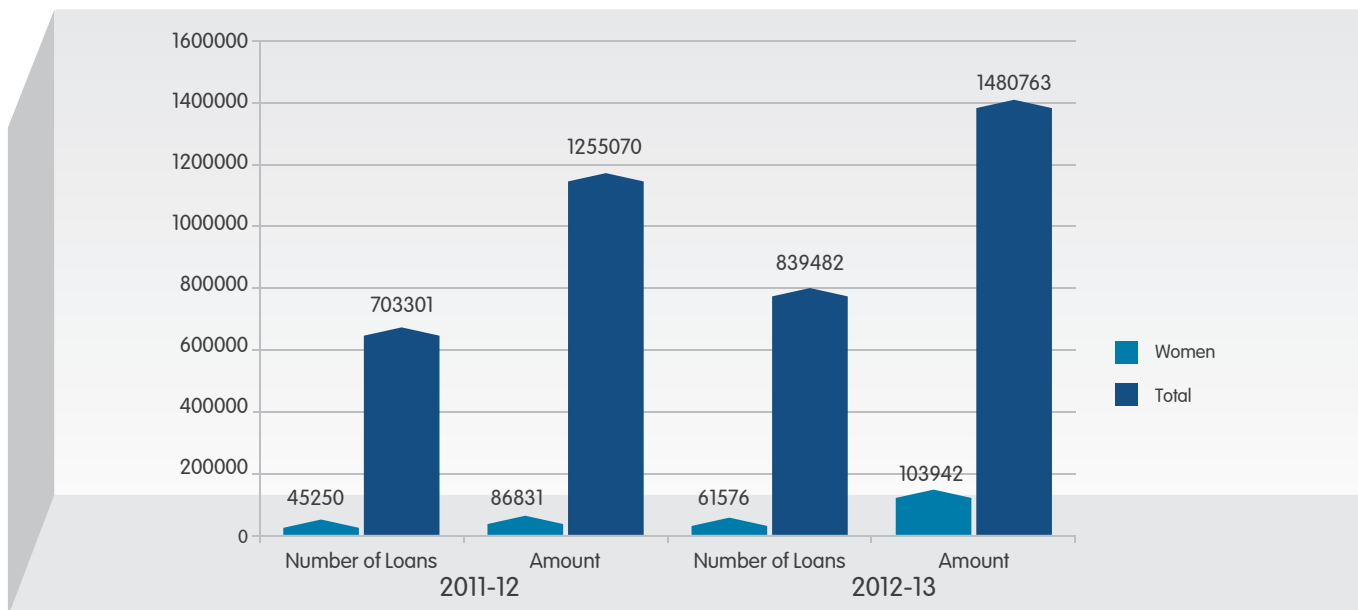
Shashikala is a resident of Bhopal, MP. She is 40 years old, married to Bhaiya Lal and they have 3 children. Both are daily wage labourers and find it extremely difficult to make ends meet. To improve their lives she chose to start her own business. With certain monetary help from relatives, she started a shop that sells milk and bread. To further expand her business she approached Samhita in December 2009 for her first loan to purchase certain daily items for her shop. With a second loan in June 2010, she purchased grocery items which helped her expand her business. Subsequently, she took her third loan to purchase a refrigerator for her shop to sell cold drinks. With subsequent loans, she was not only able to arrange more groceries for her shop but also a 2-wheeler for her husband. These loans availed from IndusInd Bank under the partnership program have helped expand her business in a feasible manner.

## Consumer Finance

The Consumer Finance Division (CFD) extends funding for a wide range of vehicles and equipment which includes commercial vehicles viz., heavy, light and small vehicles used both for goods and passenger applications, passenger cars, utility vehicles, two-wheelers and construction equipment such as excavators, loaders, tippers, cranes etc. Finance is extended for both new and used categories in all the above segments. IndusInd Bank's CFD currently accounts for 49.8% of the loan book, of which 22.5% is contributed by commercial vehicle loans (CV). Fresh loans disbursed during the FY 2012-13 was ₹ 14,800 crores accounting for 8.4 lakhs fresh loans.

IndusInd Bank's success in the vehicle finance sector is partly due to its focus on customer responsiveness and efforts to reach out to under-served sectors of the vehicle finance market, particularly women. In the FY 2012-13 the total loans extended to women equalled 61,576 loans valued at ₹ 1,039 crores as against 45,250 loans valued at ₹ 868 crores in 2011-12. Vehicle loans to women thus amounts to 7.0% of IndusInd Bank's lending portfolio and is an increase of 20% over the last financial year.

Details about the Bank's loan disbursement are as below:



### Supporting Women in Business

The Bank through the CFD division carries out operations in about 187 locations primarily in the under-banked areas - 174 locations. Through this channel, the Bank caters to the transport requirements of these areas and the target segment is Self-Employed and mostly comes from the Excluded section. The division particularly focuses on loans to women and is working towards increasing its activity in this sector.



## Mrs. Sasi's Expanding Fleet

Mrs. Malika Sasi and her husband owned a business of building material supply. During the starting phase of their business they used to hire vehicles from the market to supply building material to various building sites. In 2012, in the hope to expand her business she approached IndusInd Bank for a loan to purchase a Mahindra Truck. Her ability to foresee her future business growth and earning potential gave us the confidence in her capability to meet our repayment commitment. She gradually increased her supply business and repaid the loan in due course. She expanded her business by purchasing second hand vehicles out of her savings. She judiciously invested further in her business and developed a good market reputation and business relationship with regular customers.

She then diversified into the earth moving business with the purchase of two second-hand JCB 3DX out of the surplus fund generated from her building material supply business. She availed finance for two Doosan Bobcat Mini Excavators, and in 2013 recently purchased one Nissan Tipper and one Nissan Platform.

Her journey has been arduous with no vehicles through her initial years but thereafter she gained independence and built her fleet of vehicles and equipment.

## Indus Collect Reach

This year CFD has introduced an innovative state-of-the-art device, Hand Held Terminals (HHT), for loan collection across India. Known as the Indus Collect Reach, around 7,500 devices have been deployed successfully and the numbers are growing with the ever expanding network of the Division. These devices serve two purposes well. One, as a technological advancement reaching out to rural India and two, as an exemplary innovation for environmental sustainability.

HHT work with sim-based GPRS technology for instant data transfer from and to our central server. These units also hold the business location's basic customer and other relevant and required data which gets pushed in the form of daily data packets from the central server through GPRS or through a PC interface. The unit operates off-line also where the connectivity is poor or weak and the data gets automatically pushed or pulled when connectivity gets re-established or GSM signals are strong or when the unit is back into network grid. The 2nd technology that is used is a PC based application through which the data is transferred to the server.

The devices are loaded daily with relevant customer data which ensures data quality at all times. The receipts issued printed using Impact Printers; are tamper proof and the customer can maintain them for years. Some of the benefits accrued with the introduction of this technology is online real time data transfer or data pulling, robust fraud prevention controls, enhanced process controls and data security. The device also prevents manipulation of data or receipts and moreover reduces the cost to the company through reduction in paper consumption. Through this we have achieved a saving of ₹ 20.88 lakhs - a decrease of 300% in costs from when the HHT technology was not in use. This has been accomplished through a reduction in the number of pages used for printing receipts and for each HHT there is a 75% reduction in the number of pages used.



# PEOPLE



Our sustainability agenda has seen growth in these many years as we expand our program in-house for our employees and the community through our outreach. We believe in equitable employee development to successfully drive our business. Our labour practices are in tune with the human rights mandate and we ensure employees have an environment conducive to growth with the company. We have seen a 22% growth in our employee strength and have seen that our retention strategies have had an impact. Our Human Resources Department works through various training modules to ensure continuous growth for employees and also looks to meet other needs on the health and safety front. Our efforts in building sensitivity towards the environment continue, and an increasing number of employees have completed our e-learning program on 'Green Banking & Sustainability'. On the community front an Information Security awareness drive has been carried out for our loyal customers. Our philanthropic efforts continue to help NGO Support in its objectives through our Employee Donation Scheme.

## Equitable Employee Development

At IndusInd Bank, sustainability means building a successful business enterprise and creating long-term value for all our stakeholders: our people, our customers, our shareholders and society. We continue to review our labour practises and human rights policies and ensure they serve our employees in good stead. We have also continued to build our employee engagement program through My Idea, Indus Parichay and the Green Champions Initiative. We believe in supporting society's growth and development, and thereby contribute to community progress across the country through several training programs & staff donation schemes. We actively partnered with several external developmental agencies to promote programs in art & culture.

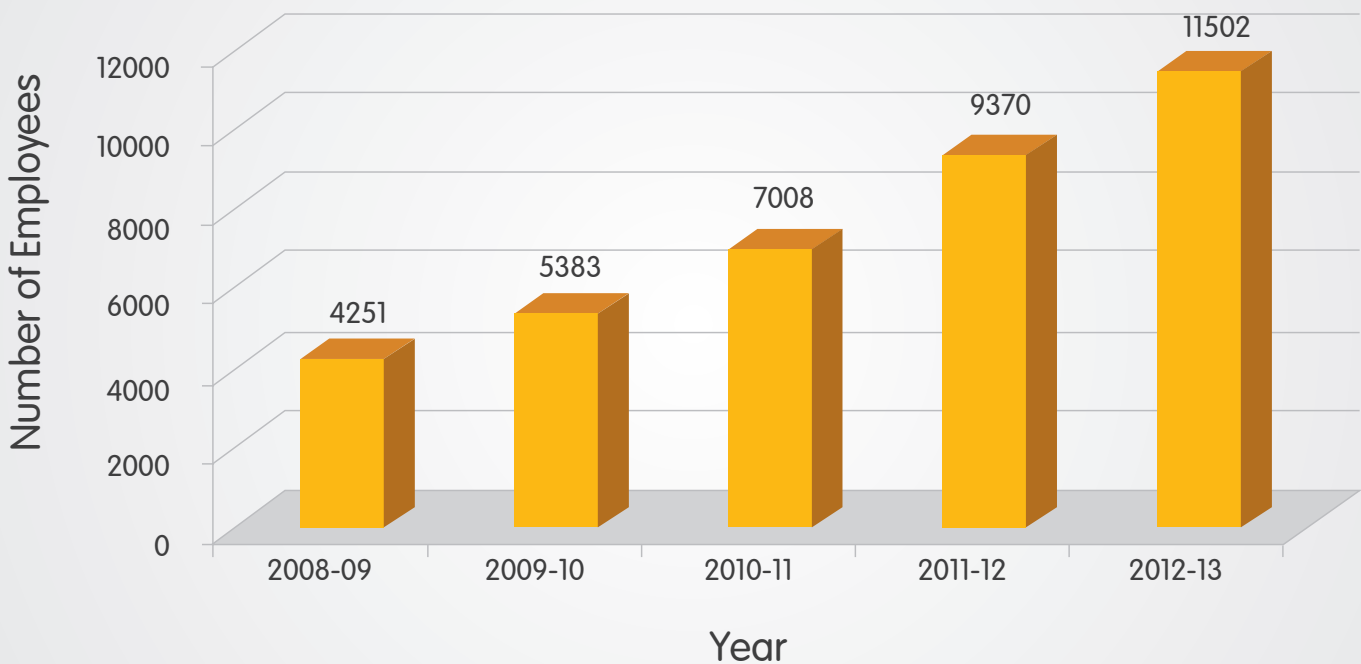
Our Bank has grown from strength to strength in the last five years, an outcome of the hard work and commitment of our employees. We have the highest regard for our employees. We ensure a working environment conducive to their holistic growth and our strategic intent continues to create value for our employees throughout their life span with the Bank.

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### Labour Practices: Building Relationships

