

SMALL STEPS BIG IMPACT



Integrated Report 2018-19



Key Highlights (FY 2018-19)

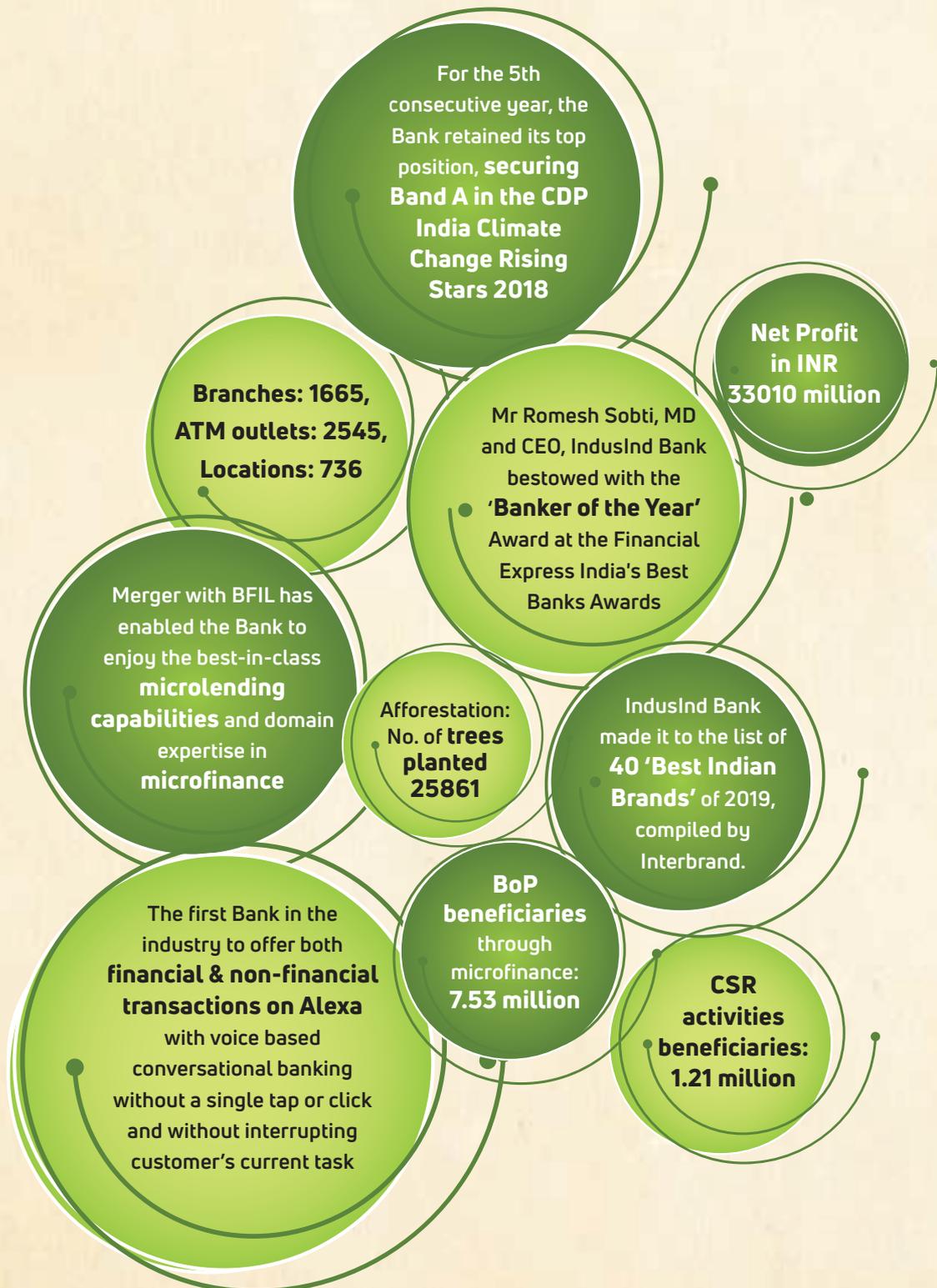




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Message from the Managing Director

Dear Friends,

We are happy to present our third Integrated Report which incorporates disclosures on our activities to mainstream sustainability. This report follows in the footsteps of our previous two Integrated Reports in FY 2016–17 and FY 2017–18.

As the Bank crosses the 25-year mark in 2019, there is satisfaction about what we have achieved, but the anticipation and promise of what lies ahead, really excites us.

Talking about the third year of Planning Cycle 4, I am happy to report that the Bank has been successful in its endeavours to reach out to a wider client base, with an expanded, customizable suite of products and services for our customers, while maintaining business growth. Our financial performance has remained robust, registering strong growth across all parameters.

IndusInd Bank continues to consistently deliver robust value to all its stakeholders while mainstreaming sustainability into its business practices. It is committed to targets on environmental, social and governance (ESG) aspects and continues to improve its sustainability performance to surpass these targets.

IndusInd Bank recognizes and addresses environmental issues such as climate change and global warming and is determined to reduce its carbon footprint. It is worthwhile to note that the Bank currently features in the 'A' list of CDP, a climate change reporting platform that is widely referred to by global investors. The Bank is also a front runner in reducing emissions, investing in on-site solar energy solutions and promoting the use of LEED-Certified green buildings for office space. The Bank has been consciously investing in energy conservation and carbon reduction

initiatives as a responsible corporate. Our business and social impact initiatives are geared towards meeting various targets outlined in the United Nations Sustainable Development Goals, and currently we are contributing to 12 goals through our core business and social impact initiatives.

The strategic decision to merge Bharat Financial Inclusion Ltd (BFIL), the country's largest microfinance institution, with IndusInd Bank was driven by the need to create a stronger and more sustainable platform for financial inclusion, especially in rural India. The merger has enabled the Bank to acquire best-in-class microlending capabilities and domain expertise in microfinance. With over 4,364 banking points after the merger, the Bank is in a position to serve more than 22.2 million customers. The final approval for the merger was received in June 2019, and the Bank has announced its first-quarter results of FY 2020 as a merged entity. IndusInd Bank was Runner up in the category 'Best Financial Inclusion Initiatives,' at the IBA Banking Technology Awards 2018. We were recognized for our work in developing and pioneering a collaborative approach that is capable of reaching out to the financially excluded segments of the population.

At IndusInd Bank, we have committed to improve and increase access to individuals in semi-urban and rural India who are yet to experience the benefits of a structured financial system through digital banking and mobile apps. Towards this, we have begun to introduce the benefits of finance and technology to the poor and hitherto-unbanked masses – leading to financial inclusion and sustainable livelihood creation.

As digital innovation is at the heart of everything we do, the Bank has continued to follow the mantra of 'Responsive Innovation' through which we enhance customer satisfaction, delight and retention. During FY 2018–19, the Bank pioneered several innovations in the banking sector with service and product offerings that created disruptions within the banking space. The Bank conceptualized these products by understanding the needs of the customer by analysing their lifestyle through primary and secondary research.

We launched multiple products, including the 'DUO' Card, India's first debit-cum-credit card; the 'Nexxt' credit card, India's first interactive card with LED buttons; 'IndusAssist', an Alexa-backed artificial intelligence-based banking service; and banking on WhatsApp, a new service leveraging the WhatsApp platform.

The Bank has placed renewed thrust on increasing employee engagement along the lines of 'Customer First' and has undertaken various initiatives to create a customer-centric mindset. These initiatives include 'Roadshows' by the senior management, 'Customer First' training programs across the Bank for more than 16,000 employees, leader messages, the 'Customer First' newsletter, and revamped 'Rewards & Recognition' workshops, to name a few. The objective of this Bank-wide customer experience transformation is to place 'Customer First' in our working ideology by focusing on constant improvements in net promoter scores,

increasing the share of wallet penetration and reducing customer dormancy and attrition.

That's not all; we have also implemented a host of strategic and tactical tie-ups and partnerships to enhance value propositions for our customers. These partnerships are spread across an array of categories; including travel, lifestyle, food and beverages, and health and wellness, among others.

The Bank is committed to running its business in a way that generates sustainable value for its customers, clients, shareholders and employees. The Bank also recognizes that since its sphere of activity and influence extends beyond the boundaries of the financial system, it needs to work through various CSR initiatives for social upliftment and environmental conservation. The Bank has identified water stewardship as a high-priority area under the theme of environmental conservation. Our efforts include watershed management, rainwater harvesting, lake rejuvenation, and drain restoration amongst other activities. We promote renewable energy use and energy conservation through our initiatives like Schools on Solar and solar street lights. Our IndusInd for Sports initiative propagates the value of sports within the institution as well as supports talent outside the organization for excellence in sports through support for Blind cricket, Para-champions and our Girl Power program.

It is gratifying to see that our hard work throughout the year was acknowledged and rewarded through numerous accolades. We were honoured with the 'Dream Employer of the Year' award at the 8th Edition of the 'ET Now Dream Companies to Work For' Awards organized by the World HRD Congress, 'Best Digital Payment Facilitator' at the Global Digital Marketing Awards by the World Digital Marketing Congress and 'Asia's Leading Partner Bank' at the IDC FIIA 2019 Financial Insights Innovation Awards. The Bank also made it to the list of 40 'Best Indian Brands' of 2019 compiled by Interbrand, the world's leading brand consultancy and an Omnicom subsidiary. This is the second time since 2017 that the Bank has been featured in the coveted list.

I would like to thank all our internal and external stakeholders for their constant support. My sincere appreciation to my colleagues and members of the Board for guiding and supporting the management team in its value creation journey.

Yours Sincerely,

Romesh Sobti

Managing Director & CEO

Report at a Glance





'Good Ecology Is Good Economics'

Driven by its mission to create value for its stakeholders, IndusInd Bank is committed to grow consistently and responsibly, benefitting both internal and external stakeholders, including the natural environment and the community at large.

The company began to communicate its performance on both financial and non-financial growth parameters in FY 10–11 through its first sustainability report. During the years, with the changing business landscapes, the emergence of new issues such as global warming, climate change, financial inclusion, regulatory reforms, etc. have taken centre stage. The company has reviewed its business strategy periodically to create sustainable economic growth and incorporated integrated thinking within its business practices that focuses on the creation of value over short, medium and long terms.

This report communicates our organization's strategy, governance, performance and prospects in the context of our external environment along with our value creation framework. It has been prepared in accordance with the International Integrated Reporting Council (IIRC) Framework and GRI Standards using the 'core option.' It presents information about pan-India operations of the Bank across various business verticals, and no aspect of the bank's financial reporting entity has been excluded from this report. It covers the period 1 April 2018 to 31 March 2019. IndusInd Bank produces this report annually in alignment with its annual reporting cycle to the extent possible.

IndusInd Bank follows a specific procedure of assigning the job of preparing this report to external parties for achieving external assurance of the Integrated Report. The company invites proposals from authorized external agencies which are then evaluated against technical and commercial criteria. The party thus selected is assigned the job. The entire process is carried out under the guidance of the top management.

The Integrated Report FY 2018–19 has been externally assured by KPMG, an independent third party that has no financial interest in the operations of IndusInd Bank other than for the assessment and assurance of this report. The assurance statement thus issued is part of the annexures in the report.

This report is divided into three sections:

Value creation framework: This section details the strategic architecture of the Bank by way of our business model, positive impact businesses, sustainability and governance profile, stakeholder engagement, materiality and risk management. It also describes the external environment within which the Bank operates and gives an overview of our strategy.

Value creation using capitals: This section highlights the progress and performance under different capitals and their interconnectedness.

Annexures: This section contains the company policies and guidelines, GRI content index along with index of figures and assurance statement.

Value Creation Framework

IndusInd Bank commenced its operations in 1994 as one of India's new-generation private banks, catering to the needs of both corporate and retail customers. Since then, it has stayed true to its spirit of innovation, following sound business and trade practices. The Bank started with a capital amount of **INR 1.0 billion** and today has a **total revenue of INR 144.9 billion**.



Value Creation Framework

INPUTS

MISSION: We will consistently add value to all our stakeholders and emerge as the 'best-in-class' in the chosen parameters amongst the comity of banks, by doubling our profits, clients and branches within the next three years.