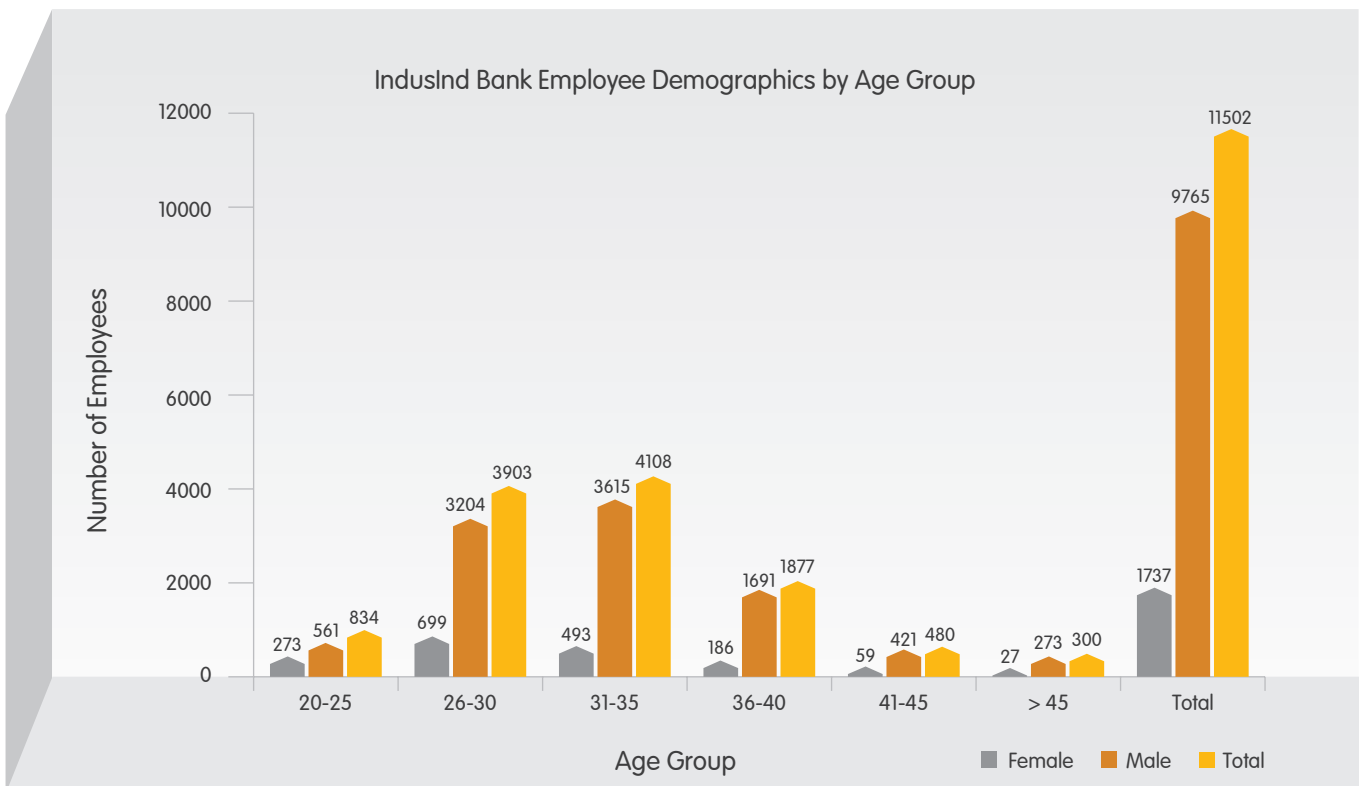
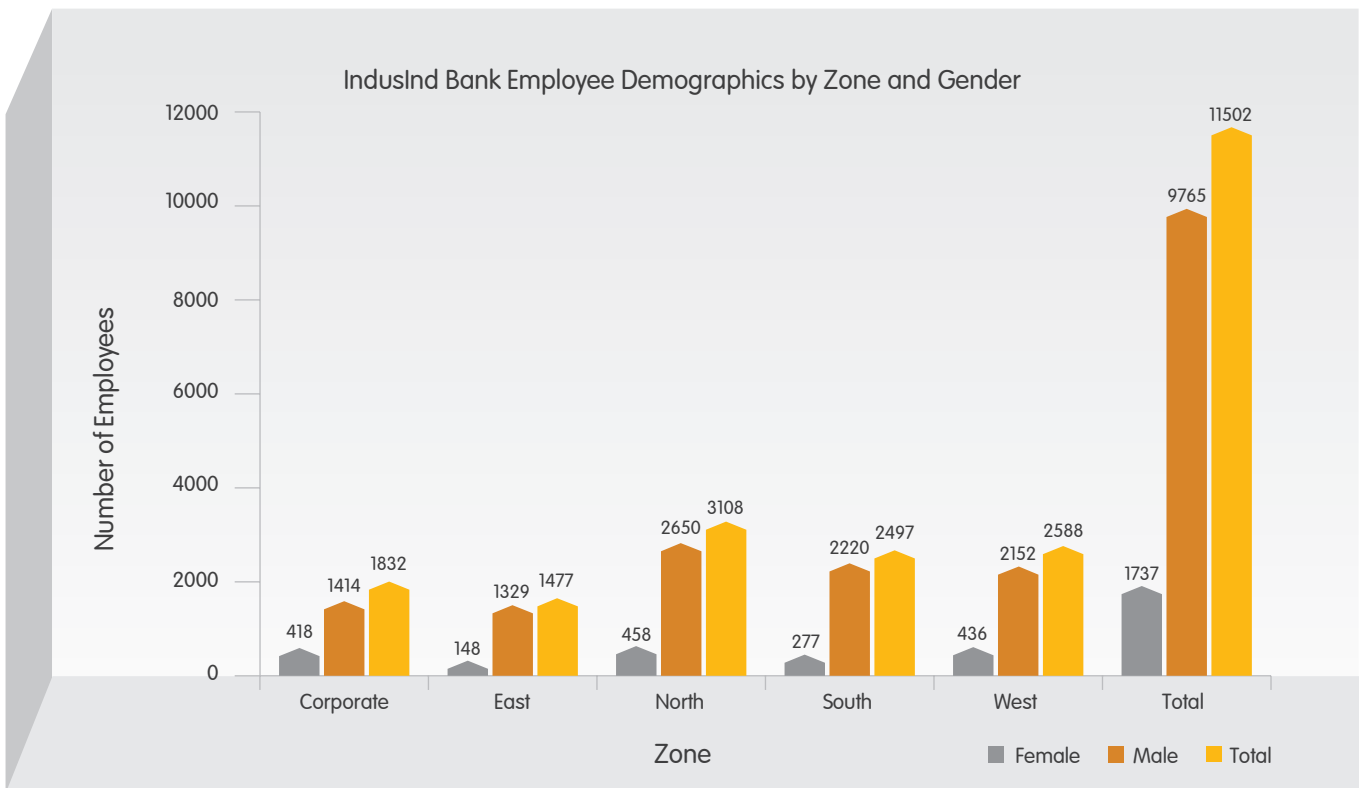
Employee satisfaction is visible through our staff strength numbers which stands at 11,502 employees in FY 2012-13, a significant increase from 9,370 employees in FY 2011-12. Our Bank's business performance has evoked tremendous enthusiasm amongst job seekers, who want to join our Bank to be a part of the growth story. Values such as entrepreneurship and result orientation draw people to our Bank, while our continued commitment to employee engagement and welfare ensure that attrition remains low.

### Employee Strength





Our hiring strategies uphold the values of gender, social and racial equality and put emphasis on selecting the best, based on creditable track records in line with business needs. Our female employees are represented in a higher proportion in non-field jobs especially those relating to functions such as contact centre and customer service. Female employees are also preferred at the front office of the branch. This policy works on the principle of a work-life balance thereby allowing female employees to manage both on the home front and work front effortlessly.



### Hiring Strategies

Our vibrant and inclusive workplace culture attracts, develops and retains the best talent. We believe that a diverse, engaged and talented workforce is the best way to enhance productivity and innovation, manage risk, increase co-operation, improve performance through accountability, and delight customers through superior customer service. Our Bank draws upon the best talent in the industry and is already seen as a “preferred employer”. High calibre professionals from reputed peer banks (Indian & Foreign) are willing to make a long term career with our Bank. A high offer acceptance ratio, increased hires through employee referrals, higher employee life span within the Bank, all speak highly of our Bank as an employer. Over 75% of our new hires are quality professionals from leading peer banks and reputed financial institutions.

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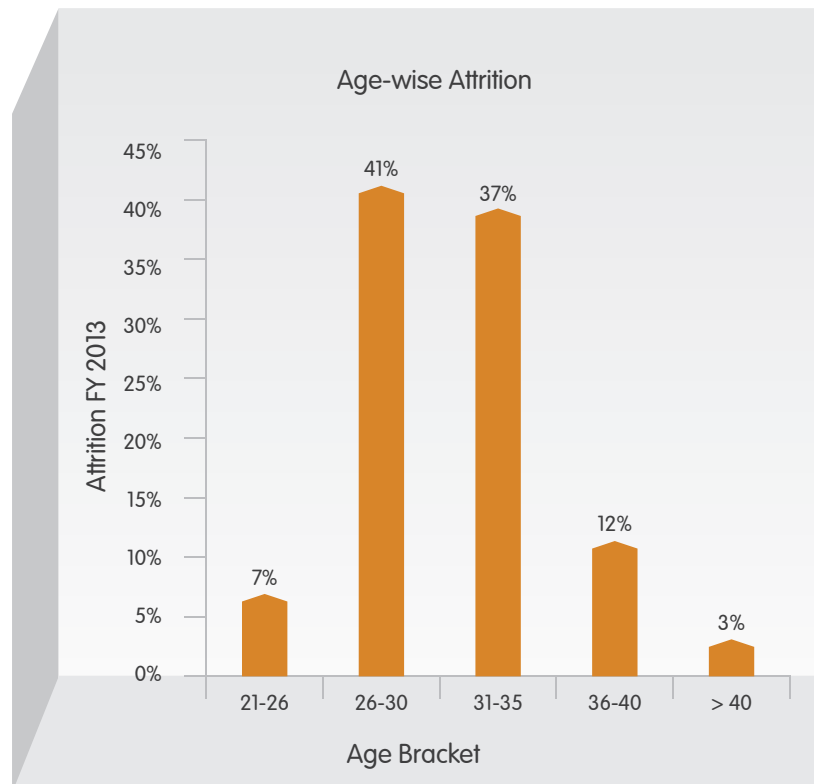
Virtually negligible attrition at leadership and strategic managerial levels, reinforce our belief that employees perceive the Bank favourably as an employer. From the sustainability perspective, managing employees, identifying issues, understanding employee expectations and engaging them on multiple platforms is the key to our business success. Our Bank realizes the importance of human capital and is very conscious about creating a congenial work-place where employees can actualize their potential. Our Bank’s strategic agenda remains to meet and even surpass employee expectations by continuing to offer a fulfilling career, work-life balance and market-linked compensation through several benchmark HR practices.

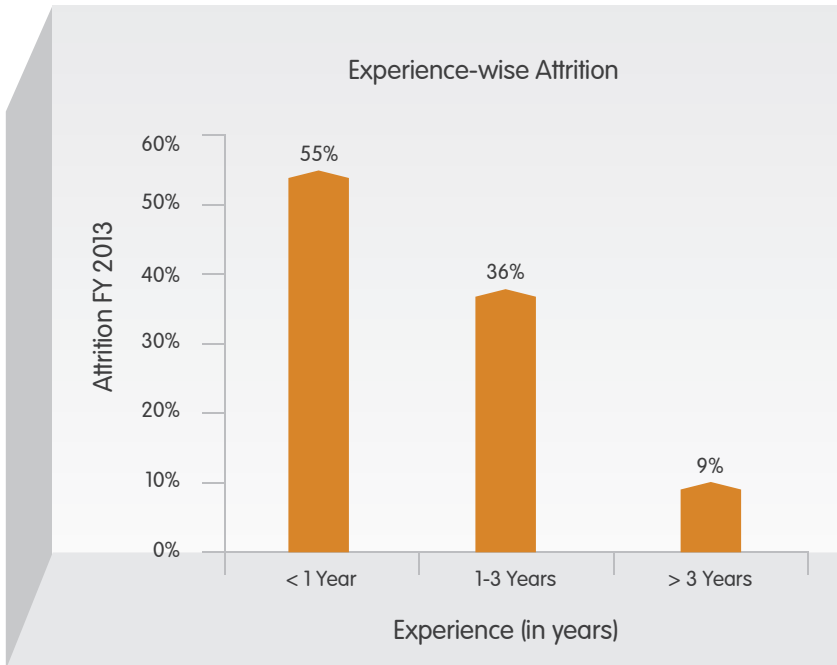
### Retaining Employees

The overall attrition in the Bank follows the market trends. Consistent with the industry trends, attrition was relatively higher at Junior Management and Lower Middle Management layers. However at the level of Top Management, that provides strategic and functional leadership across various business groups of the Bank, there was no attrition.

Employee’s attrition is broadly attributed to the following reasons:

- Better professional avenues such as higher compensation and job roles
- Junior management employees shifting for higher compensation and enhanced roles
- Competitor companies targeting IndusInd Bank employees for critical roles and business expansion pursuits
- Poor job performance
- Personal reasons such as marriage and higher education





**Impact of Attrition was mostly felt by employees in:**

- **Job Roles:** Frontline Sales and Operations
- **Grade Bands:** Junior Management and Lower Middle Management levels
- **Experience Brackets:** The most vulnerable segments have been Junior Managers with experience of < 1 year within the Bank. This segment keeps on hopping jobs for higher salaries & enhanced job roles

The Bank pursues several developmental initiatives on an on-going basis to address the common concerns of attrition through:

- Hand holding and mentoring by seniors
- Learning initiatives to improve employee skills
- Market linked compensation
- Employee engagement measures
- Identification of employees who could be potential successors for critical roles impacting business continuity

The Bank addresses unavoidable attrition through external hires or internal promotions to ensure the successor is adequately equipped to handle the role of the exiting position.

**Employee Benefits & Welfare**

Our Bank believes that engaged employees are high performers & are motivated to ensure better market place success for the Bank. Our Bank values human capital and through several benchmark employee growth & development practices, continues to partner employees for their professional and personal growth.

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### Performance Management

A robust and transparent Online Performance Management System built on "SMART Goal setting" is running successfully across the Bank. The intent of the Bank's performance management processes (Goal setting, Mid-year review, Annual performance review) are to engage with employees, mentor, counsel, link rewards to performance and identify & nurture leaders to spearhead the Bank's business growth.

Accomplishments in FY 2012-13:

- Annual performance appraisal was executed seamlessly in alignment with the Bank's objective of rewarding performance against tangible goal achievements. Over 6950 employees were covered in the exercise, which was a 40% increase over the previous year.
- Mid-Year Performance Review was used as a platform by the Line Managers & HR to provide developmental feedback & performance counselling to around 9000 employees for achievement of their annual "SMARTs".

Technology continues to drive performance management processes online and is helping to manage ever increasing scale with efficiency.



### Remuneration & Rewards

The Bank's performance management is strongly aligned to compensation of employees. The very philosophy of differentiating between high performers and laggards & rewarding performance has created a result oriented culture.

The Bank's Compensation Policy is driven by a 'Pay-for-Performance' philosophy. Compensation policies of the Bank are completely aligned to the Reserve Bank of India (RBI) compensation guidelines. They are market driven and structured to facilitate attraction & retention of critical resources. As an approach towards building long term employee ownership and association, the Bank continues to use Employee Stock Options (ESOPs) as a tool to attract, reward and retain critical employees.

Our Bank participated in the "Indian Compensation Banking Study Forum" conducted by Aon Hewitt Associates to compare compensation levels of 300 odd job positions of the Bank with those of the peer banks. The findings were comprehensively analysed to design internal compensation strategies to reduce attrition and enhance employee performance.

### Added Welfares

The statutory benefits of Gratuity and Provident Fund (PF) are part of the welfare schemes provided to all employees.

#### Provident Fund

From the date of joining each employee becomes a member of the PF scheme that is administered through the Regional Provident Fund Commissioner Office, Mumbai. Furthermore, the Bank also has a PF Trust for employees who had joined the Bank during the initial years.

**Contribution:** 12% of the base salary of staff members is contributed to the Provident Fund (PF). The contribution is made by deducting the amount from the monthly salary. The Bank contributes a further 12% to the fund of staff members.

**Voluntary Contribution:** A staff member can voluntarily contribute an additional fixed percentage of salary to their PF. In such cases the members will be allowed to alter their rate of voluntary contribution once in a year.

### Gratuity

The Gratuity policy of the Bank is governed by the Payment of Gratuity Act, 1972. Employees leaving after 5 years' of continuous service with the Bank are eligible for gratuity. Employees joining on or after October 1, 2010, are entitled to Gratuity as follows:

| Length of Service      | Gratuity Entitlement  |
|------------------------|---|
| 0 - 5 years of service | Nil   |
| 5 years and above      | 15 days of basic salary for every completed* year of service. |

\*completed service means - continuous/ uninterrupted service.

### Loan Benefits

Employees are entitled to a Personal Loan of upto ₹ 50,000 if they have joined on or after October 1, 2010 and completed 6 months of service and are confirmed in the employment of the Bank.

### Health & Safety

IndusInd Bank ensures a safe, healthy and secure place of work for all its employees, contractors, visitors and customers. Our HR policy also states that our employees will have access to a hygienic and safe work environment. We ensure that our branch and office premises are well ventilated, fully air-conditioned and completely hygienic for our employees as well as our customers.

### Medical Benefits

Going beyond the mandate of a healthy work environment we also take care of our employees ensuring support to all in times of illness. Our business ethos is based on the saying that a strong body nurtures a strong mind. Our people's health and well-being is critical to our business. We offer our employee's monetary backing for their medical expenses and also provide a range of opportunities to be active and realise their personal fitness goals.

**Mediclaim:** All employees and their five dependents, including their spouse, dependent children up to 21 years of age and dependent parents (up to the age of 85 years) are eligible for hospitalization benefit. The quantum of coverage is ₹ 2,50,000 per annum for the entire financial year.

**Group Personal Accident Policy:** All employees are covered under the Bank's Group Personal Accident Policy. The policy follows a grade-wise coverage under Group Personal Accident Insurance Policy resulting in death or permanent total disability of the employee.

### Sports & Other Activities

The main goal of the IndusInd Bank corporate sports teams is to encourage the interest and active participation of employees across Mumbai and to provide a platform for staff to showcase their talent in sports as well as lead an active and healthy lifestyle, notwithstanding the need for all members to have pride and respect in being associated with the Bank and its future direction. Over the years, IndusInd Bank employees have been representing the Bank in several reputed cricket tournaments with the full support of the management. In the FY 2012-13 we received the runner up awards for the UYCC Corporate Trophy, Vodafone Saran Cup and Dreamz Corporate Champions Trophy.

In football, our team reached the semi-finals through nail-biting matches but lost out to Cadbury. We were able to bring together employees who not only had the passion for the sport but also a sense of loyalty to the Bank. Seeing their dedication the Bank funded the booking of the ground for practice. Our employees made special arrangements to meet once a week to practice and made sure their work did not suffer. We intend to support this passion among our employees and hope they continue to grow with us.

## Employee Training & Education

IndusInd Bank invests great amounts of time and resources to ensure that every employee receives training & development to hone their skills and competencies. The focus is to enhance employee knowledge and attitude and provide domain-specific expertise through internally designed, focused & relevant learning programs delivered through classroom and on-line learning modes. The Bank's staff has completed more than 400 on-line learning and classroom programs during 2012-13. Cumulatively, 34,000 employees participated in our learning programs for over 2,88,000 learning man-hours. Our Bank received the first runner-up award amongst the best Indian private sector Banks by IBA for Best Use of Technology in Training and e-Learning.

### Training Program Details April 2012 - March 2013

| Type of Program  | No of Programs/<br>Batches | No of<br>Participants | Total Training<br>Man-Hours | Average Training<br>Man-Hours<br>per participant |
|--|----------------------------|-----------------------|-----------------------------|--|
| Orientation to IndusInd Bank   | 115                        | 2,138                 | 51,570                      | 24   |
| Product & Sales Effectiveness Training - For all BUs (Consumer, CFD, COO, CCB and CRO) | 147                        | 2,600                 | 41,587                      | 16   |
| Operational Process Training - (For GBO, CFD, CGMO, CRO)                               | 98                         | 1,966                 | 23,657                      | 12   |
| DRA Training - CFD   | 9                          | 1,417                 | 95,592                      | 67   |
| E-learning   | 25                         | 26,541                | 74,719                      | 3  |
| External Training  | 37                         | 74                    | 1,444                       | 20   |
| <b>Total</b>   | <b>431</b>                 | <b>34,736</b>         | <b>2,88,569</b>             | <b>8.3</b>                                       |

#### The Bank's training initiatives focus on:

- Introducing employees with various experiences to the Bank's structure, strategy, functions, people, policies and value systems
- Educating them on the functional knowledge of the Bank's corporate, consumer and specialized banking products
- Explaining the functional knowledge on the Bank's operational processes, core-banking systems and various technology & user platforms
- Augmenting social competencies such as leadership, managerial & inter-personal effectiveness, selling & negotiations skills, responsiveness & customer service, customer engagement and account planning
- Increasing domain-specific expertise for employees to apply fresh knowledge & skills at their workplace

### Some of the key classroom learning initiatives conducted in FY 2012-13 were:

- All-inclusive "Orientation Program" for the new joinees of the Bank
- "Emerging Leader Development Program" for select functional heads of the Bank in partnership with "Asian Institute of Management, Manila".
- Programs on Art of Selling and Negotiation Skills for Relationship Managers of CCBG
- Treasury and Forex programs for Relationship Managers of CCBG
- Comprehensive Credit Process programs for Relationship Managers of CCBG
- Professional Effectiveness programs for Senior Managerial personnel of CCBG
- Certification programs for Relationship Managers and CSE's of Consumer Bank
- Product Training and Sales Process Training on a pan India basis on Liabilities, Insurance and Investment Products for Consumer Bank Personnel
- Sales Process Training on a pan India basis for Frontline sales personnel (Relationship Managers, CAT) of Consumer Bank
- Customer Service learning programs for Customer Service Executives of Consumer Bank
- Debt Recovery Agency (DRA) training for CFD personnel
- Pan India programs on Finacle for Operations personnel
- Operational Processes Certification programs for Corporate and Global Market Operations personnel
- Programs on Standard Operating Processes, KYC and AML for Branch Operations personnel
- Team building programs for Corporate and Global Market Operations personnel
- Programs on Effective Presentation and Communication skills for Senior Managerial Personnel of COO
- Leadership and Operational Process training program for Senior Branch Operations personnel
- Program on "Art of Collaboration" for Credit and Risk teams
- MS Excel programs for operations processing personnel

#### Emerging Leader Development Program

We successfully partnered with the Asian Institute of Management, Manila to conduct a program on "Emerging Leader Development" at their premises from November 7 - 9, 2012. The key objective of the program was to hone the Strategic Management and Leadership skills of our senior executives, who would be spearheading the Bank's foray into the future as Sustainability Leaders.

#### The program specifically focussed on:

- Sensing emerging market trends that impact business growth and profits
- Designing new, innovative strategies that will produce consistent performance despite intensive competition through sustainable measures
- Leading the team to execute the new strategies
- Managing change in the economic turmoil through sustainable initiatives

The program added immense value to the participant's outlook. The key learnings cited by the participants from the program were:

- Developing a structured approach on managing larger roles, handling ambiguity and resolving conflicts
- Environmental sensing and understanding or analyzing resulting impact on business
- Systematic business planning, effective execution and making optimum utilization of resources
- Inputs on effective leadership

As a way forward, the Bank intends to conduct more such programs in the future to hone the leadership competencies of its future leaders.

### E-learning Initiatives

E-learning supplements traditional classroom training with web-based components and learning environments where the educational process is experienced online. IndusInd Bank is a pioneer in using e-learning within its internal systems. We have deployed a technology based LMS (Learning Management System) to facilitate the construction and implementation of online learning programs for our employees. The strategy is to leverage the Bank's technological infrastructure and deliver standardized learning inputs to employees across the Bank. In the FY 2012-13 around 26,000 participants completed 25 e-learning modules in 235 batches offered by the Bank on its LMS. The Bank had launched several e-learning courses in FY 2012-13 namely Mobile Banking, Green Banking, Finnacle, Depository, Do's and Don'ts for Branch executives, Adherence to KYC/ AML policy.



### E-learning continues to immensely benefit the Bank by:

- Scalability and consistency of learning by delivering learning solutions within a stipulated turn-around time,
- Considerable saving of time and money as e-learning costs only 10% of other learning modes,
- Convenience as employees learn at their own pace,
- Following the learning curve of employees through online assessments and certifications,
- Helping reduce the Bank's carbon footprint by reducing the need for employee travel and demonstrating environmentally conscious practices such as a reduction in the use of paper and excessive electricity, resources commonly used in the classroom learning avenue.

### Building Employee Sensitivity towards Sustainability

One of the most effective ways for companies to help protect the environment is by raising employee awareness about climate change and other environmental issues and simultaneously educating employees about following and implementing best practices both at office and at home. At IndusInd Bank, we strive for employee sensitization on the Bank's sustainability goals & policies and the Bank's journey to achieve them.

Conducting programs based upon environmental issues and sustainability help employees identify with the environmental policies and values of the Bank. These sessions have been incorporated in the course curriculum of all the major training programs of the Bank. Sessions on 'Green Banking' and related environmental & social policies have been formally incorporated in the orientation programs for all new joinees and classroom programs for Branch Managers and MCSOP's.

### E-Learning module on Green Banking

In FY 2012-13, IndusInd Bank launched an e-learning module on 'Green Banking' with the objective of generating awareness on the environment, sustainable development and CSR amongst its people. The Bank developed the module in partnership with the Centre for Environmental Research & Education (CERE).

This module gained an enthusiastic response from learners across the Bank and has helped to both sensitize the Bank's employees about our green banking initiatives and garner employee support for the acceptance and implementation of environment friendly practices at the work place.

The module educates employees on major environmental issues like Climate Change and Global Warming and provides insights on the initiatives taken by the Bank to promote environmental sustainability. It also creates awareness amongst the learners on generating solutions for the mitigation of the Bank's carbon footprint. In the FY 2012-13, 2,768 employees successfully completed the e-learning module on Green Banking.



## Facilitating Employee Engagement

At IndusInd Bank communication is not a one-way process. We consider employee feedback essential for improving process efficiency, customer service and boosting innovation. It is very important for us to understand what our employees think, feel and do and for them to be able to convey and implement their ideas for better service and customer satisfaction. With the aim of bringing in transparent and methodical systems of communication, we organise several initiatives to encourage employee engagement and feedback.

### My Idea

My Idea is one of the Bank's longest standing initiatives. Since 2008, it has been a platform to discover, evaluate, share, and implement employee ideas that will improve the way we work.

This FY 2012-13, My idea entered the next level. An all new my idea portal was unveiled in July, where ideas can be submitted, and tracked in real-time. An Online Dashboard ensures complete transparency, and you know the exact status of your idea at any given time. Special parameters have been incorporated to capture the benefits of an idea, and the evaluation process is prompt and thorough. In the unlikely case of a delay, every idea that stays in "Under Evaluation" status for more than 7 days generates a daily reminder to its evaluator.

Experts from each department have been nominated to track, evaluate, and provide feedback on the ideas submitted. Online voting by the members of the committee provides the final selection of winners. The following table highlights 14 ideas which have been nominated for the final selection.



Gopalakrishnan Sambasivam

#### Additional Menu In Prolendz-all APD Pending

In the Consumer finance division, the application Prolendz requires a "ALL APD PENDING" additional menu which reflects both the Personal Product and Commercial vehicle information of a customer such as pending Invoice, Insurance and Registration certificates. This enables regular monitoring by the branch staff of potential risky customers. Such customers are identified at an earlier stage thereby reducing the Bank's losses.



Premal Engineer

#### Cash payments for Credit Cards to be charged.

The idea suggested charging customers, making cash payment for their credit card bill, ₹ 100 per transaction. This has earned the Bank a revenue of ₹ 84,00,000 based on monthly cash payment volumes at branches of ₹ 7,000 per month.

- ▶ **Ajay Tandon**  
NEFT Fund Transfer Failure Alert
- ▶ **Ananda Chandrasekaran**  
Revalidating Mobile Numbers of the customer through online communication
- ▶ **Jayalakshmi Sekher**  
Compound Interest Calculator for Deposits in contact centre
- ▶ **Ashutosh Mehta**  
Message to Customer for change in charges of the Bank's services via SMS
- ▶ **Nirmala Velu**  
Branch address requests of customers can be honoured by sending SMS, this also confirms their contact details
- ▶ **Soumik Panthadas**  
Insertion of modules in Citrix Software to ensure settlement of Tea Auction Centers
- ▶ **Mathnga Meenakshi Srinivasan**  
Iworks - Inward Clearing Referrals with customer name
- ▶ **Mahmad Pathan**  
Employee account type changed when they resign
- ▶ **Mohit Bhatia**  
Online balance refill for Forex Card
- ▶ **Swarit Sharma**  
Standardized stationery for Mutual Fund Transaction request
- ▶ **Vikash Gupta**  
Informing customers of International Rates via SMS
- ▶ **Pooja Rai**  
Developing Car Loan eligibility check list for existing customers

Shortlisted  
Nominees  
2012-13

## Indus Parichay

Indus Parichay is an internal recruitment initiative, deployed to identify potential candidates from our existing employees' social network. The one-to-one direct relationship between the candidate and the referring employee and the exchange of knowledge that takes place allows the candidate to develop a strong understanding of the company, its business and the application and recruitment process. Candidate 'fit' to the company's culture, departments and teams is improved as the expectations of candidate and employer match. Through this website or intranet the current requirements are intimated by HR. Giving ownership to our employees has increased the process efficiency.

## IndusParichay

Where helping pays off...



## Green Champions Initiative

Through its *Hum aur Hariyali* initiative, IndusInd Bank launched its Green Champions Program in 2009. Starting with 14 Green Champions at the corporate offices in Solitaire Corporate Park, IBL House and Business Square, the program was run in partnership with CERF. The Bank informally extended the program to other offices and branches across the country as it gathered enthusiasm and results. Over 300 applications were received by the Bank in response to the invite that was sent out to officially to launch the Green Champions Program on a national scale, in 2012. This list was then shortlisted to 24 Green Champions who were selected from the four zones: East, West, North and South.

As part of the Green Champion Program, employees were involved in several environmental activities such as Kill Bill, WOW, Adopt-a-plant, Tree Plantation, and E-waste collection drives through the FY 2012-13. Each activity was documented and shared with employees across the Bank to instil best practices and inspire a culture of sustainability.



## Human Rights

IndusInd Bank rightfully respects, protects, promotes, and fulfils the Human Rights mandate that is recognised at the global level. We highlight some of the steps taken towards recognising these rights pertaining to stakeholders and business processes so as to address issues related to sustainability and stakeholder management.

## Promoting Ethical Procurement

We have a clear policy on engaging with our vendors and suppliers. We strictly ensure that none of our business processes or our vendors and suppliers, support child, forced or compulsory labour. Most of our requirements are sourced from corporates, generally where highly skilled labour is employed. We raise a purchase order and provide it to our vendors, placing emphasis on the adherence to various labour laws as mentioned in our policy. The clause reads as follows:

"Please note that this order is being placed on you with the understanding that your company is complying with all the applicable labour laws of our country. As part of IndusInd Bank's Sustainable Development Program and its attached responsibilities, we would like to associate ourselves only with suppliers who are willing to abide by standard and progressive labour practices, including and not restricted to the non-employment of child labour, providing equal opportunity to women employees, ensuring Health, Safety and Welfare of employees and adopting safe environmental practices".



## Equal Opportunity Employment

IndusInd Bank is an equal opportunity employer. All employees are treated equally in the HR processes relating to hiring, training, promotions and staff benefits. At IndusInd Bank, each employee is provided equal opportunities on merit without any discrimination based on marital status, belief, political opinion, culture language, ethnicity, race, gender, religion, caste, age or disability. To this end, female employees represent 15% of our entire employee base and some differently-abled employees also make up a part of our work force.

We utilize objective standards based on the individual's qualification as they relate to the particular job vacancy and for furtherance of the Equal Employment Opportunity policy. All other personnel decisions such as compensation, benefits, transfers, company sponsored training, assistance, social and recreation programs, are also administered on an Equal Opportunity basis.

At IndusInd Bank, each employee is provided equal opportunities on merit without any discrimination based on marital status, belief, political opinion, culture language, ethnicity, race, gender, religion, caste, age or disability.

## Internal Communication for Employees

The Bank communicates all the Employee Benefit Schemes on the intranet and at special events to reach out to various employee groups. All offices and branches display statutory and mandatory notices at conspicuous locations in their premises, ensuring all employees are informed and made aware of the mandatory rules governing their employment with the Bank. The Bank meticulously follows compliances related to Labour and Industrial laws as applicable to the employees.