Human Capital

- No. of employees: 27,739
- No. of training programs: 2300
- Expenditure of training programs: INR 102.4 mn
- Man Hours of training/ employee: 46.53

Infrastructure & Intellectual Capital

- No. of ATMs: 2545
- No. of Branches: 1665
- No. of Locations: 736
- Digital Infrastructure including payment gateways, Mobile Apps

Natural Capital

- Electricity Consumption: 266677 GJ
- Fuel Consumption: 40763 GJ

Social & Relationship Capital

- CSR expenditure: INR 554.6 mn
- Customer Base: 22.2 mn

Financial Capital

- Market Capitalisation: INR 906140 mn
- Total assets: INR 2778190 mn
- Capital Adequacy ratio: 14.16%

Creating value for our Stakeholders

Employees

Strategy

Triennial Planning Cycle 4 (FY2017-20)
Market Share with Profitability
Digitize to Differentiate, Diversify & Create Domain Leadership

Broad Strategy Themes
Financing Livelihoods, Finding customers from Within, Reengineering Our Businesses, Sustainable Banking



Investors

NGOs

External

Global Financial Crisis

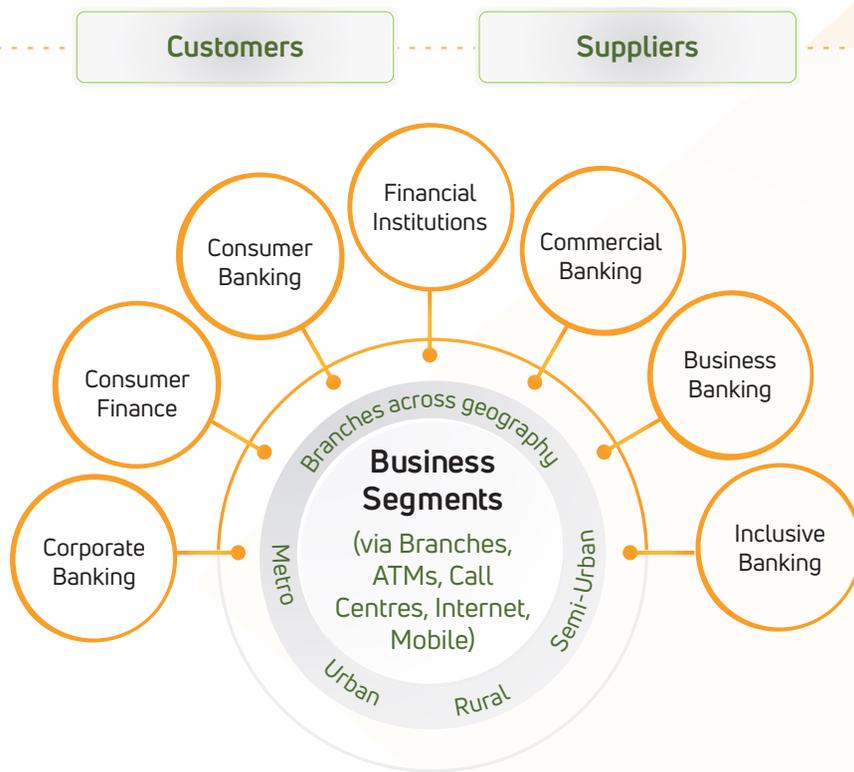
Economic Conditions

Inflation

IndusInd Bank's business model leverages its unique value drivers to provide high quality products and services and create value for all of all its stakeholders in a responsible and sustainable way. Our strategy is clear and simple. It defines the businesses that we will do and use our resources to build competitive advantages. Our well-structured governance framework is in place to ensure effective execution and efficient risk assessment and management.

→ **OUTPUTS** → **OUTCOMES**

VISION: IndusInd Bank (We) will be: A relevant business and banking partner to our clients; Customer responsive, striving at all times to collaborate with clients in providing solutions to their banking needs; A forerunner in the market place in terms of profitability, productivity and efficiency; Engaged with all our stakeholders and will deliver sustainable and compliant returns.



Risk Assessment & Management
Credit Risk, Capital Risk, Market Risk, Operational & Legal Risk, Regulatory & Compliance Risk, Liquidity Risk, Interest Rate Risk

Regulators

Environment

Domestic Regulatory Policies
Currency Fluctuation Global Geopolitics

Human Capital

- Attrition rate: 20.6 %
- Women participation in workforce: 18.26%
- Differently abled employees: 18

Infrastructure & Intellectual Capital

- Tablet - enabled convenience stores
- LEED Gold and Platinum - rated corporate offices
- Launched IndusMobile App, simplified online platform

Natural Capital

- GHG Emissions (Scope 1+2): 66207 MTCO₂
- GHG Emission Savings: 9953 MTCO₂
- Green & Impact lending portfolio: 3 %
- GHG Mitigation through Afforestation: 6410 MTCO₂

Social & Relationship Capital

- CSR activities beneficiaries: 1.21 mn
- Customer Satisfaction score: 73%
- BoP beneficiaries through Microfinance: 7.53 mn

Financial Capital

- Net profit: INR 33010 mn
- Net Interest Income: INR 88460 mn
- Book value per share: INR 437.38
- Return on Assets: 1.89%

IndusInd Bank offers a range of services, including corporate banking, retail banking, foreign exchange, investment banking, capital markets and microfinance. For details on the Bank's products and services, please refer to the Annual Report FY 2018-19, page no. 23-37. Our digital technology platform supports multichannel delivery. Our mission is to be a 'Best-in-Class' bank and to deliver value in a sustainable fashion to all stakeholders by doubling our profits, clients and branches every three years. We endeavour to be the primary business and banking partner to our clients while being a front runner in the market in terms of profitability, productivity and efficiency. We aim to achieve this by continuing to propagate our core values of

transparency and accountability, productive and sustainable growth, and excellence in service for customers and communities.

The Bank is committed to deliver banking services and products on a par with the highest standards of quality in the industry. IndusInd Bank's focused proposition is its portfolio of products and services towards rural development, financial inclusion, impact investing, green lending and livelihood generation through microfinance.

In FY 2018-19, we have opened 200 new branches with 65 banking outlets and 345 ATMs. We are headquartered in Mumbai and have our presence across.

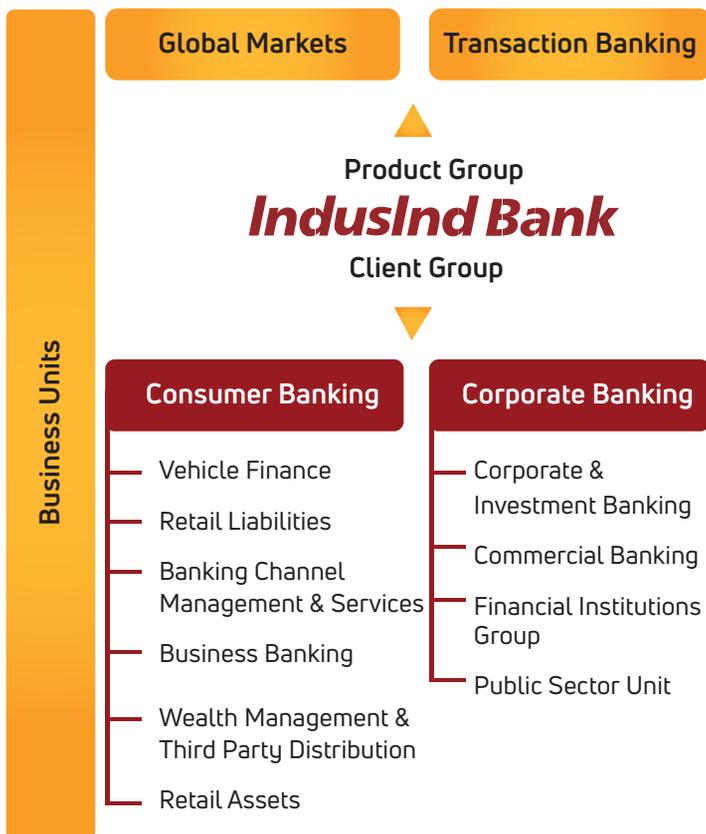


Figure 1: IndusInd Bank's Product Groups & Client Groups

We have representative offices in London, Dubai and Abu Dhabi and a strategic alliance in Doha. We enjoy clearing both major stock exchanges – BSE and NSE – and major commodity exchanges in the country, including MCX, NCDEX, and NMCE.

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Branch Network	801	1200	1400	1665
ATMs	1487	2036	2203	2545

Figure 2: Distribution Network

In the reporting year, there were no restatements of information provided in the Integrated Report. There were no significant changes to the organization and its supply chain in the reporting year. However, the following changes occurred with respect to the scope and boundary of the report.

1. Addition of new branches and ATMs as mentioned above

2. Increase in the scope of reporting Scope 3 GHG emissions sources

- Inclusion of data on transactional ATMs
- Inclusion of data on data centres
- Inclusion of data on hotel stays.

As a financial services provider, we offer corporate and retail banking solutions that have an important role to play in addressing challenges in order to facilitate the transition to a sustainable economy. By leveraging expertise, we offer financial instruments that have a positive socio-environmental impact such as climate-friendly financing solutions and affordable healthcare, education and housing credit lines. Our corporate governance systems include checks and balances that ensure that the Board of

Directors has proper control and oversight to help generate long-term financial returns and create positive societal impact. Our Bank takes into consideration the associated risks and identifies the business opportunities linked to environmental, social and governance (ESG) factors.

We have set specific targets along with long-term sustainability commitments to adopt a systematic approach towards addressing ESG-linked global challenges. We have identified our material priorities and their links to business and developed the metrics for value creation over time. Our coherent stakeholder engagement processes have led to the development of new revenue streams, advancing future risks and building trust among stakeholders.

- Our latest integrated reports can be accessed online at

<https://www.indusind.com/content/csr-home/sustainability-report.html>

- We have also hosted the Bank's Business Responsibility Report for FY 2018–19 on our website at

<https://www.indusind.com/content/home/investor/reports-and-presentation/annual-reports.html>

- For questions regarding the report, contact: **sustainability@indusind.com**





Banking for a Sustainable Livelihood

Financial Inclusion

IndusInd Bank believes that financial inclusion is not simply about access; it is about encouraging repeated usage of financial access. Our objective of financial inclusion is building an ecosystem of financial services to address the issues of income generation and overall savings and to improve the standard of living. Our approach is to convert the need into a potential demand for financial services through capacity building and financial literacy.

Financial inclusion is one of the most important components of India's economic growth story. The changing ecosystem with an enabling regulatory framework and the rise of innovations in the space of financial inclusion is significantly changing its landscape at an astronomical pace. With 1.22 billion Aadhaar enrolments, 536 million Basic Savings Bank Deposit (BSBD) accounts and 374 million smart phone users, the seemingly gigantic task for a country of this order is becoming simpler to achieve, with collaboration among stakeholders being the key.

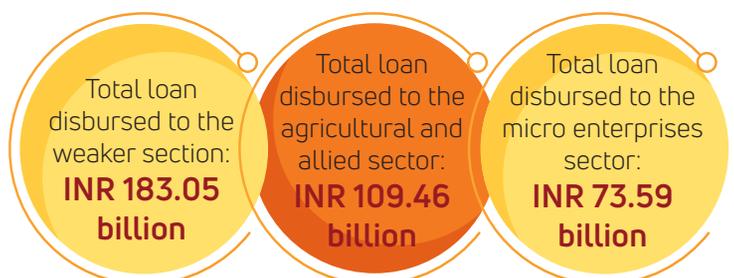
IndusInd Bank has identified rural banking and microfinance as a strategic priority under its Planning Cycle 4. It is the foundation for a strong economy. Further, to realize the benefits of its investments, IndusInd Bank focuses on investing in projects that create long-term values for stakeholders in terms of sustainable livelihood, asset generation through vehicle and non-vehicle

loans, etc. The bank has a dedicated Impact Investing Group.

Foraying into rural markets will go a long way in determining the success and growth of every organization. Keeping this in view, the Bank has extended the opportunities of sustainable livelihood among underprivileged and economically disadvantaged groups, thereby encouraging rural development in a significant way. The Bank believes in bridging the gap between urban and rural India by bringing the unbanked and underbanked a step closer to mainstream banking.

The strategic decision to merge Bharat Financial Inclusion Limited (BFIL) with IndusInd Bank was driven by the need to create a stronger and more sustainable platform for financial inclusion. The merger has enabled the Bank to enjoy best-in-class microlending capabilities and domain expertise in microfinance. With over 4,364 banking points after the merger, the Bank will be able to serve more than 22.2 million customers.