## Employee Service Rules and Code of Conduct

Our Bank believes in conducting our business and maintaining a fair, unbiased, safe, challenging and rewarding environment for our employees. We have ensured the highest standards of ethics, integrity and transparency within our system and support an open culture amongst all our stakeholders.

The Bank has developed its Employee Service Rules and the Code of Conduct, which defines the acceptable and unacceptable behaviour across the board. The employees are informed of these codified behaviours and the consequences of their breach. These behaviours, besides being circulated periodically, are also displayed in the Banks intranet under the HR segment so that employees have the opportunity to review them. These rules and Codes of Conduct are also often reiterated through various training activities.

Our Human Resources Department (HRD) and Board of Directors of the Bank have designed exhaustive policies and processes to deal with issues of discipline, integrity, and diligence related to the employees and also escalation mechanisms to deal with grievances that our employees and customers face. HRD implements these policies and periodic reporting is made to the Board & Top Management. Strict actions are taken against employees who are found to be deviant and face actions such as dismissals and terminations, depending upon the gravity of the misconducts. Sexual harassment cases or other escalations of indiscipline and violations of the Code of Conduct are dealt with immediately irrespective of the grade and level of the complainants and the complaints of employees are treated in the same manner, irrespective of their seniority.

The Bank has a fair and unbiased treatment policy and ensures speedy disposal of disciplinary matters with adequate opportunity for an individual to present his or her case. If any substance is found to the allegations, the implicated employee is informed of charges and a fair and unbiased domestic enquiry is conducted in the matter, by an impartial panel or officials. Punishment, if any, is decided based on the outcome of such an enquiry.

## Sexual Harassment Policy

IndusInd Bank has a robust policy in place for any sexual harassment complaint. We take sexual harassment and gender inequality very seriously. The policy is in line with the directives of the Supreme Court and also conforms to central and state government regulations. Female employees are encouraged to bring to notice any anxiety arising out of gender differences. These are escalated for quick investigation and the matter is considered by a committee of experts comprising female social workers and senior female executives. Both sides are heard before coming to any conclusion. Male employees found guilty of sexual harassment are dismissed from their post with the Bank, irrespective of their importance and position. The names and identities of the female employees are kept completely confidential during the investigation to protect their interest.

## Stakeholder Reporting Channels:

The Bank has put in place a number of reporting or escalations channels as a means of grievance redressal. Employee communication is promoted from every angle and through all channels - vertically, horizontally and across the board. Prominent and well established channels are:

## Whistle-blower Mechanism

Since March 2009 a Whistle Blower Policy has raised the bar for ethical behaviour. It encourages various stakeholders (employees, customers, suppliers, and shareholder) to highlight any issue regarding compromise/ violation of ethical norms, legal or regulatory provisions, without any fear of reprisal, retaliation, discrimination or harassment of any kind. The Chief of Internal Vigilance accesses this post and reports to the Managing Director. Thereafter, HR takes the necessary action with anonymity, after receiving the approval of the CEO. During the FY 2012-13, 30 cases were reported through Whistle Blower Mechanism. The category wise/ action wise break-up of the disclosures during FY 2012-13 is as follows:

| Nature of Complaint  | Investigation Not Required | Under Investigation | Closed after Investigation | Punitive Action | Disciplinary Process Continuing | Total     |
|--|----------------------------|---------------------|----------------------------|-----------------|---------------------------------|-----------|
| Misappropriation of Bank's/ Customer's Funds or Assets                   | -                          | -                   | -                          | -               | -                               | -         |
| Operations - Negligence/ Deliberate Violations                           | -                          | -                   | 3                          | 2               | 2                               | 7         |
| Corruption - Connivance/ Customer Dealings/ Vendors                      | -                          | -                   | 2                          | 1               | -                               | 3         |
| HR - Sexual Harassment/ Coercion/ Harassment of colleagues/ subordinates | 2                          | -                   | -                          | -               | 2                               | 4         |
| HR-Others  | 1                          | 1                   | 3                          | 3               | 1                               | 9         |
| Credit   | -                          | -                   | -                          | -               | -                               | -         |
| Regulatory/ Compliance   | -                          | -                   | -                          | -               | -                               | -         |
| Customer Service   | 4                          | -                   | -                          | -               | -                               | 4         |
| Others   | 2                          | -                   | 1                          | -               | -                               | 3         |
| <b>Total for Current FY</b>  | <b>9</b>                   | <b>1</b>            | <b>9</b>                   | <b>6</b>        | <b>5</b>                        | <b>30</b> |

## Listening Post

Listening Post is a means for employees to communicate directly to the CEO who in turn, transfers the complaint to the concerned Business Units (BU)/HR/Vigilance, as the case may be, depending upon the nature, gravity and significance. The CEO looks into the matter personally to escalate the complaint and follows up on action or resolutions. The concerned department acts accordingly and communicates to the concerned employee about the cognizance taken or action proposed depending upon the issue under question. During the year 2012-13 about 200 such communications are addressed to the CEO and all such escalations are taken to their logical end and feedback is given to the CEO.

## Direct Reporting

The employees can also directly write to their higher authorities up to the CEO on any issue, especially related to unacceptable behaviour or treatment, harassment by seniors, sexual harassment, unethical dealings or transactions and so on. The issue at hand is looked into by the concerned department and also by the CEO, if the issue is of significant importance.

## Staff Accountability cases and other deviations observed during 2012-13

During the FY 12-13, there were 1,021 Staff Accountability cases of which 984 cases were concluded and punishments of different types imposed.

### Staff Accountability Cases as on 31.3.12

|               | Vigilance | Non-Vigilance | Total |
|---------------|-----------|---------------|-------|
| Resolved      | 1         | 983           | 984   |
| Under Process | -         | 37            | 37    |
| Total         | 1         | 1020          | 1021  |

## Employee Litigations Issues

We place heavy adherence on due diligence and legal processes in matters of disciplinary action and staff accountability exercises, which culminate in to the penalties of dismissals and terminations. These processes are methodically dealt with and the delinquent employees are given due opportunity to counter the charges of allegations and also to bring their own defense, evidences and the witnesses to be examined and cross-examined in the course of the process. This phenomenon is also very unique if we compare such data to that of the banking industry or peer group at large.

We have three cases where the employees have challenged the decision of dismissals in the Courts and Tribunals, during the FY 2012-13.

# Engaging with Stakeholders

Our flourishing business enterprise works sustainably by not only enforcing firm policies for employee's growth and equitable development but also through improving customer services and working towards a "Bank for all" paradigm. We build our sustainability platform through corporate citizenship initiatives and programs that reach out to society at large. Through this financial year, we have tried to support initiatives which promote local culture and heritage and enhance our service to society. Some of these programs cater to customers and society at large.

## Information Security Awareness

Realising the increasing need for raising information security awareness among customers, the Bank has formed a team that's focussed on customer awareness programs. While keeping pace with the technological offerings being made by banks, customers need to be made aware of the various risks and pit-falls associated with the use of technology for banking.

We reach out to our customers through the virtual portal in the form of messages and tips through email, sms, our website, statements and workshops. The program is aimed at raising awareness about the safe use of the internet and online banking facilities, recognising and avoiding phishing or vishing attempts, the safe use of credit/debit cards and protection from malware and malicious websites.

## Community Outreach

### Employee Donation Scheme

At IndusInd Bank, we reach out to the community through philanthropy. Employees donate through the employee payroll contribution program each month to various social causes. Over a 1000 employees participated each month contributing around ₹ 8 lakhs to the NGO "Support". "Support" is one of the very few organisations in India offering a residential rehabilitation programme for drug-using street children. They try to act as facilitators to these children and bring about a positive change in their lifestyle. All contributions made to Support are utilised towards procuring food, education, health and vocational training for these street children.

### Diwali Handicraft Exhibition

The green champions from the west zone organised a Handicraft Exhibition for the occasion of Diwali on November 2, 2012 at our Solitaire Corporate Park office. The exhibition displayed handicrafts made by children from the NGO "Support" such as artificial jewellery, handbags, key chains, books and others. The event was a huge success in terms of sales and a wonderful platform for interacting with the staff & kids of "Support". IndusInd's Green Champions & the CSR team distributed Diwali gifts to the "SUPPORT" children.

### Beti Ghar Ki Roshni

At the Barabanki branch, Lucknow, IndusInd Bank organized the "Beti Ghar ki Roshni" initiative and distributed 10 solar lanterns. The lamps were distributed to school girls in villages where there is no electricity. Three staff members including the Regional Head, Mr. Pankaj Mandhyan, Branch Manager, Rajiv Pandey and Sr. Relationship Manager - GBG Division, Ms. Pallavi Singh participated in the event held on November 12, 2012.

### Personal Computers Donation

This year donations of personal computers were made to support the computer education module at various schools such as

- ASHA, a school for handicapped children run by the Army Garrison Engineers Unit.
- CANOSSA HIGH SCHOOL in Mumbai that provides free education to girls and runs a night school for the poor and economically challenged.
- SHAALA VYAVASTHAPAN SAMITI in Ahmednagar that educates local tribal children.

### Donation to Orphanage

A donation of pillows and bed sheets was made to Shishu Bhavan in Mumbai, which shelters abandoned infants and children aged below 10 years, by the employees of the Credit Administration Department of the Bank.



## Supporting Cultural & Sport events

At IndusInd Bank, we provide a platform for creative expression and innovation and fund programs that promote traditional & contemporary art and culture. We are also now venturing into promoting sports as well.

### Kalavirasaat

IndusInd Bank sponsored Kala Viraasat, a widely respected performing arts presentation by Banyan Tree, in its fourth consecutive year. The event showcased a fusion of the best maestros from the East and the West. This year's ensemble featured Sitar maestro Ustad Shujaat Khan, legendary Ghatam maestro Vidwan Vikku Vinayakram, internationally acclaimed Violin duo Ganesh and Kumaresh and one of the finest Saxophonists from America - George Brooks. All these great masters entertained the audience in their own classical styles. The second act or the finale was a spectacular Sufi Qawali performance by Chishti Brothers & Group.



### Smritiyaan

The Bank sponsored yet another classical musical concert organised by Pandit Chaturlal in its fifth consecutive year. The event which was held on the 17<sup>th</sup> January, 2013, showcased a live performance by Roop Kumar Rathod for Vocals, Trilok Gurtu on Percussion, and Pt. Ronak Mazumdar on Flute.



### Scindia Gold Cup

IndusInd Bank partnered with Maharaja Jiwaji Rao Scindia Gold Cup (MJR Scindia Gold Cup) in February 2013. The Bank was a co-sponsor for this coveted Annual Polo Event which is organised by 'Rajmata Vijaya Raje Scindia Centre for Development (RVRSCD). The 'Scindia Gold Cup' as it is commonly known, is one of the most popular polo tournaments in the country and is held every year at Jaipur Polo Ground, New Delhi. The three day event ended on 24<sup>th</sup> February, 2013 and was witnessed by more than 1000 guests which included Indian Royalty, Politicians, Socialites, Celebrities, and Businesses.

### Treasures of Rajasthan

IndusInd Bank recently sponsored an Exposition of Arts, Crafts as well as Heritage Properties of Rajasthan, called the Treasures of Rajasthan. An initiative by the Maharaja Sawai Man Singh II Museum Trust and Princess Diya Kumari from the Royal family of Jaipur, this two day Exhibition cum Sale was hosted in collaboration with the Embassy of Egypt on the 5<sup>th</sup> and 6<sup>th</sup> November, 2012.

The event was flagged off with the 'Friends of the Royals' Dinner on the 3<sup>rd</sup> November, 2012 at the Leela Palace, New Delhi, which had an attendance of almost 250 guests consisting of various Diplomats and members of the Royal Families of India along with many veterans of the Travel & Tourism Industry.





## Stills Competition

IndusInd Bank employees participated in an online photography competition known as "Stills". We received an overwhelming response to the contest with over 200 entries from over 100 employees. A panel at IndusInd Bank selected the 20 best photographs. These 20 stills were sent as official entry to the competition. Around 66 corporate houses across India participated in this contest. The finale event was held on 20th October, 2012 at Inorbit Mall Malad, Mumbai. Top 70 Stills among all the corporates were showcased at the event. Our employee Sudipta Sadhukan's capture titled "Joy of Childhood" was awarded the 3rd Runner up under the Top-Stills category 2012.



*Joy of Childhood*

# PLANET



At IndusInd Bank, putting our sustainability commitments into practice has been a challenging yet inspiring process. We seek more responsible ways to carry out our operations and encourage our customers to think sustainably too. We have partnered with the Centre for Environment Research and Education (CERE) since 2008 and have worked on the low hanging fruits and expanded on finding innovative means to create greater reductions in our carbon footprint. In the following pages we review some of the progress made during 2012-13. We have focused mainly on meeting the task of energy conservation through a keen focus on electricity, travel and energy efficiency through technological advances. Reduction in paper consumption is a conscious effort adopted in offices through automation of processes, reduced dependency on paper printing and emphasis on online transactions. Managing waste has been achieved through key policy changes within the organisation. Our Green Champions program has expanded across branches and reached out to more individuals through the *Hum aur Hariyali* site which is a platform for the Bank and employees to communicate its achievements and actions. We have also successfully mapped our carbon footprint for a third successive year and have expanded the scope and boundary of our GHG inventory.

## Environmental Challenges Facing India

Across India, concern is mounting over an ever growing list of environmental problems. As our country's population continues to grow pass the one billion mark, pressure on natural resources from water to forests increases, while an economy in high-gear leaves a trail of pollution that affects not only India, but the rest of the world too. For the first time in its history India's Annual Economic Survey, in 2012, contained a chapter on sustainable development and climate change. The report stated that:

“Pressures on land, air, water, forests and loss of plant and animal habitat are growing. At the same time, a warming planet is already causing adverse effects, such as more frequent extreme weather events. The science and evidence of climate change are compelling. Both India and the world are reviewing the challenges ahead.”



In the last two decades the environmental challenges faced by India have become more critical. They essentially fall under five areas: climate change, food security, water security & scarcity, energy security, and land-use change (including deforestation & urbanisation). Climate change is expected to have substantial and adverse effects in India, mainly on agriculture, water storage in the Himalayan glaciers which are the source of major rivers and groundwater recharge, sea-level rise, and threats to a long coastline and habitations. Climate change will also cause increased frequency of extreme events such as storms, floods, and droughts. These in turn will impact India's food & water security problems. India also faces the critical challenge of meeting its rapidly growing energy demands. It currently depends on around 80% imports for its crude oil requirements and at the same time is home to a large rural population that lacks access to basic amenities like electricity and cooking fuel.

Increasing competition for water among various sectors, including agriculture, industry, domestic, drinking, energy generation and others, is causing this precious natural resource to dry up. Increasing pollution is also leading to the destruction of both terrestrial and aquatic habitats. Finally, rapid land-use change for agriculture, mining and urbanisation is causing extensive habitat loss and deforestation. Urbanization particularly, is proceeding very rapidly, creating new issues of affordable housing, access to safe water and sanitation, solid waste disposal, transport, and air quality.