Highlights





The Bank's rural banking & microfinance customers



**All data is as on 31st March, 2019*

Rural Banking

Village economy is the backbone of Indian economy, and it has vast potential for driving growth. Without the development of the rural economy, the objective of economic planning cannot be achieved. With this consideration, IndusInd Bank plays a vital role in the development of the rural economy in India. Our rural banking model promotes inclusivity by creating and developing opportunities for sustainable livelihood among underprivileged and economically disadvantaged groups.

IndusInd Bank's rural banking vertical caters to the 'bottom of the pyramid' (BoP) segment through various product and service offerings such as microloans, vehicle loans, savings accounts and asset securitization to rural customers, while also engaging in term-lending to microfinance institutions. The Bank has an extensive network of 271 rural branches and a country-wide presence enabled through business correspondents and microfinance institutions (MFI). In FY 2018-19, we added 75 rural branches [including 65 business correspondent (BC) banking outlets] and 44 semi-urban branches.

The consumer bank provides Kissan Credit Card (KCC) loans to farmers through branches. In addition

to lending to farmers, the bank has organized more than 50 farmers meeting or campaigns to promote financial awareness. In FY 2018-19, we have an outstanding credit portfolio of INR 14.5 billion across 8000 clients and made a disbursement of INR 5.5 billion.

Banking Outlets

To further bring banks closer to rural customers, IndusInd Bank has implemented an innovative solution. Banking outlets are a beneficial operating model for the Bank; by increasing the convenience and ease of banking for rural customers in previously underbanked areas, the Bank has created an engaged customer base with a high retention rate.

Banking outlets are essentially local village entrepreneurs with a kirana store, enrolled as a subagent of a business correspondent, acting as both merchants and service points for the Bank. They are provided with the required infrastructure (biometric dongle, tablet) to facilitate ease of banking in financial and non-financial transactions of rural customers using their saving bank accounts. Transactions are routed through the Bank's Aadhaar-enabled Payment System (AePS). Banking outlets are available within a close proximity of 500 meters and are virtually available 24x7, giving the customers the

required flexibility and convenience to walk in anytime at convenience. We also introduced a specifically designed micro-recurring deposit (micro-RD) and voluntary savings bank (SB) account facility to customers to enable effective use of their account.

The biggest beneficiaries of this model are women in remote villages whose single point for payment of utility bills, withdrawals, loan repayments, etc., is the merchant's point within their own village. Women saved much of their time, which otherwise would have been spent in traveling at least half a day, going to the nearest town for making these bill payments and also losing a day's wages. With the time so saved, these women were able to devote more attention to their small businesses, thereby improving revenues and profitability. All this made it attractive from the client's perspective.

In the past fiscal year, 65 banking outlets were enrolled and kirana store owners benefitted from this arrangement through a higher number of transactions directly accruing to them due to increased footfall.

The convenience and flexibility brought in by the banking outlets, coupled with the attractive product offering, made the women to more actively use the account and deposit in the savings accounts and recurring deposit accounts to safeguard their

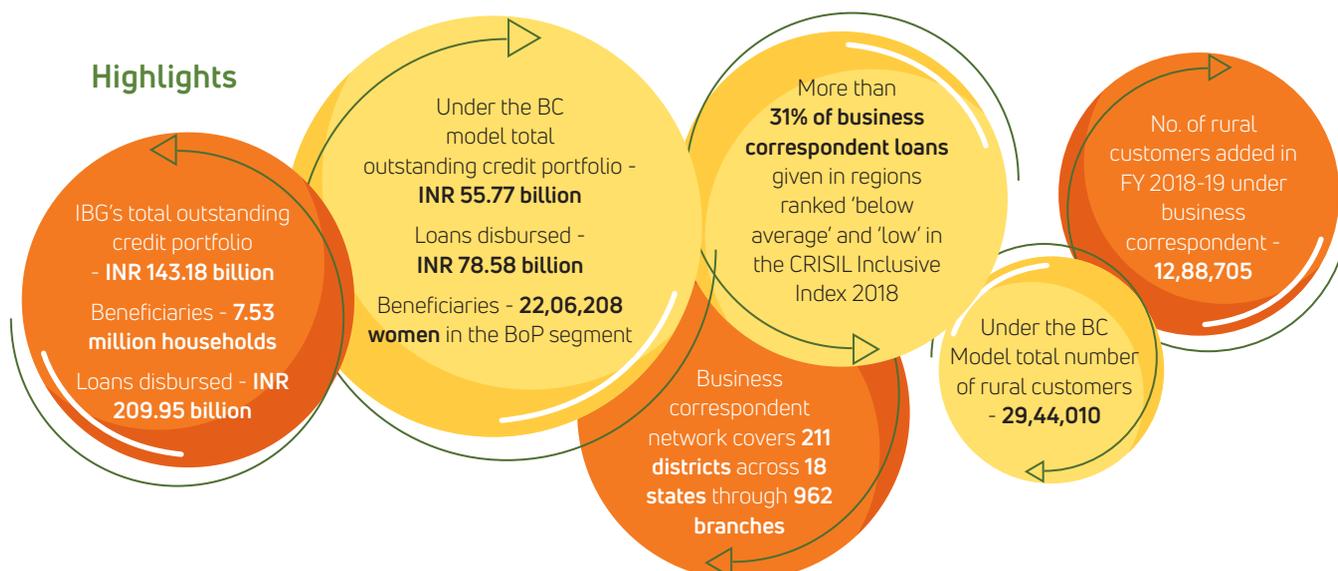
hard-earned money. Importance was given to financial literacy, quality education for their children and nutritious food for their families. We are glad to inform that through this model, our mission of empowering women financially and economically through financing their small businesses, enhancing quality of life and betterment of the society, education and healthcare has been achieved.

Microfinance

At IndusInd Bank, we believe in building partnership with microfinance institutions (MFIs) through our flagship business correspondent (BC) model, for transforming the underprivileged in low-income groups and creating an environment for them to flourish. Our engagement with the BC partners is intensive, with minimal disruption at the field and minimal changes to the process of the BC. This model is designed to ensure regulatory guidelines and strictly adhere to the government directives. The credit and liability products are designed to reach out to the financially excluded segment of the population.

The microfinance program under the BC model is a financial operation that provides small loans to a borrower with a rural annual household income not exceeding INR 1,00,000 or urban and semi-urban households with income not exceeding INR 1,60,000 as defined by the Reserve Bank of India. Since the

Highlights



inception of the model, we have been actively involved in helping women enjoy sustainable livelihood through microloans: 100% of our borrowers are women, organized in joint liability groups (JLGs), as a criterion of group pressure to ensure repayment.

Livelihood Financing

Livelihood financing is one of the core areas in our Planning Cycle 4 strategy, wherein the focus remains on creating sustainable livelihoods, especially for the BoP section of society. Our objective is to create meaningful value for this section, thereby giving them an opportunity to lead life with dignity. We have channelled our efforts to commit more than 50% of our portfolio dedicated to creating sustainable livelihoods, driven by financial inclusion activities such as microfinance, vehicle finance and agricultural finance.

Customizing banking solutions to the needs of BoP customers, we have increased our reach to the rural customers through our business correspondent model, wherein we partner with various microfinance institutions. This enables us to provide our banking services including small savings accounts, fixed deposit and recurring deposit with low minimum deposits, microcredit, etc., at low cost. We provide door-step delivery of services at a location much closer to the rural population, thus addressing the last-mile connectivity problem. We provide access to adequate funding, banking products and digital platforms to our BC partners so they can sustain their lending models and deepen their engagement with rural customers. We have reached out to 7.53 million households with a cumulative disbursement of INR 385.18 billion and an asset outstanding of INR 143.18 billion spread across 28 states. The BC channel was leveraged to offer a comprehensive bouquet of products such as savings account (0.56 million customers) and micro-recurring deposits (0.28 million customers) as of the end of March 2019. All of these borrowers are women, either organized in joint liability groups (JLGs) or individuals seeking a

microenterprise loan. Nearly 60.3% of the loans were taken for agriculture and agri-allied activities and the rest for microenterprises.

In the past fiscal year, the Bank has also launched innovative individual loan products targeted at small business enterprises by partnering with an entity having a dedicated focus. This would be further scaled up under various BC/co-lending arrangements with similar institutions/NBFCs in FY 2019–20.

Consumer Finance

To encourage entrepreneurs among the weaker section of the society including women, IndusInd Bank's Consumer Finance Division (CFD) supports the BoP customers categorized under PSL, including SMEs and small road transport operations with loans. The bank extends funding for a range of new and used assets including commercial and utility vehicles, goods carriers, passenger cars, two-wheelers, equipment for agriculture and construction purposes such as tractor and cranes. We offer a maximum of 90% financing to these customers. In addition, loans are provided to small and medium entrepreneurs based on customized cash flow analysis, references from the SME's customers, etc. Our affordable housing loans also target low-income groups under the interest rate subsidy scheme.



Funding options for Farm Equipments like tractors

Category	Targets %	PSL Targets*	PSL achievement	Shortfall/ Excess	% Achieved
Overall achievement	40%	49,352.80	50,285.99	933.28	40.76%
Agriculture	18%	22,208.76	18,533.98	-3,674.78	15.02%
Small and Marginal farmers	8%	9,870.56	9,102.20	-768.36	7.38%
Micro Enterprises	7.5%	9,253.65	9,370.60	116.95	7.59%
Weaker	10%	12,338.20	14,418.59	2,080.39	11.69%

* The computation of priority sector targets/sub-targets achievement is based on the Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposures, whichever is higher, as on the corresponding date of the preceding year.

Figure 3: Priority Sector Lending

To curb money laundering and terrorism financing, the Bank has put in place publicly announced Anti-Money Laundering (AML) and Know Your Customer (KYC) norms. As a CFD division, we adhere to the AML and KYC norms, and all borrowers are scrutinized for violation of these norms. All customers are checked against the PFAC list, RBI caution list, AML negative list, etc., before onboarding, and any customer with matches are not onboarded without undertaking additional due diligence, if permitted.

Priority Sector Lending

Priority sector lending is an important instrument at the disposal of financial institutions to help channelize credit at preferential rates and resources to weaker and vulnerable sectors of the economy that may not get timely or adequate credit in the absence of such special disbursements. The objective is to ensure that these sectors, with high employment potential, get the requisite opportunity and move towards poverty alleviation.

To address the demands of various niche areas, the Bank's PSL portfolio is sourced from various business divisions from corporate, commercial and consumer banking groups. The Bank identifies potential high-credit areas like microenterprises and agri-allied sectors and sets up defined processes to achieve the stipulated targets for these segments, including a committee that looks after identifying the gaps and oversees the PSL portfolio built up by contributing business divisions.

Moreover, with the Bharat Financial Inclusion Limited (BFIL) merger in place and its portfolio largely

comprising of agriculture and small and marginal farmers, we aim to meet the PSL targets and reduce the outflow to Rural Infrastructure Development Fund (RIDF).

In FY 2018–19, the Bank achieved the RBI-prescribed target for priority sector advances, which aggregated INR 50, 285.99 crores at the end of FY 2018–19, representing 40.76% of the Adjusted Net Bank Credit (ANBC) of the previous year, as against the prescribed target of 40%.

As per extant Reserve Bank of India guidelines dated 04-12-2018, the targets and subtargets set for priority sector lending are given in Figure 3 along with the details of our Bank's achievement, calculated as a simple average of all four quarters of FY 2018–19.

Impact Investing

IndusInd Bank has a dedicated Impact Investing Group that will provide up to INR 150 million to small and medium enterprises in development-aligned sectors. We have earmarked a capital investment of USD 50 million to pilot this business, sufficient to build an impact finance loan book of INR 20 billion by 2020. To ensure effective capital deployment, the Bank has developed a proprietary impact-screening tool to identify the development potential in each investment and post-investment impact monitoring mechanisms that capture primary, secondary and tertiary impact data.

As a strategy to utilize the complete potential of this portfolio, the Bank partners with various development agencies, social enterprises and government bodies working in the areas of

socio-economic development. In FY 2018–19, the Impact Investing Group has provided INR 0.5 billion to generate positive sustainable impacts on society.

Agriculture, Dairy and Warehousing

Agriculture continues to play a vital role in the Indian economy, with almost 60% of Indian households depending on agribusinesses or allied activities as the source of livelihood. Besides the quantifiable role it plays in our overall GDP, development of the agribusiness supply chain is systemically important in improving the country’s food security.