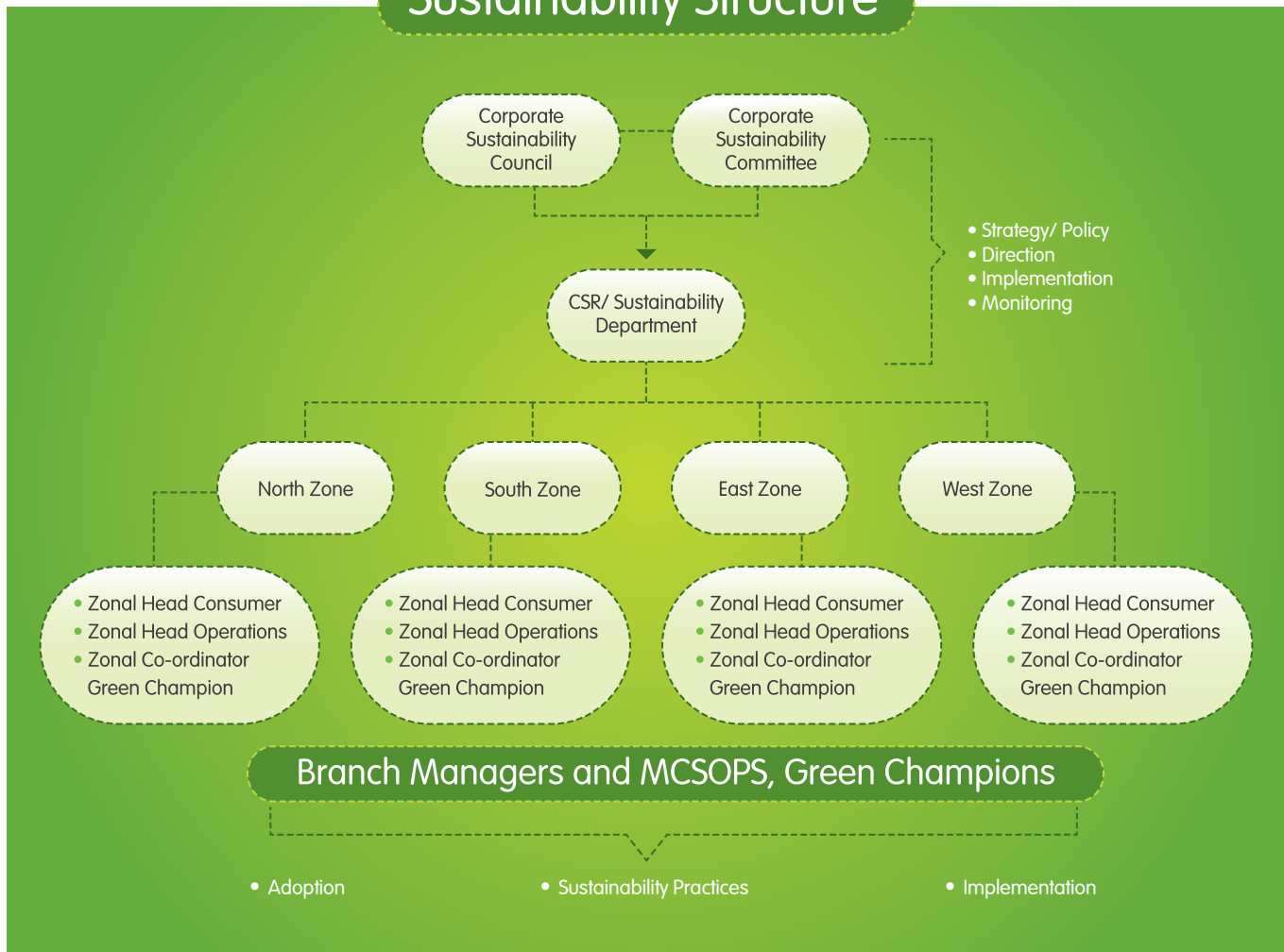
Meeting these various environmental challenges will require the combined efforts of government, industry, civil society and individual citizens.

# Environmental Stewardship

At IndusInd Bank we are keenly aware of the importance of managing our environmental impact. We consider environmentally sustainable economic development a priority and have put considerable effort into integrating environmental stewardship across our operations and investment portfolio. In 2008 we launched the *Hum aur Hariyali* Campaign, a Bank-wide initiative to promote environmental and social governance at both our corporate offices and branches.

The *Hum aur Hariyali* campaign is supervised by Sustainability Department of the Bank. The Department works with various other departments and verticals of the Bank to foster green banking operations and premises - with emphases on carbon footprint measurement and mitigation, energy efficiency and resource conservation. The Sustainability Department also coordinates IndusInd Bank's Green Champions Program - an employee engagement and awareness program that is executed at the office and branch level.

## Sustainability Structure



To ensure that sustainability is adequately incorporated into the day-to-day operations of the Bank and into its business strategy, the Bank has established a CSR Committee, headed by our COO Mr. Paul Abraham, which is responsible for the leadership, oversight & review of the Bank's environmental commitments. Below the level of the CSR Committee, is the CSR team and the Sustainability Department.

## Implementing an Environmental Policy

On 5 June, 2012, World Environment Day, the Sustainability Department, in partnership with the Centre for Environmental Research & Education (CERE), prepared and formally launched an internal environmental policy. Through the framework of the policy the Bank committed to comply with the letter and spirit of all relevant environmental legislation and pursue a programme of continuous improvement in terms of its environmental performance and reporting.

The policy also lays out further guidelines and targets within seven key areas of environmental sustainability:



The department is responsible for the implementation of this policy and the achievement of the targets described therein. Some of our Bank's more important targets include reducing our per capita GHG emissions by 2% every year till 2020, reducing our per capita energy consumption by 5% by 2015 and switching 100 ATMs to Solar Energy by 2013. To meet these challenges the Bank has begun to implement several different energy and resource conservation strategies and is dedicated to meeting its voluntary targets in due course.

## Meeting the Challenge

As one of India's most successful mid-sized Banks, IndusInd Bank is keenly aware of the importance of managing our environmental impact and reducing our carbon footprint. Because the way we do business is just as important as the results we achieve, we see our commitment to sustainability and social responsibility as important measures of our success. Over the past few years, our commitment to sustainability and social responsibility has deepened as we have integrated these core values into our business operations through the *Hum aur Hariyali* campaign. As we go forward, we remain committed to responsibly growing our Company and enhancing the lives of consumers and communities around India. In the FY 2012-13 we have not only continued some of our successful environmental initiatives from previous years but have also launched several new programs with a focus on innovation and sustainability.

### A Focus on Energy: Our Top Four Energy Initiatives

Energy represents a substantial source of resource consumption at IndusInd Bank and accounts for a major portion of our operational costs as well as 86% of our annual carbon footprint. Whether associated with the use of electricity or with transport for business travel, energy production and use has a significant environmental impact - a single unit of electricity consumed on-site represents about 1 kg of CO<sub>2</sub> emissions produced at source. We, at IndusInd Bank recognise that we can develop strategies and engage with our employees to judiciously manage our use of energy. Over the course of the last few years we have taken several steps to implement practices related to energy conservation, energy efficiency and the use of renewable energy.

#### Conservation of Electricity

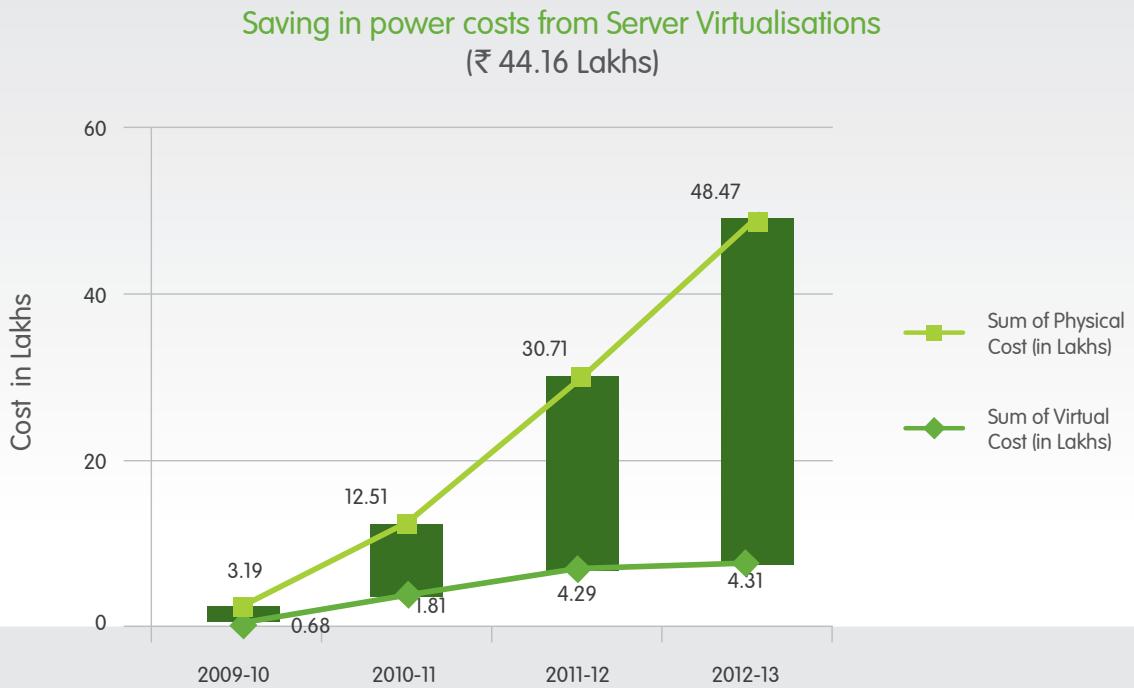
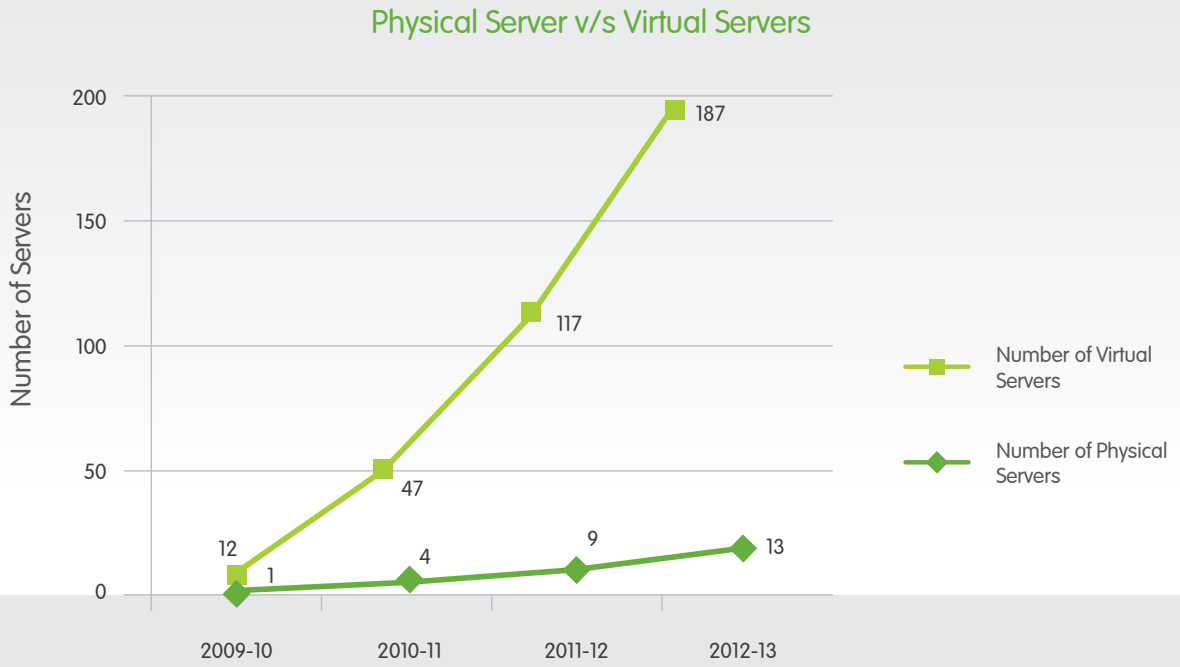
IndusInd Bank has implemented several energy conservation strategies at its offices and branches and through our environmental policy have committed to reducing our per capita energy consumption by 5% by 2015. This year we have continued to implement power saving devices (PSDs) at our offices and branches and as of 31<sup>st</sup> March, 2013 have installed 11 PSDs at various locations across the country. During the year, the Bank installed timers in signages at 200 locations which reduce power consumption and costs. It resulted into savings of ₹ 31.22 lakhs. The Bank has also installed 65 power savings devices in air conditioners at 6 branches in the North region.

Over the course of the last few years we have taken several steps to implement practices related to energy conservation, energy efficiency and the use of renewable energy.

#### Energy Efficiency through Green IT

Information Technology (IT) is at the heart of every successful modern business. By 'greening' our IT systems IndusInd Bank has not only increased the energy efficiency of its operations but has also significantly reduced energy related costs as well. In the last financial year we implemented several Green IT solutions including the replacement of CRT monitors with energy efficient TFT monitors, the deployment of a green data centre, server virtualisation and thin computing, these initiatives all continue into the FY 2012-13. We currently have 187 virtual servers running on 13 physical servers at the three data centre locations. The significantly reduced number of physical servers has reduced the need for additional power, leading to cost savings in the region of ₹ 44.16 lakhs each year.





Along with server virtualisation, we have also provided over 680 users with virtual desktops, an increase of 240% over last year, which reduce energy consumption by 300 kWh per thin client and save ₹ 1,785 per desktop.

In addition to successfully continuing past initiatives, the Bank has also invested in implementing power management policies on desktops and laptops across the organisation. The project commenced in the later half of 2012 and as of March 2013, we have rolled out policies to over 400 machines. The organisation-wide rollout of the power management policy is expected to reduce power consumption by about 27.87 kWh per machine per annum. This, for about 10,000 machines translates into savings of approx. ₹ 22.29 lakhs per year and CO<sub>2</sub> reductions of approximately 241 metric tonnes yearly.

About 10,000 machines translates into savings of approx. ₹ 22.29 lakhs per year and CO<sub>2</sub> reductions of approximately 241 metric tonnes yearly.



ECO CAR

### Greening our Business Travel

The issue of transportation is a complex one as on the one hand travel and transportation play an irreplaceable role in terms of socio-economic development and the growth of business; and on the other hand have a hefty impact in terms of their ecological footprint. Environmental impacts associated with transportation are particularly acute as related to GHG production, air pollution (particulate matter) and water pollution (hydrocarbons and heavy metal deposits). To ensure that our environmental impacts from travel are reduced IndusInd Bank has

focused on both reducing the frequency and need of travel and looking at alternatives modes of transport.

We have made a commitment to switch our entire fleet of company cars over to clean fuels like CNG and LPG. To date, 92 company-owned vehicles have been retrofitted with CNG or LPG engines and the Bank plans to continue this program in 2013-14. The Bank has also been extensively promoting the use of video/audio conferencing facilities to minimize the environmental impact of air-travel and reduce costs related to travel. In March 2011, the Bank went live with Microsoft Lync a platform of employee communication which significantly reduced inter-city travel.

### Launching our Unified Communications Platform

Microsoft Lync is an enterprise-ready Unified Communications platform which connects people across offices. To change the communication landscape within the Bank, we rolled out Lync 2010 which unifies instant messaging, audio, video, application and desktop sharing to enhance collaboration amongst colleagues and team members. This solution leverages on the existing data communication infrastructure of the Bank. This collaboration solution includes an Instant Messaging (IM) platform to have a quick discussion without leaving the workstation. The users are able to collaborate with different colleagues in a single chat conference and arrive at a decision quicker. It also allows for the sharing of desktops or presentations and the conducting of audio or video calls with colleagues. This reduces travel for short meetings and enables an efficient and productive work environment.





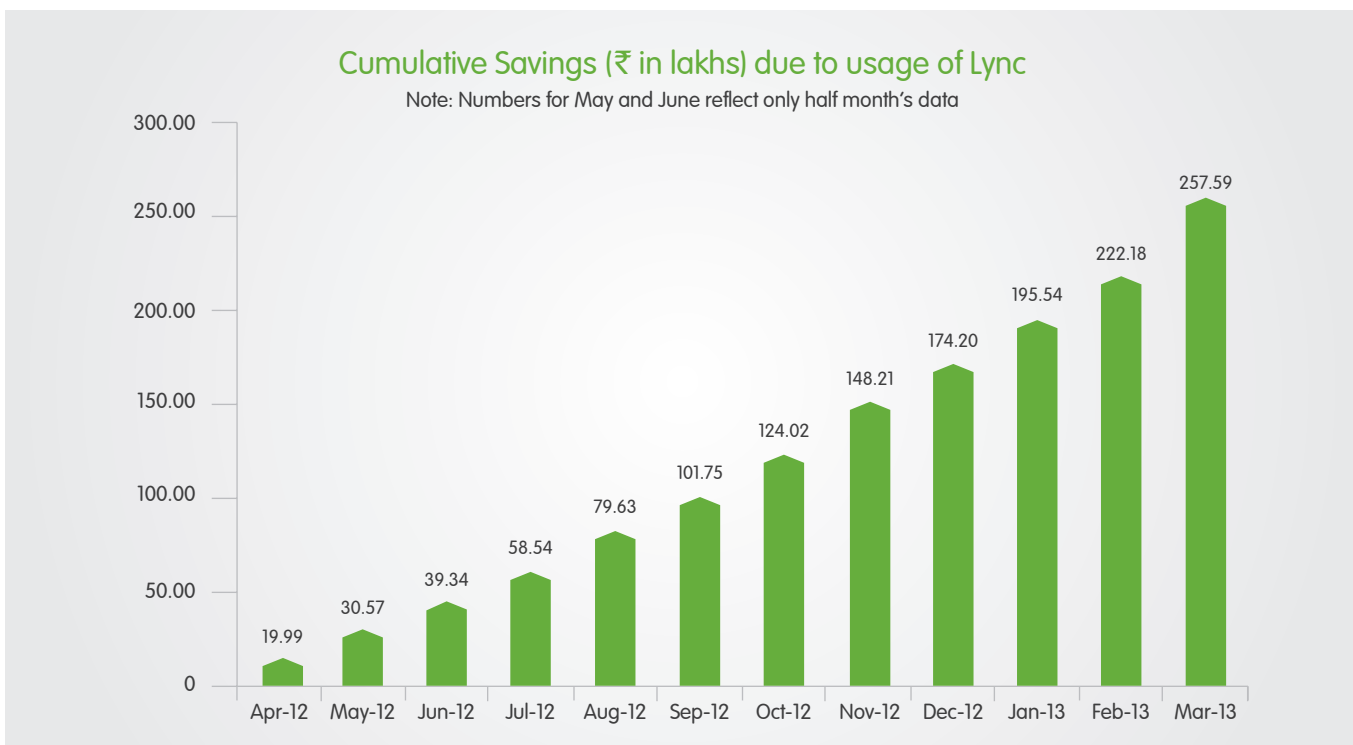
The use of Microsoft Lync started on 30<sup>th</sup> March 2011 with 75 users. The user base for this platform has grown steadily and we have been able to see that Instant Messaging is the most popular mode of communication. We also introduced the Communicator Web Access (CWA) option in November 2011, where desktop users would be able to use Instant Messaging and Desktop Sharing. The use of this platform has significantly reduced inter-city employee travel and communication costs for the Bank.

| Application on Lync   | Estimated Savings per inter-city session/ call (₹) |
|---|--|
| Presence Awareness (time saved in locating the person)**      | 10.83  |
| Video Calls (cost saved to travel for the inter-city meeting) | 15,000.00  |
| Audio Calls (cost on local / STD call)                        | 2.00   |
| Application (or Desktop) Sharing                              | 1,000.00   |
| Instant Messaging (IM) - equiv. call cost                     | 0.50   |
| Audio Conferencing (avoid Arkadin cost)                       | 3.00   |
| Video Conferencing  | 1,000.00   |

\*\* Average based on employee cost in minutes per call/session

\*\* We considered the following parameters when calculating relative costs:

- Total No. of sessions - for IM and Audio
- Total number of inter-city sessions > 15 minutes - for Application sharing and Video



Assumptions:

- Intercity travel avoided only if video call is for at least 15 min;
- Avg. hourly employee cost = ₹ 650

By March 2013 we had almost 1,200 users on Lync and another 400 on CWA. The cumulative savings due to usage of Lync for FY 2012-13 has been ₹ 257.59 lakhs.

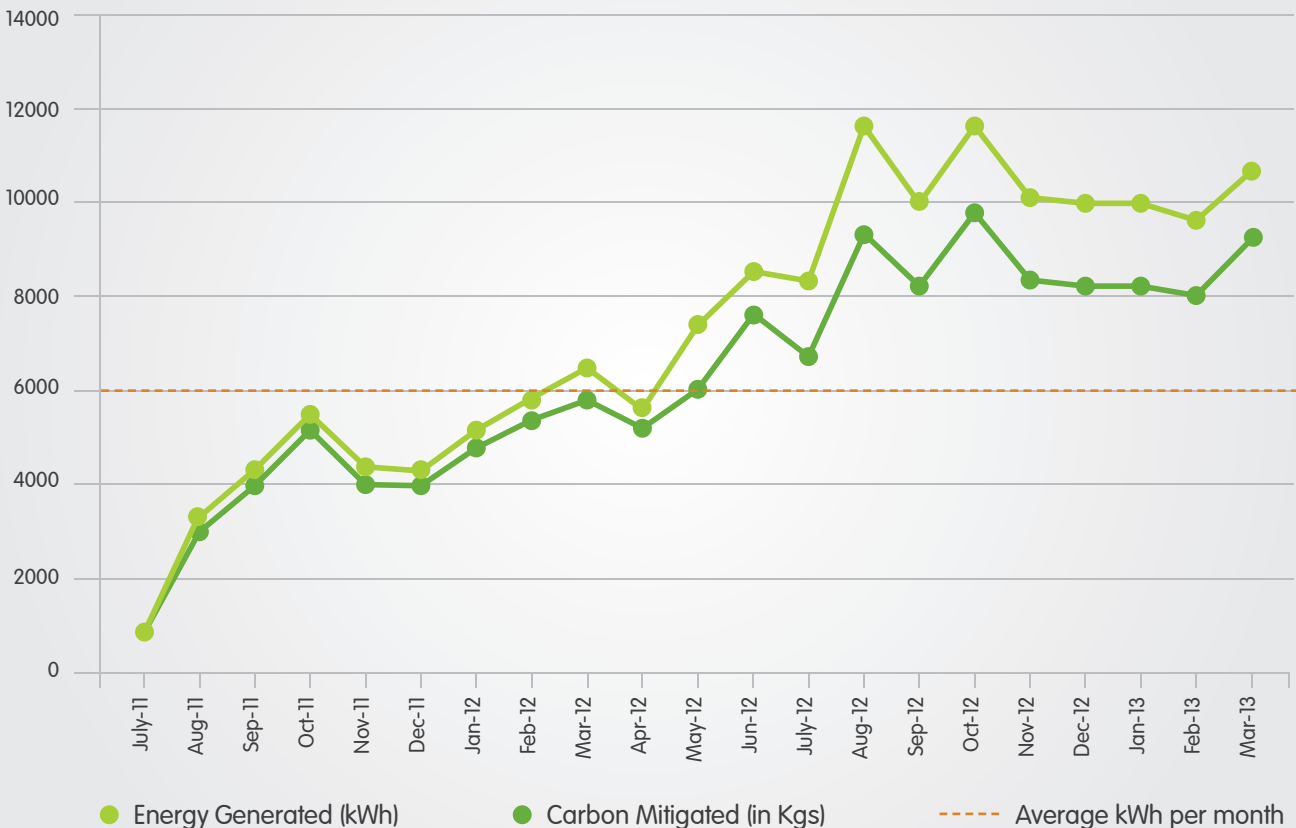
### Renewable Energy: Banking on Solar

In 2009 IndusInd Bank launched one of India’s first Solar ATMs at our flagship branch in Opera House, Mumbai. Today, we have achieved our goal of installing 100 solar powered ATMs across the country. Through the Solar ATM program IndusInd Bank has successfully generated 1,29,819 kWh of solar energy to date and has avoided the emission of 154 metric tonnes (MT) of Greenhouse Gases (GHGs). This project has also helped the Bank foster rural communities and economies by improving access to banking facilities and educating landlords and communities about the advantages of decentralised and renewable energy technologies.

Through the Solar ATM program IndusInd Bank has successfully generated 1,29,819 kWh of solar energy to date and has avoided the emission of 154 metric tonnes (MT) of Greenhouse Gases (GHGs).



Energy generated and carbon mitigated since the inception of the Solar ATM Program



The table below highlights the savings in Rupees gained due to this innovative step towards energy conservation.

| Parameter  | 12-Apr | 12-May | 12-Jun | 12-Jul | 12-Aug | 12-Sep | 12-Oct | 12-Nov | 12-Dec | 13-Jan | 13-Feb | 13-Mar | Total   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Savings considering Cost of Commercial Electricity (@ ₹ 6.17 per unit) (₹) | 28567  | 37760  | 45473  | 43937  | 59559  | 51828  | 59639  | 53068  | 50890  | 51316  | 47947  | 56054  | 586038  |
| Savings Considering DG Power (@ ₹ 12 per unit) (₹)                         | 55560  | 73440  | 88440  | 85452  | 115836 | 100800 | 115992 | 103212 | 98976  | 99804  | 93252  | 109020 | 1139784 |
| Savings Assuming a mix of 65% on commercial power and 35% on DG power (₹)  | 38015  | 50248  | 60508  | 58463  | 79251  | 68964  | 79358  | 70614  | 67716  | 68283  | 63800  | 74588  | 779808  |

In addition to the Solar ATM program, IndusInd Bank has also initiated plans for a 45 KW Solar power generation project at our Karapakkam site. It is expected to generate 69,750 units in a year assuming that the panels will generate energy for 5.5 hours daily on average.

## Paper: Procurement & Conservation

The ability to document processes, manage human resources, promote products, communicate between employees, store information, edit documents, bill customers, and legally protect the company are at the core of business operations. Providing these services often requires the use of paper and businesses are large consumers of paper. Yet, there are significant economic and environmental concerns related to sustained paper dependence and IndusInd Bank is making every effort both to reduce its paper consumption and find alternatives to traditional paper use.



## Green Procurement

At IndusInd Bank we place considerable importance on 'green procurement' and the investigation and incorporation of opportunities for green procurement is an on-going process, one that considers attributes such as recycled content, energy efficiency, and waste reduction when interacting with vendors and suppliers. Starting in 2010-11, IndusInd Bank started procuring environment-friendly, agri-waste paper for use in its offices and branches. The program which was first started in Mumbai has now been centralised and mandated for all locations across the country. Today, the Bank uses Spectra Paper, a product made from wheat straw (an agricultural by product), that is both ECF (Elemental Chlorine Free) and FSC (Forest Stewardship Council Certification) certified.

In addition to using eco-friendly office paper, IndusInd Bank is also using business cards printed on 100% recycled paper for all employees. This initiative not only helps to reduce the Bank's environmental impact arising from paper use, but also helps endorse the message of recycling and green procurement amongst our employees, customers and suppliers.

### Paper Conservation

'Save Paper, Save Trees' is an important motto at IndusInd Bank and we make every effort to ensure the paper is saved at every step of our business operations. In addition to promoting a paper saving ethos amongst our employees and customers, the Bank has implemented several technology solutions to reduce paper consumption.



### Automation of the Procurement Process

The procurement department has migrated from a manual to an automated process on a workflow platform called 'iProcure'. The requirements raised by users, travel through the platform via the recommending authority, resulting in a procurement approval process and the generation of a Purchase Order. Almost 7,622 on-line requisitions were routed through this platform during this FY resulting in a substantial reduction in paper consumption.

### Paperless Fax

IndusInd Bank invested in Fax over I.P (FoIP) or paperless fax technologies which bring traditional telephony applications into data network environments. This consolidation of data and communications resources is both cost-effective and saves paper. By receiving paperless faxes and routing them to folders and mailboxes, the Bank has avoided the printing of nearly 53,000 pages per year.



### Document Imaging and Processing

The Bank is also now investing in a paper-less process, using document imaging, for account opening and other similar operations. This process avoids the need for photocopies and physical movement of documents and helps the Bank save, time, money and paper.

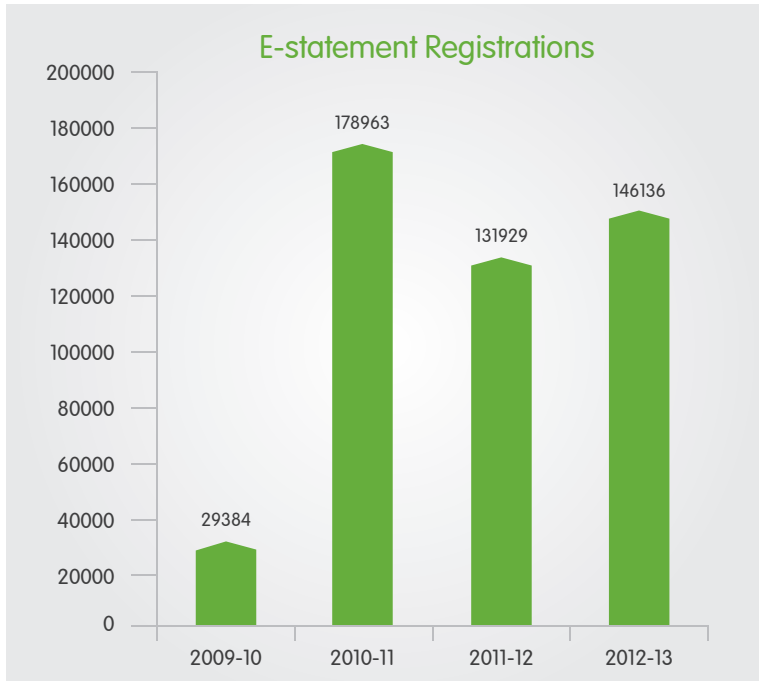
### Multi-Function Devices

The Bank has introduced Multi-Function Devices (MFDs) at various branches/offices wherein substantial savings is expected in paper usage and the same shall be tracked through remote monitoring software. The concept of duplex printing is enforced for savings in paper use and avoiding wastage. The Bank targets to reduce the paper usage by 10% in the ensuing financial year.