In keeping with our development priorities, we have prioritized the development of the entire value chain for agribusinesses, from fields to markets. This has required us to develop diverse and specialized skillsets within the organization. We also have an in-depth knowledge of the key elements shaping the industry –from an understanding of grass-root issues, such as the susceptibility of production to weather conditions, right up to sophisticated knowledge of the commodities market.

Engaging with the entire supply chain has been critically important in making a meaningful impact.

Due to the highly complex and intertwined nature of the business, a disruption at any point in the supply chain reverberates throughout the system. For instance, if the infrastructure for a cold supply chain is inadequate, it is challenging to transport perishables to markets in the saleable condition, resulting in dairy farmers hit by heavy losses. The resultant scarcity of these commodities leads to a spike in prices. Inflated prices make these products inaccessible to sections of the society with limited economic means, resulting in food shortages and nutritional imbalances.

Our financing solutions are built to address the key challenges in the process. IndusInd Bank is projected to increase its strategic investments in agribusiness over the next two years by improving access to quality farming equipment, through our tractor financing programs; supporting agricultural infrastructure lending for cold supply chains and warehousing; providing corporate-linked agricultural finance, such as working capital loans; or financing rural roads and infrastructure projects to facilitate logistics.



Funding options for Agri-allied & Dairy sector



Banking for a Sustainable Future

In an emerging economy like India, sectors like healthcare, education, renewable energy and national infrastructure are poised for tremendous boom, therein offering numerous growth opportunities to financial institutions such as banks. Apart from the significant market potential, IndusInd Bank, as a socially and environmentally responsible organization, seeks to specialize the lending portfolio by increasing investments in these sectors and contribute positively to the nation's developmental transformation in a sustainable manner.

Powering Renewable Energy

IndusInd Bank is geared up to finance renewable energy projects in India as a means to contribute



towards the national agenda of installing at least 9% of generation capacity through wind and solar energy – a commitment within India's Intended Nationally Determined Contributions (INDC) towards the Paris Climate Change Agreement.

We have surpassed our commitment to finance 2000 MW in renewable energy power by 2019. In FY 2018–19, the Project Finance Unit of the Bank has invested INR 36 billion in renewable energy projects.

Infrastructure and Housing

With a CAGR of ~ 12% over the past few years and an expected size of US\$ 180 billion by 2020 on account of the growing focus of the government on the housing sector with various initiatives and schemes, viz. PMAY, REITs, etc., and rapid growth of the service sector and increased demand from MNCs, real estate has emerged as one of the promising sectors for allied business, including financing. Considering the opportunities it offers, IndusInd Bank had set up a Real Estate Vertical within Wholesale Banking to provide



Renewable energy projects

holistic funding solutions along with the Investment Banking offerings of the Bank, to prominent players in the sector by having a team of seasoned real-estate professionals, based in key micromarkets and extending diligence process by having an ear to the ground. Over these years, IndusInd Bank has created a diversified mix of residential and commercial portfolio of various products, well distributed among credible developers across preidentified key micromarkets. The portfolio has seen a full cycle and continues to selectively grow, having achieved successful exits in many accounts.

Affordable Healthcare

India stands on the cusp of a paradigm shift where healthcare is being seen as a fundamental right. Swatch Bharat Abhiyaan and the recently announced 'Modi Care', or National Health Protection Scheme, are just some of the plethora of government initiatives aimed to build a robust social healthcare infrastructure.



Infrastructure and Housing Projects

India currently spends a little over 1% of its GDP on public healthcare (one of the lowest proportions in the world), which the government has proposed to increase to 2.5% by 2025. The healthcare industry hailed these recent policy initiatives as a game changer. The government is expected to provide stimulus/impetus for this next wave of investments, which presents a huge opportunity to banks and various lending agencies to become part of this growth story.

The healthcare industry has its own strengths, weaknesses, threats and opportunities, and hence,

we have a focused approach towards the understanding of underlying risks and associated returns thereof. Foreseeing the shift in the focus of the government towards healthcare penetration (qualitatively and quantitatively) and building a sustainable social infrastructure model, IndusInd Bank has formed a dedicated and focused healthcare delivery team, which, within a short span of time, gained good traction in terms of asset building and generating income for the Bank and covered the entire healthcare value chain (from growing medical equipment manufacturers to large established hospital chains, from promoter-driven single vintage hospital to private equity (PE)-backed young hospital chains). The team aims to improvise on its learning so far and aspires to establish itself as a knowledge-based business segment, which is poised to grow as the Indian healthcare story is determined to grow.

Supply Chain Financing

Supply chain finance (SCF) handles both dealer and vendor finance of major manufacturer's supply chain. It serves as an entry tool for marquee names, or large corporates and also increases stickiness in the existing relationships. We offer customized programs to suppliers/dealers as per the requirement of corporates.

Diversification of risk has been achieved through small ticket granular business and by capturing overall banking facilities and cash flows of the clients. A robust internal control mechanism and portfolio monitoring tools have kept the portfolios healthy with negligible delinquency.

Dedicated business, product, credit teams and an exclusive SCF operations team are handling this business, with a deep understanding of business nuances. A strong recommendation mechanism at the anchor level through multilevel filters, support from the anchor in the recovery of overdue and sharing of regular feedback is in place.



The Bank's portfolio includes Education sector

We at IndusInd Bank are ready to emerge as the most preferred supply chain finance banker in the SCF segment in India by increasing our asset and client base and a healthy portfolio by 2020, providing complete banking solution under one roof in both sales and purchase sides of original equipment manufacturer (OEM).

Education

The education sector comprises of schools, universities, colleges, coaching institutes, education assets-owning companies and fund houses. There is a huge opportunity in the education sector in India due to the large population and low enrolment ratios. With more than 1.4 million schools, over 227 million students and around 36,000 higher education institutes, India holds an important position in the global education industry. India has one of the

largest higher education systems in the world. However, there is still a lot of potential for further development.

Recently, many private equity players and entrepreneurs have shown their interest in the education services sector, increasing competition in the sector. The major reasons for the increasing investment in the sector are steady cash flows, recession-proof nature of the business and negative working capital requirements.

IndusInd Bank is lending to players in this segment with credibility and a good track. Strong monitoring mechanisms – like periodical cash flow monitoring, reconciliation of cash flow routing with the actual number of students on rolls, comparison with projected admissions, etc. – are in place, which has helped build good portfolio quality.



Corporate Governance

Effective corporate governance is critical to the proper functioning of a bank. IndusInd Bank believes that a good corporate governance system is imperative for improving competitiveness and enhancing efficiency, thus improving investors' confidence and accessing capital.

The bank has placed clear and effective corporate governance mechanisms at IndusInd Bank, which determine the way the organization works and interacts with its stakeholders in all of its business-related matters. As a responsible organization, the bank is proactive in following all the legal requirements associated with banking. Our corporate governance framework follows the guidelines laid down by the Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI). There is in place a robust risk management framework, compliance management and vigilance function.

The bank maintains the highest level of ethical standards while conducting our business. The bank

has a code of ethics and conduct guiding our directors and senior management. The bank has also adopted a code of commitment, which is a voluntary code and sets minimum standards for a fair and transparent treatment of customers availing banking services. Our code of ethics ensures that our employees be have in an ethical manner. In addition, policies such as the CSR policy, whistle-blower policy, sexual harassment at workplace policy, etc., govern all activities and performance.

IndusInd Bank is spearheaded by a competent, knowledgeable and committed Board of Directors. The Board provides strategic guidance and independent views to the company's senior management while discharging its fiduciary responsibilities. At the pinnacle of the organization is the Managing Director and CEO along with the Board of Directors. Mr. R. Seshasayee, Non-Executive Chairman, presides over the Board of Directors of the Bank. The board has been constituted as per the procedures laid down in the Companies Act of 2013.

Board of Directors



Mr. R. Seshasayee
Chairman



Dr. T. T. Ram Mohan
Non-Executive
Independent Director



Mrs. Kanchan Chitale
Non-Executive
Independent Director



Mr. Shanker Annaswamy
Non-Executive
Independent Director



Mr. Yashodhan M. Kale
Non-Executive
Non-Independent Director



Mr. Arun Tiwari
Additional Director
(Non-Executive Independent)



Mr. Siraj Chaudhry
Additional Director
(Non-Executive Independent)



Mrs. Akila Krishnakumar
Additional Director
(Non-Executive Independent)



Mr. Rajiv Agarwal
Additional Director
(Non-Executive Independent)



Mr. Romesh Sobti
Managing Director & CEO

Independent Director plays a vital role in ensuring corporate governance in a company. The presence of an independent director brings focus and depth of perspective about the industry and the company, and they act as the custodian of stakeholder's interest. There are two women directors in the Board.

IndusInd Bank board, as on 31st March 2019,



Board meetings are held once in every quarter, and the maximum time gap between any two meetings is not more than 120 days. In FY 2018–19, the board met twelve times.

The Board has constituted various committees at the board level to ensure that every activity or issue is addressed with utmost importance within the stipulated time. Each committee is formed with a specific purpose and responsibility.

IndusInd Bank's corporate governance systems aim to ensure that the Bank is managed in the interests of its shareholders. The Bank does not have specific stock ownership requirements for the CEO and other members of the executive committee. Individual governmental institutions do not own more than 5% of the total voting rights in the Bank. Family (founding) members, personally or through other companies or organizations, do not individually have more than 5% of the voting rights in the Bank.

The Bank does not have differential voting rights as well as dual class shares. There is a single class of shares for general public as well as for the senior management.

IndusInd Bank is committed to conducting business in an ethical and honest manner and is committed to implementing and enforcing systems that ensure zero tolerance for bribery and corruption at all levels. The bank is committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever in the country we operate and take our legal responsibilities seriously.

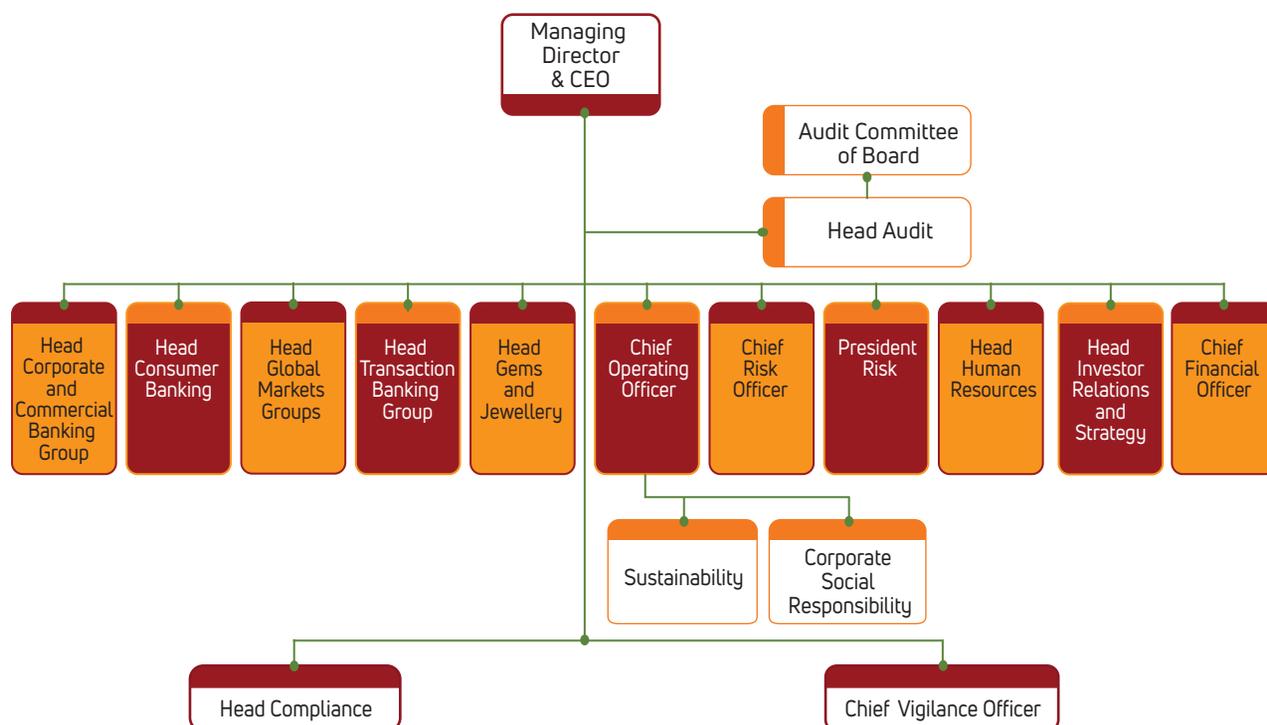


Figure 4: Organization Structure

The Bank does not accept or make any form of facilitation payments and/or kickbacks of any nature. It recognized that kickbacks are typically made in exchange for a business favour or advantage.

The anticorruption and bribery policy of IndusInd Bank complements the legal requirements for political and charitable contributions. The Bank does not make donations, whether in cash, kind, or by any other means, to support any political parties or candidates. The recognizes that such donations may be perceived as an attempt to gain an improper business advantage. The Bank encourages donations to charities, whether through services, knowledge, time, or direct financial contributions (cash or otherwise), and agrees to disclose all charitable contributions it makes. We ensure that all charitable donations made are legal and ethical. The Bank does not support political campaigns, political organizations, lobbyists or lobbying organizations and other tax-exempt groups for the purpose of influencing policy. The Bank supports trade associations, and its top three largest contributions are mentioned in figure 5.

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets. Since the Bank does not have material earnings emanating from foreign

operations, the Bank is considered to operate only in the domestic segment.

The Bank's AML Policy explains the process by which any person may attempt to hide and disguise the proceedings of their criminal activities, thereby avoiding prosecution and conviction.

Terrorists use similar methods as money launderers for generating funds for their activities; hence, the Bank ensures an effective establishment and implementation of a culture opposing money laundering and terrorism financing.

Banks play a vital role in the flow of money and credit between savers and borrowers. For a working economy and society, the stability and sustainability of the entire financial system is of utmost importance. Learning from the past financial crises has driven national and international regulatory initiatives that press for the adoption of stronger capital requirements and loss absorbency, among other measures. Global Systemically Important Banks (G-Sib), as defined and monitored by the Financial Stability Board (FSB), are particularly subject to these regulatory initiatives, as the Basel Committee on Banking Supervision seeks to improve the resilience of banks and banking systems that are active in business areas with high risk exposure. As per the

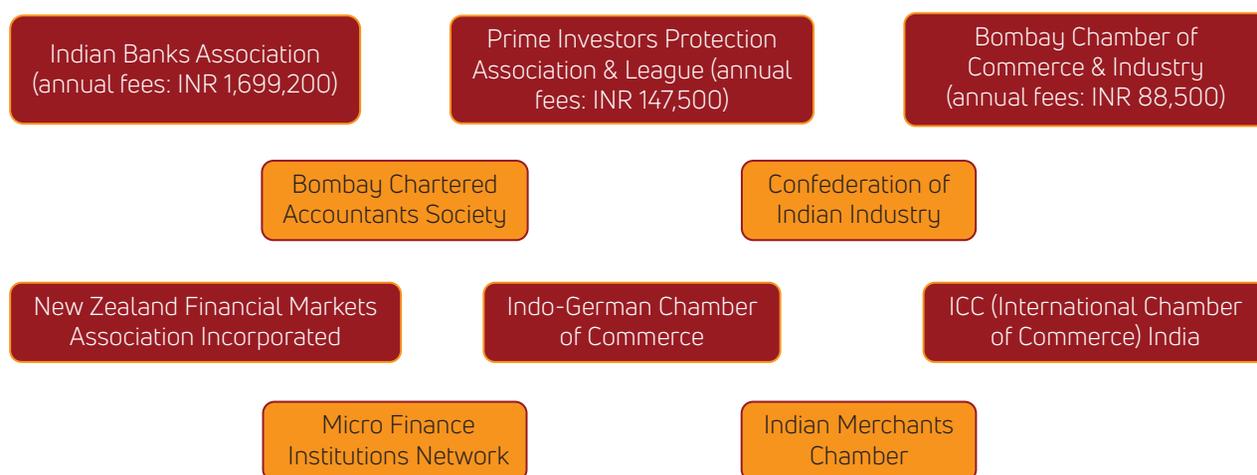


Figure 5: Trade associations supported by the Bank

latest list released by the FSB, IndusInd Bank does not fall under the ambit of G-Sib.

Compliance Management System

IndusInd Bank has a performance-driven culture with a strong focus on governance and compliance. The compliance functions of the Bank, senior management and the audit committee of the Board work in tandem to ensure appropriate employee conduct and maintain compliance. The Board-level Audit Committee is responsible for ensuring compliance with listing and other legal requirements related to financial statements. The bank has a dedicated compliance department that ensures compliance with the existing regulations and legal, statutory and industry norms. The Bank actively engages employees on the compliance framework and the consequences of non-compliance. Several communications and seminars covering compliance topics from domestic and global regions, compliance guides and a monthly Compliance Newsletter are used to disseminate information related to compliance.

In FY 2018–19, INR 10 million was paid as a penalty for non-compliance pertaining to delay in implementation of Nostro reconciliation (SWIFT).

IndusInd Bank takes competition in its true spirit; competition provides an opportunity to improve the products and services. In the reporting period, there were no legal actions pending or completed regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation.

Vigilance Mechanism

Vigilance activity in IndusInd Bank is an integral part of the managerial function. It enhances the level of managerial efficiency and effectiveness in the organization. At IndusInd Bank, the vigilance function plays a key role in building and maintaining trust with the stakeholders. Through its various mechanisms, the Bank has strengthened its preventive vigilance functions by inculcating a sense of honesty and integrity among its employees and has established

internal systems and controls. In addition, it has a zero-tolerance stance towards corruption and unlawful behaviour by employees.

The Bank has a dedicated vigilance advisory committee to look into vigilance and anti-corruption issues of staff arising out of complaints. Further to this, the Bank has laid down certain policies, including the whistle-blower policy which provides a platform to employees to raise concerns or report fraud or suspected frauds without fear of retribution.

In FY 2018–19, 32 cases related to staff accountability were reported, of which 23 were resolved and 9 are under process. A total of 55 cases were reported through the whistle-blower mechanism, of which 45 were investigated, resulting in 8 cases of punitive action. The department dealt with 24 vigilance complaints/references received directly (including 4 cases from the previous year), of which 19 were closed after investigation, 3 cases resulted in punitive action, 1 was under disciplinary proceedings and in 1 case, the final report has been submitted. Of the above vigilance and whistle-blower cases, 20 complaints were received or dealt with in FY 2018–19 in the area of corruption and bribery, of which none were found to be true.

Further, to create awareness among employees on anticorruption, ethics and vigilance, the human resource department conducts various awareness sessions and seminars for employees. In the past fiscal year, through induction programs, 180 sessions with 4142 employees were conducted, where awareness on vigilance and anti-corruption was created.

In FY 2018–19, no public legal cases regarding corruption were brought against IndusInd Bank or its employees. However, there were two confirmed incidents of corruption, wherein two of our employees were dismissed and two were given strict warning along with no annual appraisal, respectively, and an incident where the contract of one of the business partners was terminated.



Driven by a vision to 'Rise to be the leaders in Sustainable Banking, creating sustained value for all the stakeholders by integrating Responsible Banking Principles in to core business strategies,' IndusInd Bank has adopted a focused approach to embed sustainability into its core business strategy. To oversee the implementation of our sustainability

initiatives, the Bank has constituted a board-level CSR and Sustainability committee. The sustainability governance structure consists of the board-level committee, sustainability council, sustainability team followed by coordinators at the implementation level in business functions.



Figure 6: Sustainability Governance Structure

Sustainability Commitments

The Bank is driven by an ambition to create value for all its stakeholders. Expertise is used to drive sustainable progress and make a positive impact in the society. The Bank recognizes that it has a particular responsibility because of its size and impact on the economy. Over the past years, the agenda for sustainable development has become increasingly important to the stakeholders and plays an integral role in the Bank's commitment to promoting sustainability. The Bank is constantly working on integrating societal impact further into its

business model by strengthening its commitment to sustainable investments and moving closer to the society. Societal impact and sustainable investments are important focus areas for IndusInd Bank. The shared values and commitments to sustainability will always and everywhere guide the Bank in how it empowers its customers and how it lives up to its responsibilities to stakeholders.

Environmental, Social and Governance Targets

IndusInd Bank has mainstreamed sustainability into its business practices. It is committed to targets on environmental, social and governance (ESG) aspects

Environmental Targets

Aspect	FY 2018	FY 2021
Affirmative Green & Impact Lending Portfolio	<1% of loans	5% of loans through distinctive lending themes *
GHG Emissions Intensity and E-footprint	GHG: (Scope 1&2): 5.2 MT CO ₂ /Cr. Rev	15% reduction to 4.4 MT CO ₂ /Cr. Rev
Participation in Green Indices	A-Rank in CDP (Carbon Disclosure Project)	Maintain A-Rank or higher in CDP Submit to DJSI with a score >70
Sustainable Procurement in Supply Chain	Some vendors exhibit sustainability practices	80% of vendors have ESG policies in place. vendor sustainability assessments in place

* Voluntary commitment to the Ministry of New & Renewable Energy, Government of India, to finance 2000 MW of Renewable Energy projects

Social Targets

Aspect	FY 2018	FY 2021
Livelihood/Inclusive Financing Portfolio	~40% of all loans	45% of all loans
Women Participation in Workforce	19% in line with peer private sector banks	Expand to 22%
Employee Engagement to Aid Motivation & Productivity	Internal initiatives	Employee engagement with external benchmarking
Participation in Community and Outreach Activity	Green champions	In addition: bank-wide volunteering of 10hr/staff & e-Learning (on sustainability)

Governance Targets

Aspect	FY 2018	FY 2021
Corporate Governance Score Rating	Did not participate	Corporate governance score in a leadership category
ESMS Lending Filters	ESMS filters implemented	Expand ESMS to cover all corporate loans with external assurance
ESG Disclosure and Integrated Reporting	Published but no external assurance	Have external accredited agencies verify ESG / integrated reports & disclosures
Formulation and Compliance to ESG Policies and CDP Program	Internal disclosures	External disclosure of ESG policies

Figure 7: ESG Targets

and continues to improve the sustainability performance to surpass these targets. The Bank has established a mechanism to continuously evaluate the sustainability strategies and performance against the ESG targets.

Environmental and Social Management System

The Bank integrates ESG aspects in its credit/lending business, project finance and advisory services to its wholesale/corporate/investment banking clients. All proposals are screened against the basic ESMS criteria (which is the exclusion list) with about three-fourths of all proposals being screened against detailed sector-specific checklists. All proposals are subjected to an exclusion check as the first step while checking for environmental and social risks. IndusInd Bank strictly does not do business with any excluded entity. This exclusion list, accessible to all employees, is applicable to the corporate banking portfolio.

Exclusion List of IndusInd Bank:

- Production of or trade in any product or activity deemed illegal.
- Production of or trade in substances which are internationally banned, including but not limited to wildlife products, products regulated under CITES, illegal narcotics, among others.
- Gambling, casinos or similar enterprises.
- Production of or trade in products involving forced labour or harmful child labour.
- Businesses owning factories or workplaces that have inadequate safety mechanisms when dealing with known industrial carcinogens.
- Businesses with a substantial stake in the porn industry.
- Production of or trade in explosives and/or fireworks primarily meant for non-industrial use.
- Production of or trade in tobacco or any of its derivate products including but not limited to cigarettes, gutkha, etc.

The Bank has established environmental and social risk management (ESMS) policy to ensure that its investments balance economic growth with

socio-economic sustainability. This safeguards the Bank against credit and reputational risks. ESMS evaluates the Bank's clients on various parameters of ESG and assists in identifying risks. The policy is implemented by its relationship managers who undergo rigorous training to appropriately assess all proposals, identify gaps and maintain transparent reporting through the digital filing systems. The policy is governed at the macrolevel by key stakeholders, including board members, the business heads and the CEO. To convey ESG performance of the Bank, ESG targets for FY 2021 were announced in the past fiscal year. These targets include, among others, a special focus on the Bank's ESG portfolio. The Bank has specific targets to increase green lending portfolio and livelihoods supporting/social lending portfolio. Incremental progress will be monitored and reported on a yearly basis to all stakeholders. The Bank has set up a multilateral advisory desk which looks into building multilateral relationships to invest in areas like renewable energy, skilling, education and energy efficiency. The Bank is in the process of integrating a specific ESG policy in the advisory business, which is a nascent vertical. The integration will be completed in this financial year. However, all current advisory clients are also the Bank's corporate lending clients, for whom E&S risk assessment is mandatory as per the ESMS policy. Many verticals of wholesale banking have a specific focus on ESG aspects such as impact financing unit, agribusiness, healthcare, education and micro-finance. The Bank's ESMS policy is based on various national and international standards, including IFC performance standards, UN PRI and Equator Principles. Some of its ESG products include Renewables & Clean Energy; Education & Healthcare; Impact Investing; and Green Buildings & Microfinance.