### Handheld Devices within the Consumer Finance Division

The Consumer Finance Division of the Bank has launched the use of state-of-the-art hand held terminals for our Loan collection mechanism in all the regions. The use of these devices has significantly reduced the amount of paper needed for the printing of receipts - the paper saved was equal to 83,54,202 sheets of A4 paper.



### E-statements and Online Transfers

E-statements are a free and paperless option, offered by IndusInd Bank, which reduce clutter and waste by allowing account holders to view their monthly statements online instead of receiving mailed paper statements. Importantly, by saving paper and reducing logistics, e-statements also save natural resources, protect our forests and water bodies and reduce GHG emissions from travel. IndusInd Bank has constantly worked with its staff and customers to encourage the uptake of e-statements.

Along with e-statements the Bank is promoting several other e-facilities amongst its customers; these include the option of making online transfers. In the FY 2012-13 the Bank successfully facilitated 23,59,586 on-line transactions cumulatively valued at ₹ 3,580 crores.

## Waste Management

Waste is one of the most pressing issues facing urban India today and at IndusInd Bank it is very important that we minimise our use of natural resources and reduce the volume of our waste stream. We make every effort to divert waste from landfills and into the recycling industry and are currently operating three reuse and recycle programs in our branches and offices.

### Recycling Paper-WOW Initiative

In the FY 2012-13 IndusInd Bank launched a new CSR program called "WOW" - A Waste Paper Collection drive in partnership with ITC-PSPD LTD. & Ramky Reclamation and Recycling Ltd (RRRL). The program is focused on reusing and recycling paper and is driven by Green Champions and other Bank employees who are made responsible for collecting all kinds of waste paper and recycling it at an ISO certified, PCB approved recycling plant. WOW has been carried out at several branches and offices across the country and as of 31 March, 2013 the Bank had successfully collected and recycled 1600 Kgs of waste paper.

### Refurbishing Toners & Cartridges

When disposed of to landfill toners and cartridges waste natural resources and contaminate soil and groundwater. Approximately 4 litres of oil is required to produce each new laser printer cartridge and 90 ml of oil is used to produce each inkjet cartridge. The average toner cartridge is composed of 40% plastic, 40% metal and smaller amounts of rubber, paper, foam and toner. At IndusInd Bank we have a policy to refurbish toners and cartridges for as many cycles as possible. This greatly reduces out printing costs and also reduces our environmental impact from waste disposal. During 2012-13, 3,978 refurbished or reengineered toners/cartridges were used.



### Managing E-waste

In accordance with the 'E-waste Managements and Handling Rules 2011', the Bank has assumed responsibility for the sustainable management and disposal of its e-waste and has efficaciously rolled out an e-waste program on a pan-India basis. In the FY 2012-13 we discarded 16,889 Kgs of e-waste through government certified e-waste recyclers like EcoReco and Aterro Recycling. The Bank also promotes e-waste recycling through its Green Champions program and through events like the CGMO Sustainability Week. We have received an official e-waste certificate for our efforts and are now also registered with the Green Enterprise community.

## Creating a Culture of Sustainability

Sustainability is increasingly becoming a part of the business landscape at IndusInd Bank. The Bank has started integrating sustainability into its business decision-making through concrete actions, such as the development of a corporate environmental policy and the implementation of Environment Management Systems. Yet, without the necessary buy-in from employees, many of these efforts cannot on their own guarantee success. Ultimately, employees are key drivers of sustainability. IndusInd Bank believes that an environmentally educated workforce can improve our business' profitability and help us retain employees, improve community relations and reach our sustainability goals. To this end we run several programs that focus on creating a culture of sustainability amongst our people and promoting awareness about environmental issues and solutions.

### *Hum aur Hariyali* & the Green Champions Program

IndusInd Bank launched its Green Champions Program as part of its *Hum aur Hariyali* Campaign in 2009. The program, run in partnership with CERES, started with 14 Green Champions at the corporate offices in Solitaire Park, IBL House and Business Square. Initial successes led the Bank to informally extend the scope of the program to other offices and branches across the country. At the beginning of 2012, the Bank began the process of officially launching the Green Champions Program on a national scale. An invitation for applications was sent out and the Bank received over 300 entries. This list was then shortlisted to 24 Green Champions who were selected from the four zones: North, East, South and West.



### The Green Champion Workshop

On 15 June, 2012, the Bank along with CERES organised a 2 day training workshop for the selected Green Champions (GCs) in Matheran, Maharashtra. During this workshop, the GCs were given a basic introduction to environmental issues and climate change followed by an introduction to the Bank's *Hum aur Hariyali* Campaign: a historical perspective of the various eco-initiatives carried out in the past and a roadmap for the future. A significant part of the workshop also focused on educating the GCs about their roles and responsibilities and developing a bank of ideas and activities that could be performed as part of the campaign.

The workshop was also organised in Matheran, situated in the Western Ghats - a biodiversity hotspot, to help GCs connect to nature and inspire them to become leaders in the area of corporate sustainability. Throughout the program employees were taken on nature walks with Adesh Shivkar of Nature India, a dedicated naturalist and expert guide. The group got the opportunity to learn about Matheran's incredible biodiversity and saw species like the Bamboo Pit Viper (endemic to this region) and Murray's Cobra Lily.



## Green Champions in Action

As part of the Green Champion Program, employees were involved in several environmental activities through the FY 2012-13. Each activity was documented and shared with employees across the Bank to instil best practices and inspire a culture of sustainability. Some of the activities carried out by the GCs are highlighted in the table below:

| Activity  | Number of Locations                     | Outcomes   |
|---|---|--|
| Kill Bill Campaign - an employee driven energy conservation campaign promoted through awareness generation and localised action.  | Spread across 6 States                  | More than 80,000 units have been saved amounting to approx. ₹ 11 lakhs |
| WOW - A paper conservation and waste paper collection drive. All paper collected is recycled through a certified recycling plant.   | 10 Branches                             | 1,644 Kgs of paper collected & recycled                                |
| Adopt-a-Planet (AAP) - This program is about the distribution of free saplings amongst both customers & employees. It aims to spread awareness about biodiversity and the importance of greening.   | Various branches & offices              | More than 1,200 saplings distributed                                   |
| Tree Plantation - An extension of AAP, the Tree Plantation program encourages IndusInd Bank branches to partner with local institutions (schools, colleges, hospitals etc) and housing colonies to plant trees in their locality.   | Laxmangarh, Boranada, Guwahati branches | Over 600 Trees Planted   |
| E-waste Collection Drive - As part of this drive, branches across India have collected electronic waste and arranged for registered vendors to collect and dispose of it an earth-friendly manner or donate it to an under-privileged or not-for-profit institutions. At several branches employees and customers were also encouraged to bring in their e-waste from home. | Over 61 Branches                        | 16,889 Kgs of E-waste collected & recycled                             |

With the success of the Green Champions initiative in the FY 2012-13, IndusInd Bank is planning to expand it in 2013-14 and develop it into a formalised program. As an added value the Green Champions will be evaluated based on their performance and their achievements will be linked to their annual performance review thus giving them an added bonus for their time and dedication and demonstrating IndusInd Bank's commitment to employee engagement and sustainability.

## Sustainability Week

In January 2013 the Corporate & Global Market Operations (CGMO) and the CSR teams partnered to conduct IndusInd Bank's 2<sup>nd</sup> Annual Sustainability Week at several Bank locations across the country. The Week was inaugurated by a ceremony at Solitaire Park in Andheri, Mumbai and was attended by several HoDs including Mr. Sandeep Sareen, Head - Corporate & Global Market Operations (CGMO), Mr. Rakesh Ranjan, Zonal Head - Operations, Mr. Sriram Jambhekar, Head - SPOPS, Mr. Hetal Divanji, Head - DP, Captain Jagmohan Mehta, Head - Facilities & Administration & Mr. Mihir Bhavsar, Head - Corporate Sustainability/ CSR. Several events were planned throughout the week and overall the event was a widespread success with active participation from employees.

Day 1

E-learning Program

The week started with a push for all CGMO employees to complete the Environmental E-learning program.

Electricity Saving Day

Day 2

Day 2 consisted of an Electricity Saving Day, with employees pledging to continue energy conservation initiatives at home and at work.

Paper Saving Day

Day 3

Day 3 focused on paper conservation and the connection of paper to forests. The CGMO team distributed over 400 desk plants to employees and made a commitment to reduce its paper consumption through awareness and innovation.

## Corporate & Global Market Operations (CGMO) Celebrates







On day 4 employees reiterated the importance of water conservation and looked for sources of water wastage in their offices. Each employee also received a steel water bottle to encourage employees to move away from packaged water which wastes both plastic and water.



On Day 5, the team celebrated Health Day with a homemade healthy food competition, light exercise during office hours & eye check-up camp.



The Week closed with an exciting and enlightening drawing competition. Employees' children were invited to participate and asked to draw images of the earth and its environment.

## 2nd Annual Sustainability Week in January 2013



## E-Learning as a Tool for Environmental Awareness

In 2011-12, IndusInd Bank commissioned CNK Management and CERE to develop an E-learning module on green banking and sustainability. The module was officially launched on World Environment Day 2012. The module was designed to help raise awareness among IndusInd Bank employees on the importance of environmental topics like climate change, environmental degradation and pollution and the conservation of precious resources, particularly within the scope of an urban office environment. Till March 2013, 2,768 employees have completed this mandatory program, covering 24% of the Bank's entire staff strength.



In addition to the e-learning module, the Bank has put considerable effort into developing a *Hum aur Hariyali* platform on our intranet. This micro-site will be updated regularly and will share information about environment days, eco-activities and handy tips on conservation with the entire staff of IndusInd Bank. The site will also show-case the activities of the Green Champions and will encourage other employees to instil some of these best practices and campaigns in their own work spaces. The *Hum aur Hariyali* microsite is due to be launched in the coming financial year.

## Carbon Emissions: Measuring, Monitoring & Reporting

IndusInd Bank considers climate change to be one of the central challenges of the 21<sup>st</sup> century. We recognise that unmitigated climate change poses several risks for businesses including those in the financial sector. These include financial risks (such as rising costs for energy), reputational risks (e.g. loss of trust among stakeholders and diminishing appeal as an employer), regulatory risks (such as mandatory reporting), and physical risks (damages due to natural disasters). By increasing energy and resource efficiency, we hope to counteract these risks early on and play a role in reducing the impacts of global warming. At the same time having a focus on environmental protection and climate change mitigation can open up new opportunities for the Bank, such as investment in 'Green IT' and the implementation of in-situ solar energy.

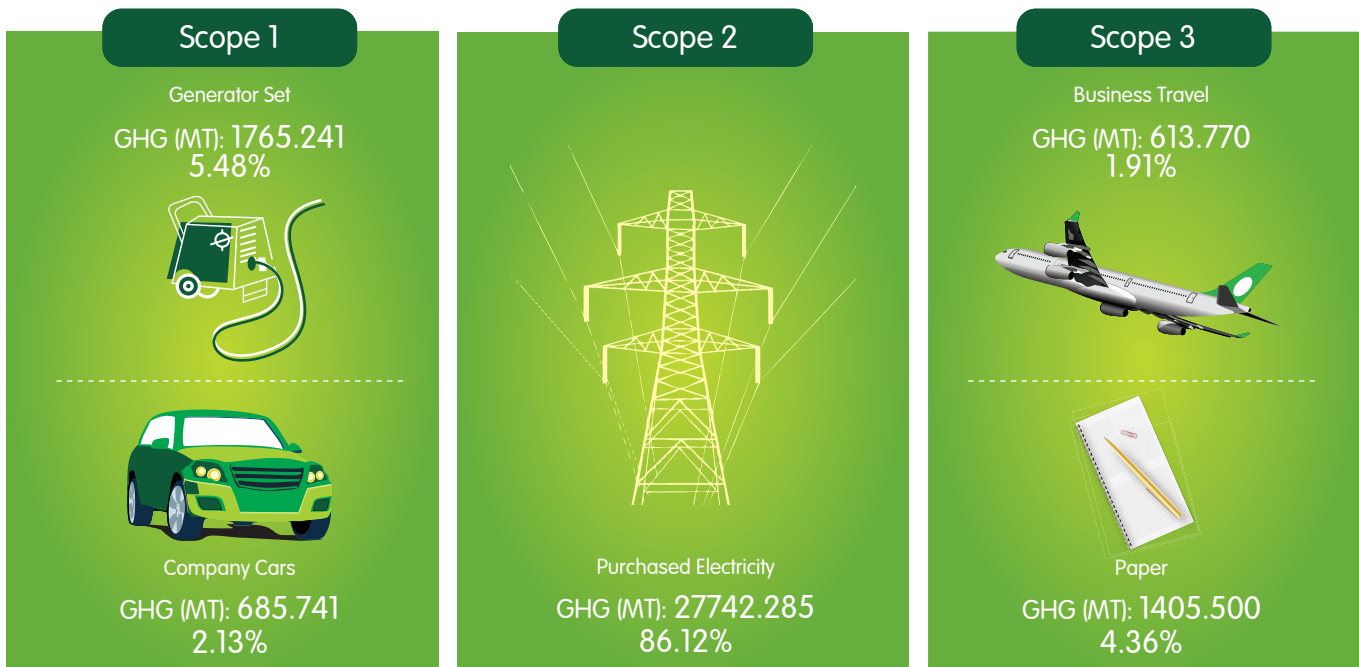
A central pillar of our *Hum aur Hariyali* Campaign is the assessment of the Bank's performance against relevant environmental indicators (electricity consumption, fuel consumption, business travel, paper consumption) and the regular compilation of a corporate carbon footprint. The aim of IndusInd Bank's environmental and climate protection efforts is to reduce emissions of greenhouse gases (GHG) and to minimize the overall environmental impact of our business activity.

### Inventory Scope & Boundary

In 2012-13 IndusInd Bank, in partnership with the Centre for Environmental Research & Education (CERE), analysed its carbon footprint for the third time. Our emissions inventory has been developed in accordance with the guidelines and principles set out in the 'Greenhouse Gas Protocol Corporate Accounting and Reporting Standard' as published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

The Bank's carbon footprint describes the greenhouse gas emissions ascribed to its business activities and operations across its offices and branches and this year also includes the Consumer Finance Division which was not considered in previous accounts of our inventory. Scope 1, Scope 2 and Scope 3 sources of emissions were identified and accounted for as per GHG protocol guidelines and the carbon footprint is reported in metric tonnes of CO<sub>2</sub> equivalents (MT of CO<sub>2</sub>e).

## IndusInd Bank GHG Emissions by Scope & Activity



In 2012-13, IndusInd Bank’s total GHG emissions amounted to around 32,213 metric tonnes of CO<sub>2</sub>e - an increase of 49%<sup>1</sup>. Per capita emissions stood at 2.62 Kgs of CO<sub>2</sub>e (based on Scope 1 & 2 emissions only) and will form the benchmark for the Bank’s GHG emissions reduction target - 2.27 Kgs of CO<sub>2</sub>e per employee by 2020. The greatest share of greenhouse gas emissions, roughly 86%, was emitted by the use of electricity in our offices and branches. The company’s total annual electricity use for 2012-13 was estimated at 29,874 MWh, at a cost of ₹ 26,12,45,380 (Approximately ₹ 26 crores). The Bank also measured Scope 1 emissions of 2,451 MT of CO<sub>2</sub>e (7.6% of the total emissions). These arose from the use of company owned vehicles and the operation of diesel generators.

The Bank has also invested in collecting data and measuring its Scope 3 activities, specifically tracking emissions associated with business travel and from the use of paper. Business travel by rail and by air is responsible for 613.77 MT of CO<sub>2</sub>e, an 8.85% reduction from last year. Emissions from paper use were calculated as 1,405.5 MT of CO<sub>2</sub>e. Considering the extensive environmental impact of paper consumption the Bank is making several efforts to monitor and reduce its paper use.

### Reporting

IndusInd Bank believes that transparency is an integral part of sustainability and has reported on its CSR activities and GHG emissions through several channels. The Bank has published details about its CSR programs in its Annual and Sustainability Reports and is also a signatory to the Carbon Disclosure Project (CDP).

### Sustainability Reporting

With this report, IndusInd Bank will have published its third Annual Sustainability Report. We continue to make efforts to improve the scope and integrity of our Sustainability Report and ensure that we meet the guidelines and criteria laid out in both the NVG and GRI G3 principles.

### CDP Reporting

As a signatory we have been publishing our carbon footprint data voluntarily and have also committed to reducing our per capita carbon emissions. This is IndusInd Bank’s fourth year as a CDP signatory and this is the second year we have made our results available to the public domain.

<sup>1</sup>While the Bank’s carbon footprint has grown considerably, this increase is representative of an expansion in the Bank’s activities and the scope and boundary of the report. Within the past financial year the Bank has grown by 100 branches. Additionally, the inventory boundary has grown to include the activities and operations of Consumer Finance Division and indirect emissions associated with all centralised paper consumption.

## The Road Ahead

With growing awareness among investors, consumers, employees and local communities on the social and environmental risks posed by excessive use of natural resources, unabated pollution and climate change. IndusInd Bank is gearing up to scale up the execution of its sustainability principles within the scope of its operations. In the FY 2012-13, the Bank consolidated its *Hum aur Hariyali* program by initiating green thinking and green actions across the country, from corporate boardrooms to remote branches. We also focused on strengthening our rural banking program, increasing the proliferation of branches outside urban areas and bolstering our Microfinance schemes. In the next financial year, expect more of the same, as the Bank explores options to expand its *Hum aur Hariyali* program and makes a concerted effort to integrate sustainability into its core business practices.

The FY 2013-14 will see IndusInd Bank exploring and investing in some of the programs outlined below:

### Projects

#### Developing a CSR Policy

In 2012-13 the Bank put together its first ever environmental policy, focusing on areas ranging from energy conservation and efficiency to waste and water management. In the coming year, we hope to integrate this environmental policy into a comprehensive all-inclusive CSR policy that will clearly lay out the principles and targets of IndusInd Bank's corporate CSR agenda. This policy will determine IndusInd Bank's sustainability roadmap by focusing on areas as diverse as ethics, transparency and accountability and human rights and employee welfare.

#### Solar Solutions

Solar is one of the fastest growing energy sources in the world, offering an unlimited supply of clean, safe and renewable assets for heat and power. With rapidly declining costs and shortening pay back periods, it is an attractive alternative to diesel generators and fluctuating energy availability. This year IndusInd Bank successfully connected 100 of our ATMs to on-site solar energy sources and we are now eager to expand our solar energy capacity. In 2013-14 we are hoping to install rooftop photovoltaic cells at our office, in G. N. Chetty, Chennai as well as at Karapakkam - our archive facility.

#### Green Branches

Green buildings are fast becoming a part of the urban landscape in India and IndusInd Bank is keen to explore the idea of creating a 'green branch' as a proof of concept in 2013-14. The branch will use the principles of sustainable design and will incorporate features such as energy efficiency, passive lighting and cooling, the use of local materials and the installation of on-site renewable energy.

#### Integrating Sustainability into Performance Assessment

As part of our on-going efforts to make sustainability an integral part of our business strategy, IndusInd Bank is the process of developing Key Response Areas (KRAs) for both our Green Champion (GCs) volunteers and the Sustainability Committee of the Bank. In 2013-14, the Green Champions program particularly will be accorded a 10% weightage in terms of KRA points and individual GCs will be evaluated based on their performance and the execution of green programs in their regions.

#### Improving the Employee Donation Scheme

A major goal for the Bank in 2013-14 will be the improvement of its employee donation scheme. Currently employees have limited options in terms of the method of donation and the recipients of the program. However, in the coming year the Sustainability Department is hoping to update the donation scheme by putting it on to the *Hum aur Hariyali* intranet site and thus making it more flexible and accessible and expanding the number of organisations that benefit from it so that employees can choose whom they would like to direct their contributions towards.

#### Protecting India's Forests

In the past few years IndusInd Bank has promoted India's National parks by donating utility vehicles to the Melghat Tiger Reserve through the Satpuda Foundation. In 2013-14, addressing central issues of local communities living close to

Tiger Reserves will be a key focus. Our aim is to reduce local dependency on forests and simultaneously improve the plant density to sustain the food web in the forest.

These are just a few of the enterprises IndusInd Bank has planned for the year 2013-14. As we look forward to a profitable, equitable and sustainable future we hope to continue to incorporate initiatives that not only help our financial growth but also meet our social and environmental obligations.

### Sustainability Targets for 2013-14

- Reduce per capita energy consumption by 2%
- Reduce per capita paper consumption by 3%
- Reduce air travel by 5%
- Reducing our per capita GHG emissions (Scope 1 & 2 only) by 2%



## Appendix

| NVG Principle/<br>Core Elements | Statement  | Page<br>No.  | GRI Guidance<br>Complied by |
|---------------------------------|--|--|-----------------------------|
| Principle 1                     | Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.  |  | SO2-SO4                     |
| Core<br>Elements                | <ol style="list-style-type: none"> <li>Businesses should develop governance structures, procedures and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain.</li> <li>Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders.</li> <li>Businesses should not engage in practices that are abusive, corrupt, or anti-competition.</li> <li>Businesses should truthfully discharge their responsibility on financial and other mandatory disclosures.</li> <li>Businesses should report on the status of their adoption of these Guidelines as suggested in the reporting framework in this document.</li> <li>Businesses should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines.</li> </ol>  | <p>14-22</p> <p>13, 14,<br/>19,<br/>51-54</p> <p>-</p> <p>13, 15,<br/>75</p> <p>13</p> <p>51</p> |                             |
| Principle 2                     | Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.   |  | PR1-PR9                     |
| Core<br>Elements                | <ol style="list-style-type: none"> <li>Businesses should assure safety and optimal resource use over the life-cycle of the product - from design to disposal - and ensure that everyone connected with it- designers, producers, value chain members, customers and recyclers are aware of their responsibilities.</li> <li>Businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and helpful marketing communication, full details of contents and composition and promotion of safe usage and disposal of their products and services.</li> <li>In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.</li> <li>Businesses should regularly review and improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations.</li> </ol> | <p>69</p> <p>54</p> <p>38</p> <p>30-38,<br/>48,<br/>62-69,<br/>74</p>                            |                             |

| NVG Principle/<br>Core Elements | Statement  | Page<br>No. | GRI Guidance<br>Complied by |
|---------------------------------|--|-------------|-----------------------------|
| Core<br>Elements                | 5. Businesses should recognize and respect the rights of people who may be owners of traditional knowledge, and other forms of intellectual property.  | -           |                             |
|                                 | 6. Businesses should recognize that over-consumption results in unsustainable exploitation of our planet's resources, and should therefore promote sustainable consumption, including recycling of resources.  | 67-69       |                             |
| Principle 3                     | Businesses should promote the wellbeing of all employees.  |             | LA1-LA15                    |
| Core<br>Elements                | 1. Businesses should respect the right to freedom of association, participation, collective bargaining, and provide access to appropriate grievance redressal mechanisms.  | 53-54       |                             |
|                                 | 2. Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability or sexual orientation.  | 51-52       |                             |
|                                 | 3. Businesses should not use child labour, forced labour or any form of involuntary labour, paid or unpaid.  | 51          |                             |
|                                 | 4. Businesses should take cognizance of the work-life balance of its employees, especially that of women.  | 41-42       |                             |
|                                 | 5. Businesses should provide facilities for the wellbeing of its employees including those with special needs. They should ensure timely payment of fair living wages to meet basic needs and economic security of the employees.  | 43-45       |                             |
|                                 | 6. Businesses should provide a workplace environment that is safe, hygienic humane, and which upholds the dignity of the employees. Business should communicate this provision to their employees and train them on a regular basis.   | 45          |                             |
|                                 | 7. Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions. | 46-48       |                             |
|                                 | 8. Businesses should create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.  | 52-54       |                             |

| NVG Principle/<br>Core Elements | Statement   | Page<br>No.  | GRI Guidance<br>Complied by |
|---------------------------------|---|--|-----------------------------|
| Principle 4                     | Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.  |  | SO1,SO4,<br>SO7-SO10        |
| Core<br>Elements                | <ol style="list-style-type: none"> <li>1. Businesses should systematically identify their stakeholders, understand their concerns, define purpose and scope of engagement, and commit to engaging with them</li> <li>2. Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product &amp; services and associated operations on the stakeholders</li> <li>3. Businesses should give special attention to stakeholders in areas that are underdeveloped.</li> <li>4. Businesses should resolve differences with stakeholders in a just, fair and equitable manner</li> </ol>  | <p>18, 25,<br/>26-28,<br/>32-35,<br/>49-51,<br/>54-57</p> <p>-</p> <p>32-35</p> <p>18, 26,<br/>52-54</p> |                             |
| Principle 5                     | Businesses should respect and promote human rights.   |  | Hr1-HR11                    |
| Core<br>Elements                | <ol style="list-style-type: none"> <li>1. Businesses should understand the human rights content of the Constitution of India, national laws and policies and the content of International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible and interdependent in nature</li> <li>2. Businesses should integrate respect for human rights in management systems, in particular through assessing and managing human rights impacts of operations, and ensuring all individuals impacted by the business have access to grievance mechanisms.</li> <li>3. Businesses should recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalized groups.</li> <li>4. Businesses should, within their sphere of influence, promote the awareness and realization of human rights across their value chain.</li> <li>5. Businesses should not be complicit with human rights abuses by a third party.</li> </ol> | <p>51</p> <p>52-54</p> <p>51</p> <p>52</p> <p>51</p>   |                             |



| NVG Principle/<br>Core Elements | Statement  | Page<br>No.   | GRI Guidance<br>Complied by |
|---------------------------------|--|---|-----------------------------|
| Principle 6                     | Business should respect, protect, and make efforts to restore the environment  |   | EN1-EN30                    |
| Core<br>Elements                | <ol style="list-style-type: none"> <li>1. Businesses should utilize natural and manmade resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste.</li> <li>2. Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest.</li> <li>3. Businesses should ensure that benefits arising out of access and commercialization of biological and other natural resources and associated traditional knowledge are shared equitably.</li> <li>4. Businesses should continuously seek to improve their environmental performance by adopting cleaner production methods, promoting use of energy efficient and environment friendly technologies and use of renewable energy.</li> <li>5. Businesses should develop Environment Management Systems (EMS) and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain.</li> <li>6. Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to the stakeholders in a fair and transparent manner.</li> <li>7. Businesses should proactively persuade and support its value chain to adopt this principle.</li> </ol> | <p>62-69</p> <p>61, 64, 66, 69, 74-75</p> <p>-</p> <p>62-69</p> <p>-</p> <p>74-75</p> <p>51</p> |                             |
| Principle 7                     | Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.  |   | SO5-SO6                     |
|                                 | <ol style="list-style-type: none"> <li>1. Businesses, while pursuing policy advocacy, must ensure that their advocacy positions are consistent with the Principles and Core Elements contained in these Guidelines.</li> <li>2. To the extent possible, businesses should utilize the trade and industry chambers and associations and other such collective platforms to undertake such policy advocacy.</li> </ol>   | <p>-</p> <p>25</p>  |                             |

| NVG Principle/<br>Core Elements | Statement  | Page<br>No.   | GRI Guidance<br>Complied by |
|---------------------------------|--|---|-----------------------------|
| Principle 8                     | Businesses should support inclusive growth and equitable development   |   | EC1-EC9                     |
| Core Elements                   | <ol style="list-style-type: none"> <li>1. Businesses should understand their impact on social and economic development, and respond through appropriate action to minimise the negative impacts.</li> <li>2. Businesses should innovate and invest in products, technologies and processes that promote the well-being of society.</li> <li>3. Businesses should make efforts to complement and support the development priorities at local and national levels, and assure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.</li> <li>4. Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns.</li> </ol>  | <p>-</p> <p>29-31,<br/>33-35,<br/>38</p> <p>-</p> <p>32-36</p>                |                             |
| Principle 9                     | Businesses should engage with and provide value to their customers and consumers in a responsible manner.  |   | SO1, SO4,<br>SO7-SO10       |
| Core Elements                   | <ol style="list-style-type: none"> <li>1. Businesses, while serving the needs of their customers, should take into account the overall well-being of the customers and that of society.</li> <li>2. Businesses should ensure that they do not restrict the freedom of choice and free competition in any manner while designing, promoting and selling their products.</li> <li>3. Businesses should disclose all information truthfully and factually, through labelling and other means, including the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services.</li> <li>4. Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.</li> <li>5. Businesses should exercise due care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption.</li> <li>6. Businesses should provide adequate grievance handling mechanisms to address customer concerns and feedback.</li> </ol> | <p>26-28<br/>54-57</p> <p>-</p> <p>54, 69</p> <p>-</p> <p>-</p> <p>26, 27</p> |                             |



This Report has been prepared by:



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