Integration of Sustainable Development Goals

Being purpose driven is in the Bank's DNA, and the Bank has always believed in the importance of good citizenship. Building on this illustrious heritage, the

Bank has continued to reinvent itself over the years with a view to being a more sustainable bank. The core philosophy of IndusInd Bank is to integrate sustainability into all aspects of business. This implies business that is predicated not only on financial growth, but also on operational stability and regulatory compliance. FY 2018–19 has been successful for IndusInd Bank in terms of creating value for all stakeholders using strategies and initiatives that are designed to be sustainable over the long term.

IndusInd Bank is committed to propagating the global 2030 Agenda for Sustainable Development

by contributing to the 17 Sustainable Development Goals (SDGs). The Bank recognizes that sustainable development is clearly in the long-term interests of business and the global economy. It also realizes that achieving genuine sustainable development would not be possible without the public and private sectors working together.

IndusInd Bank’s business and social impact initiatives are geared towards meeting various targets within the SDGs. The Bank is contributing to UN’s 12 sustainable development goals and targets through its core business and social impact initiatives.



SDG 

Business Initiatives 

CSR Initiatives 

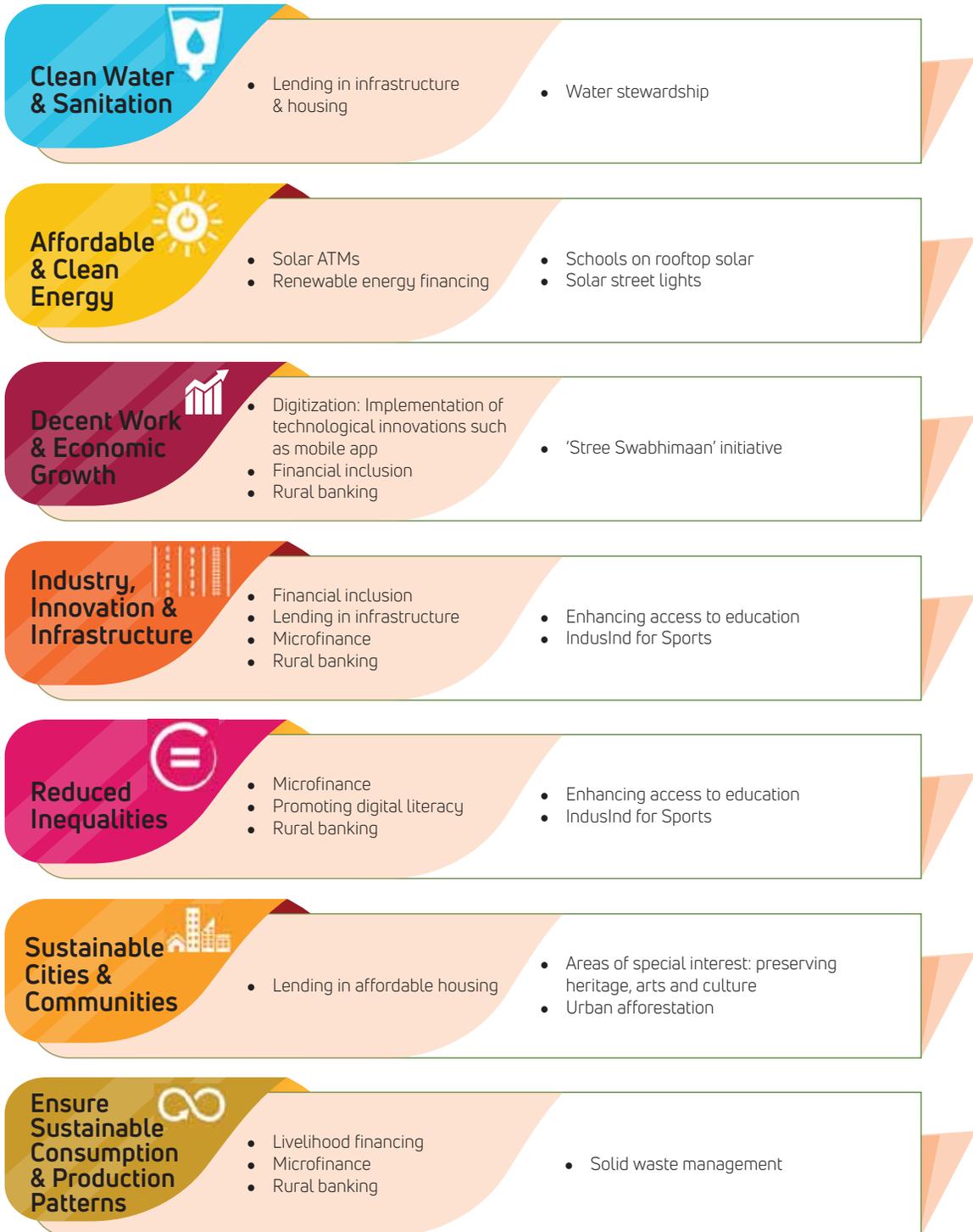


Figure 8: Diagrammatic Representation of SDGs and Initiatives



Stakeholder Engagement

IndusInd Bank understands its responsibility towards all its stakeholders. The Bank's key stakeholders are those who most materially impact its strategy or are directly impacted by it. It defines its stakeholders as 'any individual or organization affected, likely to be

affected, by its business, or that may, in turn, affect the environment in which it operates.' The Bank focuses on fostering healthy and mutually beneficial relations with its key stakeholders as a means to create long-term sustainable value.

Stakeholders	Engagement Approach	Mode & Frequency of Engagement	Issues of Interest
Investors	The Bank provides its investors/shareholders with relevant information to make informed investment decisions as well as seek their perspectives on the Bank's financial performance and strategy.	Road shows and investor meets, investor grievance channels, round tables, quarterly conference calls, and face-to-face meetings, annual general meetings.(need-based, monthly, quarterly, annual, and on going)	Financial performance, risk management, compliance, sustainable growth, responsible value chain, rural development and financial inclusion
Customers	The Bank interacts with customers to better understand their requirements so that it can propose the right financial solutions, products and services for them.	Digital channels such as video conferencing, customer care, customer satisfaction and loyalty survey, EDMs and social media platform (Interaction is continuous and ongoing)	Data privacy and security, grievance mechanism, ease of access for banking facilities
Employees	The Bank communicates with its employees using multiple channels to ensure they are aligned with its strategic priorities. This also allows the Bank to be up to date with their concerns.	Town-hall meetings, appraisal process, newsletters (continuous and ongoing)	Benefits and remuneration, health and safety, grievance redressal mechanisms and timely response, training and skill development, work-life balance
Suppliers	The Bank maintains close relations with its suppliers and provides in-depth training, so they understand its products and, where relevant, are able to support its customers more effectively.	One-on-one supplier meets, techno-commercial discussions and service engagements, meetings, supplier sustainability assessments (quarterly and on a periodical basis)	Service delivery and quality, operational efficiency, business intelligence
Regulators and Policy makers	The Bank strives to be a good corporate citizen and a long-term participant in its markets by providing input and implementing public policies.	Qualified institutional placements with RBI, one-to-one meetings and group meetings, emails and letters, submission of performance reports (need-based)	Compliance, CSR and reporting
Society & NGOs	The Bank engages with the community to better understand the role it can play to address the needs of the society.	Employee social volunteering programs, financial and legal literacy initiative, rural development initiatives, biodiversity conservation (need based)	Rural development, financial literacy, sustainable development, responsible value chain, livelihoods and financial inclusion

Figure 9: Stakeholder Engagement Mechanism

The presence of a board-level stakeholder relations committee further bolsters its commitment to strengthen relations. The committee prioritizes stakeholder grievances and responds to them in a stipulated amount of time, thereby instilling trust and confidence among its stakeholders.

Dialogue and collaboration with its key stakeholders provide insights into the matters of relevance to them. Through a structured stakeholder engagement process, the Bank takes into account their legitimate needs and concerns which govern its key decisions. This enables the Bank to develop its business strategy in addition to identifying and managing various risks and opportunities.

The Bank follows a strategic approach while identifying its key stakeholders. It conducts various internal meetings with different departments to understand their significant stakeholders and how it impacts its ability to create value. Considering the outcome, a list of key stakeholders is identified and prioritized. These stakeholders are engaged frequently on various platforms. IndusInd Bank's key stakeholders include employees, customers, suppliers, investors, regulators, NGOs and the community at large. Engagement with stakeholders provides the Bank with an understanding of the matters they are most concerned with. These matters help the Bank define its strategic priorities and guide its initiatives.

Shared value created for stakeholders

The Bank's primary business is to provide best-in-class banking products and services to its clients by employing cutting-edge technological innovations. Its customized solutions and reach across the country facilitate value creation for all stakeholders. With its banking expertise, customer-centric approach, community-centric programs, etc., it creates both social and environmental values in addition to financial value. Value generated will vary with different stakeholders as per their relationship with IndusInd Bank.

Employees

Employees are a key stakeholder of IndusInd Bank. Through their services, they create value for other stakeholders. Therefore, it becomes important for IndusInd Bank to deliver value for their time, effort and skills that they put into this business. Through the Bank's various initiatives, including employee policies, equal opportunity at workplace, gender diversity, non-discrimination, decision-making power, employee stock option schemes, training programmes, employee volunteering opportunities, etc., the Bank creates both short-term and long-term values.

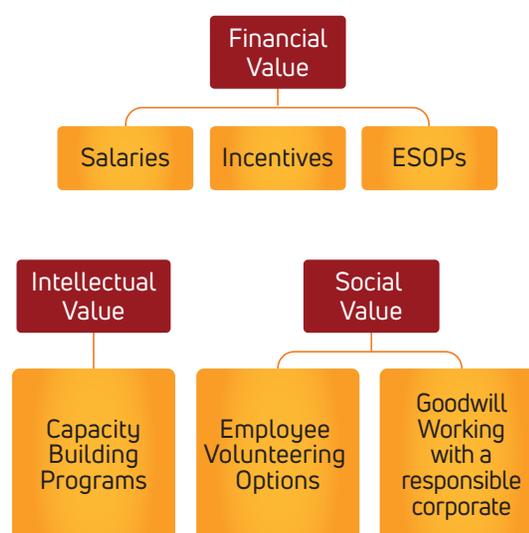


Figure 10: Value Created for Our Employees

Investors

IndusInd Bank is accountable to the providers of financial capital, and it becomes important for the Bank to generate sustainable returns on the capital employed in its business. IndusInd Bank generates short-term financial value for investors in terms of

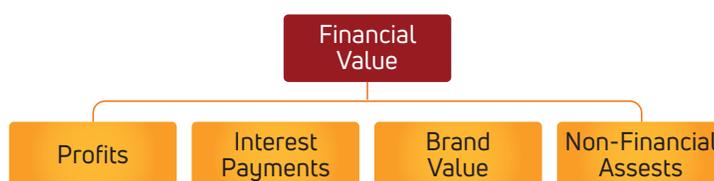


Figure 11: Value Created for Investors

profits and interest payments. In addition, the Bank also creates long-term financial value through its non-financial assets, including brand values, physical assets such as infrastructure and human resource.

Further, IndusInd Bank also creates value for investors through its investments in other capitals. An increase in human capital in terms of skills of employees will create estimated future earnings for the Bank. An increase in social capital will lead to an increase in brand value, further enhancing the financial value that investors will gain from IndusInd Bank.

Community

IndusInd Bank engages with a broader community, including civil society groups, social development organizations and NGOs, through CSR activities. It works towards their self-reliance, thereby creating long-term sustainable value. Through its various community development programs in the areas of education rural development, healthcare, sports,

livelihood opportunities, etc., the Bank creates intellectual and financial value for the community.

Apart from its CSR initiatives, the Bank's services, including microfinance and rural banking, create long-term sustainable financial value for its community.

Clients

The Bank's clients demand value for their money, and the Bank provides them value for their money through its products and services. The Bank prioritizes its customers through client-centric engagement and initiatives to embed convenience in banking through various digital innovations. A key objective is to mainstream financial inclusion by serving the unbanked and underbanked masses, as a result of which the Bank is able to make banking more accessible to the people. In the process, the Bank is able to create financial and social value for its clients. The Bank's finance portfolio lends money to individuals, which helps them either in owning an asset or in investing in a small business, thereby generating financial value. The interest received on deposits further increases their financial value. In addition, the Bank's efficient services in terms of quick digital payment transactions have resulted in a superior customer experience.

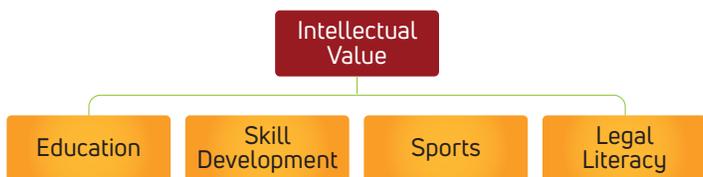


Figure 12: Value Created for Community

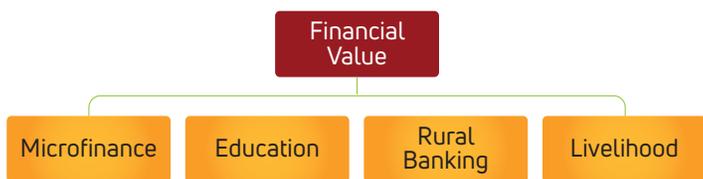


Figure 13: Value Created for Community

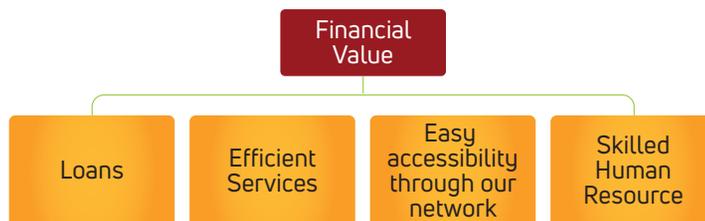


Figure 14: Value Created for Clients



IndusInd Bank focuses on the issues that affect its ability to create value over short, medium and long terms. The Bank has adopted a streamlined approach towards identifying its material topics. It engages with both internal and external stakeholders on negative as well as positive matters, including risk and opportunities. Based on the relevant issues selected, it prioritizes the significant material topics that are reported in further sections of this report.

The Bank's materiality assessment process is inclusive of stakeholder and incorporates their needs and expectations.

IndusInd Bank conducted its materiality assessment in FY 2016-17, and since then, it has been working continuously to improve its performance against those topics. The list of identified material topics is given in Figure 11.

The content of the report is derived from this analysis and has been covered in the report in varying degrees. Seven most significant material aspects have been covered in terms of data and DMA, while other relevant matters have been covered in the form of narrative sections. Data has been provided wherever necessary. The report contains data for material topics within the boundary of IndusInd Bank and does not contain data with respect to the supply chain entities. Additionally, the key material topics are discussed in detail as follows:

Long-term economic trends/issues

The Bank's current three-year business plan encompasses a strategy of 'Market Share with Profitability' accompanied by 4Ds: Digitize to Differentiate, Diversify and create Domain expertise. Key themes are (1) financing livelihoods, i.e., mainly



Figure 15: Material Topics identified through Materiality Assessment

masses and the bottom of the pyramid and self-employed financing, (2) finding customers from within, i.e., cross-sell within the business units, (3) re-engineering our businesses from a cost management perspective using digital initiatives and (4) sustainable banking, e.g., via microfinance, ESG lending initiatives and merger of Bharat Financial (India's largest non-bank microfinancier) with the Bank.

Impact from products and services

Primary business strategies are as follows: (1) To increase the channel utilization via digital platforms; (2) to increase the product offering utilization via digital platforms; (3) to increase the number of fintech partnerships to enhance the Bank's reach and awareness and also to improve its capabilities on a straight-through basis cost efficiently; (4) to provide a platform to showcase innovative and customer-friendly experiences to enable the Bank to find, serve and engage customers superior to its peer set; (5) to drive change management using digital process re-engineering to make IndusInd Bank India's most convenient bank; and (6) to enhance cost productivity and customer productivity and

cross-sell using robotics, artificial intelligence, business intelligence, chatbots, etc.

Human capital management

The bank focuses on creating a performance-driven work culture, hiring high-quality employees who are entrepreneurs in their own right, giving them stretch assignments and thus allowing them to develop innovative solutions to achieve their goals. Their performance is assessed on the basis of tangible achievements on pre-set goals. Learning and development interventions tailor-made to each business unit/function-specific requirements are made periodically and reviewed along with the appraisal cycle. The Bank promotes reactive thinking through 'My Idea,' a business ideation platform which seeks to generate ideas for business and process improvements and ensure customer delight, achieving operational efficiency and productivity through the use of technology. After the merger with Bharat Financial, the Bank has retained all existing talent – staff and senior management. Strategic messaging has highlighted the benefits that will be created for both the merged entity and the staff of Bharat Financial.

Material Topic	GRI Disclosure	Boundary
Compliance	307: Environmental Compliance 419: Socio-economic Compliance 205: Anti-corruption	Internal & External
Responsible Value Chain	102-9, 102-10: Organizational Profile	External
Human Capital & Talent Management	401: Employment 403: Occupational Health and Safety 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-discrimination 408: Child Labour 409: Forced or Compulsory Labour	Internal
Customer Satisfaction and Product Responsibility	418: Customer Privacy	Internal & External
Rural Development & Inclusiveness, Financial Inclusion	203: Indirect Economic Impacts 413: Local Communities	External
Sustainable Growth	302: Energy 305: Emissions 306: Effluents and Waste 307: Environmental Compliance	Internal & External
Corporate Governance	102-18 Governance 205: Anti corruption 102-16, 102-17 : Ethics & Integrity	Internal
Long-Term Economic Trends/Issues	201: Economic Performance	Internal & External
Impacts from Products & Services	417: Marketing and Labelling	Internal

Figure 16: Boundary setting of material issues



Risk Management

Banking industry thrives in a dynamic environment, where it is exposed to various kinds of risks and opportunities arising from different sources, including regulatory reforms, customer expectations, technological changes, national and international operating environments and climate change. Therefore, it becomes imperative for the banks to establish and implement a robust risk management system critical to sustainable growth.

IndusInd Bank has implemented an enterprise-wide risk management (ERM) framework enabling an effective and proactive management of various risks while supporting business growth. The framework facilitates reduction in volatility in earnings and enhances shareholder value. The Bank has an integrated risk management department, independent of business functions, covering credit risk, market risk, assets and liabilities management (ALM) and operations risk, including information security risk functions. Risk management practices in the Bank have been aligned with the best industry practices and are adaptable to a dynamic operating environment and market conditions. The risk assessment and measurement not only cover financial risks such as credit risk, market risk, ALM, model risk, earning risk, capital risk and portfolio risks but also extend to the entire gamut of non-financial risks, including operational risk, strategic risk, reputation risk, compliance risk and legal risk.

The Bank has identified both internal and external risks that affect its ability to create value over the

short, medium and long terms and subsequently has developed strategies to mitigate and manage those risks.

The Bank also exercises precautionary principle through ERM and operations risk management (ORM) which safeguard the Bank against environmental and social concerns. The Bank has implemented a unique ESMS policy which ensures that business growth is progressive in that the wider impact of our lending and finance activities on society and the environment is positive in nature. Additionally, the policy mitigates any ethical and regulatory risks inherent in business. The ESMS policy lays out a framework for the assessment of environmental risk, including climate-related risks.

Climate-related risks have both direct and indirect impact, including damage to physical assets due to floods, droughts, etc. To mitigate them, the Bank has published a natural disaster management plan. Further, this might also result in non-payment of loans such as agricultural loans. IndusInd Bank has put in place effective mechanisms to deal with these risks.

The responsibility for effective implementation of the risk management framework within the Bank lies with the Chief Risk Officer (CRO).

The Bank has been proactively taking various initiatives in line with the best international practices and operating environment towards the enhancement of risk management. With growth in

business volumes, introduction of innovative products/services, etc., it is highly imperative to adopt risk management practices that will safeguard the Bank's interests. Some of the measures recently adopted are (i) risk analytics and data mining, (ii) B-score model development for retail loan book, (iii) development of rating models for assessing borrower risk for newer segments introduced and (iv) implementation of software for the assessment of various risks such as credit risk, market risk, operational risk, ALM and reputation risk.

Risk management functions within the Bank are continually enhanced to keep abreast with the latest developments.

In addition, the Bank also faces tail risks which arise from the external socio-economic and political operating environment and are difficult to identify. Such risks include (1) a sudden and sharp reversal in key economic policies, especially those pertaining to

the banking sector; (2) a fractured mandate after the general elections, with a hung parliament, adversely affecting business and investment sentiment; (3) heightened and prolonged cross-border tensions; and (4) a global financial sector meltdown and contagion.

Further, the Bank also identifies and assesses environmental and social risks associated with its credit/lending business. Each proposal is screened against various checks, which includes the Bank's negative profiles/negative geographies, credit policy violation, and high-risk industry list. No loans are given to customers/businesses involved in any activities employing child labour, juvenile labour, deforestation, sand mining/coal mining wherever banned.

Emerging Risks

While we have listed some key risks along with their control measures, the entire approach to risk

 Credit Risk Management	 Market Risk Management	 Liquidity Risk Management	 Interest Rate Risk Management	 Operational Risk Management	 System Risk Management
Implemented credit risk policies Risk rating models Credit portfolio management analysis. Stress testing of credit portfolios Weighted average credit rating (WACR), behavior	Implemented market risk management policy A robust market risk management system Regular valuation of all portfolios and the risk sensitivities	Liquidity coverage ratio (LCR), structural liquidity gaps, liquidity simulation, dynamic liquidity monitoring, liquidity ratios analysis, behavioural analysis of liabilities and assets, and prudential limits for negative gaps in various time buckets	Risk is managed on trading portfolios through PVO1, VaR and modified duration on a daily basis The bank has put in place necessary frameworks to measure and monitor Interest rate risk on banking book using the duration gap approach as well as traditional gap approach	Implemented operational risk management policy. Committees including operational risk management committee, sub-ORMC, fraud risk management committee, BCP steering committee have been formed ORM tools such as risk and control self-assessment (RCSA), KRIs monitor etc. An advanced ORAP system has been implemented	Implemented information security policy Utilizing structure data on system for anti-money laundering & enterprise-wide fraud management system, risk analytics, enterprise BI

Figure 17: Categories of Risk Management

management is based on our understanding of inter-relationships between risks. We look at risks in a holistic manner and implement control measures that are defined and address risks within different categories. Our risk appetite enables us to align our risk tolerance levels with strategic objectives and take cognizance of market risk, liquidity risk, credit risk, interest rate risk, operational risks and system risks. As mentioned above, we have broadly identified two emerging risk areas that can impact our business. Through identification of key risk indicators, risk mitigation and process controls and escalation mechanisms are defined in order to enable management to proactively identify and mitigate such risks.

- Effectively manage the growth of our asset portfolio and maintain the quality of our loan portfolio.

We have established enterprise-wide risk management systems encompassing credit risk, market risk and operational risk. At the branch level, we rely on internal and external databases to profile potential customers. Our credit appraisal and approval processes are predominantly centralized, and our credit decisions are typically made by committees.

- Intense competition from banks and financial institutions.

The Bank has adopted a strategy of 'market share with profitability' and identified seven key initiatives: rebalancing of loan book, focus on rural banking, internal collaboration and cross-sell, focus on productivity, digitization of businesses, enriching client experience and sustainability.





In sync with its vision to become a relevant business and banking partner with a customer-centric approach and a bank that is known for its profitability, productivity and efficiency, delivering sustainable and compliant return, IndusInd Bank has entered into its Planning Cycle 4, implemented for a period of three years (FY 2017-18 to FY 2019-20). The strategy has been devised focusing on various parameters that will facilitate the Bank in achieving sustainable value creation. It is based on a thorough assessment of market opportunities, trends and potential risks, the macroeconomic scenario, competitive landscape, and the potential impacts of external operating conditions, including regulatory and socio-environmental dynamics.

Planning Cycle 4 derives its inspiration from the Bank's core strategy – 'market share with profitability' – focused on creating scale in profitable subscale businesses with an objective to double client base, loans and profits in three years. The PC 4 strategy is based on four broad themes with seven strategic themes.

The focus areas of PC 4 give us a competitive advantage as they make us relevant and efficient in the dynamic business environment. They bolster our commitment to provide value to our customers in terms of efficiency, scale, scope and speed. The overall seven themes of IndusInd Bank have certain focus areas and targets to be achieved over a period of time.



Figure 18: Seven Strategic Themes

IndusInd Bank aims to rebalance its loan book by improving the loan mix by FY 2020 – corporate banking (50%), non-vehicle retail (25%) and vehicle retail (25%). Rural banking to be led by microfinance, IndusInd Bank aims to include vehicle finance under this vertical. Integrated digital strategy is in place in order to extract significant value to achieve responsive banking through technology, smart banking through digital assets and digital dominance through partnerships. Internal collaboration and cross-selling focus on productivity through initiatives which are largely focused on branch banking, channel optimization and organizational design. Customer experience can be improved through drivers such as lower customer attrition, better customer engagement, increased cross-sell and up-sell, wider client coverage, customer deepening due to better needs assessment and servicing. Sustainable banking is part of regulatory compliance as well as being a responsible organization through

focused initiatives for environment, society and good governance.

In order to operate in a highly dynamic external environment which affects our operations in the short, medium and long terms, the Bank prepares its strategic objectives in three-year planning cycles. These strategic objectives are further segmented into yearly and quarterly objectives, taking into account potential changes in the external environment while setting these objectives. The Bank identifies trends in the political, economic, social, technological and regulatory factors that could have a bearing on its performance. This evaluation process is continuous, and appropriate coping strategies are worked upon to mitigate the impact on the strategic objectives. The Bank has a strategic risk assessment framework in place, assessing likelihood and impact of failure on strategy execution. The outcome of the framework proposes an appropriate action plan for possible course correction.



External Environment

IndusInd Bank is a well-established bank in India and aims to be the right partner for its customers. It is trusted across its network for its standard of governance and its commitment to making a difference in the communities in which it operates.

Understanding the external factors, including economic, political, technological and socio-cultural segments of its environment, is critical for its success, thereby creating value over short, medium and long terms. IndusInd Bank strives to take advantage of opportunities in the dynamic environment and works towards identifying and mitigating risks that may affect its growth. A robust enterprise-wide risk management (ERM) framework enables IndusInd Bank to effectively and proactively manage various risks while supporting business growth.

As a strategic measure, in its Planning Cycle 4, the Bank has identified external environment factors that might affect its growth and profitability over time. It sets the context within which the organization operates. It becomes imperative to identify opportunities in the dynamic external environment and develop strategies to gain a positive outcome from those opportunities.

Based on the current macroeconomic environment, we have made certain assumptions that will facilitate creating value for our stakeholders. It is expected that consumer demand will remain strong driven by possible lower tax rates and release of liquidity in the hands of buyers. As a result, there will be an increase

in circulation of money in the economy resulting in financial value creation both for the Bank and for the consumer. Further structural reforms on GST, formalization of the informal economy, ease of doing business and FDI flows will further boost credit demand. The technological innovations promoting digitization will change market dynamics, specifically in the rural banking sphere, where, with various government schemes such as Pradhan Mantri Jan-Dhan Yojana, reach of mobile network along with our innovative ideas such as RFIDs will bring unbankable rural market in the banking ambit, thereby improving the serviceability of this segment. With the above-mentioned initiatives, the Bank is aiming to integrate financial inclusion, which will eventually lead to positive changes in the socio-economic conditions of households, resulting in 'inclusive growth' of the rural and urban households, thereby addressing domestic socio-economic conditions.

Stressed assets are a powerful indicator of the health of the banking system. New stress asset formation will be slower as recognition improved post - RBIAQR. There will be improved recovery and resolution via insolvency code. In addition, retail asset quality has held and is likely to hold well despite the rush for retail assets. With respect to sectoral competition, there is a shift in favour of private banks (CASA/Trade FX/Loan), giving the Bank an opportunity to further serve clients. Certain regulatory changes such as government of India's increased focus on driving

investment in renewable energy technologies present an opportunity to the Bank to fund energy efficiency initiatives and renewable energy projects. Inclusion of renewable and clean-tech finance in priority sector lending will provide impetus to funding within this sector. The Bank's exposure to the renewable energy sector is 4% of the corporate loan book and is approximately INR 2700 crores. The Bank has already exceeded the commitment of 2000 MW by 2020 and plans to continue to invest in this sector. Government's focus on priority sector lending provides another opportunity to contribute towards sustainable development. In FY 2018-19, the Bank disbursed INR 4300 crores through 1680 accounts. Domestic regulatory policies mentioned above provide a high-level overview of the governance and supervision of banks, including legislation, regulatory bodies and the role of international standards, the rules on liquidity, foreign investment requirements, liquidation regimes and recent trends in the regulation of banks.

Investors around the world are showing keen interest in the environmental data of companies, and as a result, there is an increase in transparency and accountability with respect to an organization's environmental and social impact. Globally, \$21 trillion worth of assets under management are for socially responsible investments (SRI). Since this is a socially

and environmentally responsible business, the bank may have preferential access to this capital.

The Bank is optimistic about inherent medium and long-term potential of the Indian economy. Key economic parameters have been stable with inflation at comfortable levels and interest rates moderating. The priority now would be to harness investment and consumption drivers to accelerate the pace of growth. A momentum in growth will lead to many more opportunities for all sectors of the economy and in turn for financial services.

Further, the macroeconomic environment, on the domestic front, is likely to remain broadly stable over the medium to long term, considering the largely domestically oriented nature of the Indian economy and its banking sector. Stability of key economic policies would also help in ensuring a growth-supportive environment, especially as the GST regime is streamlined further and delivers benefits. That said, various domestic risks exist which include slow pace of NPA resolution, farm sector distress, slow pace of job creation and a still weak private investment activity. Addressing them without structural reforms and through fiscal or populist measures could endanger macroeconomic stability, through higher fiscal and current account deficits, capital outflows and exchange rate pressures.

Talent Attrition	Attrition of critical resources Career planning and better employee engagement
Asset Quality	Increase in stressed assets Focus on early warning signals for big-ticket clients Collateral management
Efficiency	Significant spends on technology and infrastructure may lead revenue growth Straggled investment, project management Continued focus on branch break-even
Regulatory Risk	Stringent Basel III norms, liquidity Standards Basel III compliant ATI capital infusion. Remains capitalized well above regulatory threshold Non callable deposits and increasing share of retail deposits.
Ops / Execution Risk	Frauds, phishing, branch network, compliance, mis-selling Improved IT environment, stringent internal control measures and continuous training. Retention of competent resources, creation of mid-office with enhanced risk based filters.

Figure 19: Risks identified in the Short-Term and Mitigation Measures

Currency fluctuations arise from the floating exchange rate system, which is followed by most major economies. The exchange rate of currencies depends on various factors such as relative supply and demand for currencies, economic growth of countries, inflation outlook and capital flows. As these factors are constantly changing, currencies fluctuate with them. The fluctuation of a country's currency can have a far-reaching impact on the country's economy, consumers, businesses and remittance inflows.

Global economic environment would certainly be more challenging, and a source of headwinds as the after-effects of global financial crisis still persists. A number of global risks have emerged in recent years, which include protracted trade tensions between the USA and China, BREXIT-related uncertainty, rising income inequality at a time when technological changes are increasing labour force redundancy and rapidly rising corporate debt, especially in China. Macroeconomic stability, sound external sector fundamentals, productivity-enhancing investments and a flexible exchange rate would be crucial in dealing with these risks.

A flurry of global geopolitical change and political upheaval raises fundamental questions about the potential impact on banking industry regulation. Beyond high expectations and continued scrutiny, we continuously look for a broader focus by regulators as they move beyond enforcement and course-correction following the conduct issues that have emerged in recent years.

The financial sector reforms, including bankruptcy code, consolidation among banks, NBFCs and MFIs, are likely to support the Bank in sustainable growth.

The Bank continuously assesses the evolution of the external operating environment. Risks identified in the Short-Term and Mitigation Measures.

The Bank organizes a dedicated board meeting to discuss various macroeconomic trends, their impact on the business areas and possible coping strategies.

Value Creation using Capitals

IndusInd Bank creates value for its stakeholders in multiple ways. While some manifest in financial value, others bring about more intangible benefits and value creation in terms of **human, natural, social & relationship, infrastructure & intellectual capital.**





The richness of human capital is one of the greatest achievements of the bank. The Bank has the best of skills in the industry invested in making banking services fruitful for stakeholders, carving a niche through hard work, dedication and perseverance of employees.

IndusInd Bank is committed to fostering a culture of diversity and inclusivity. A diverse workforce and environment powers growth and innovation. The Bank expects all employees to treat other employees with dignity and respect. It believes in creating a secure, fair and transparent workspace devoid of discrimination or harassment.

The objective of the Bank is to recruit/hire, train and promote the most qualified applicants at all job levels basis only on merit, including their skills, expertise, without regard to marital and pregnancy status,

sexual orientation, religion, belief, political opinion, culture, language, ethnic/social origin, age, colour, disability, race or gender.

Human capital at IndusInd Bank is known not only for its diversity in terms of age, gender, race or cultural background but for different sets of skills and experience that foster creativity and offer a range of perspectives and ideas. As on 31 March 2019, the Bank has 27,739 permanent employees (22,675 male and 5064 female employees, including 18 employees with disability) and 20,857 contractual employees. Female employees represent 18.26% of the total employee base.

The Bank allows employees to exercise the lawful right of free association. However, there is no employee association or independent trade union covered by collective bargaining agreements in the Bank.

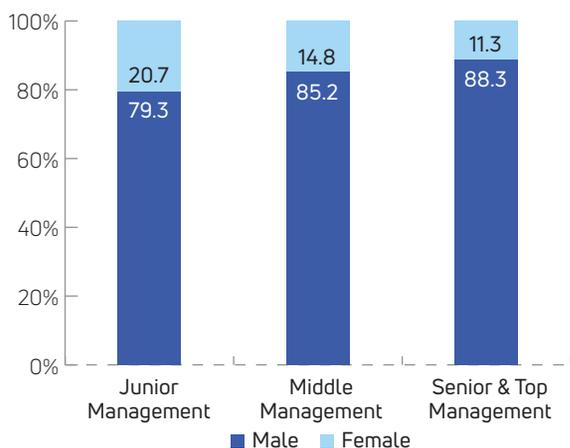


Figure 20: Gender Diversity by Management Category



Employee Grade	Ratio of Average Women Salary & Men Salary
Executive Level	1.03
Management Level	0.86
Non-Management Level	0.98

Figure 21: Employee Grade-wise Salary ratio

At IndusInd Bank, there is a highly educated workforce, whose technical skills are greatly valued globally. Every employee has readily available access to many internal tools to connect with the senior management. The Bank encourages transparency across its workforce and directly helps connect with leaders and their vision through various events and exchange ideas on myriad issues, including company strategy and goals. The employees can also directly connect with the leaders through online platforms like Twitter and Facebook. The recruitment process is fair and transparent, with a constant emphasis on talent screening. The Bank aspires to be the most preferred employer and create an environment suitable for the talent to thrive and do better without any discrimination. It is committed to be a company with a strong respect for human rights, safe work conditions and environmentally sound business practices for employees and customers.

Employee Diversity

The Bank respects, protects and promotes the human rights mandate recognized at the global level.

There are formalized processes and systems that facilitate and uphold the principles of ethics and sustainability as they pertain to all stakeholders, including employees. The Bank is committed towards prohibition of all forms of child labour, forced labour, compulsory labour, violence, harassment and sexual harassment. In accordance with the UN Guiding Principles on Business and Human Rights, we recognize harassment. In accordance with the UN Guiding Principles on Business and Human Rights, we recognize the right to freedom of association and collective bargaining and ensure payment of fair wages to all employees. The Bank does not discriminate with regard to marital status, sexual orientation, religion, belief, political opinion, culture, language, ethnic/social origin, age, color, disability, race, or gender.

The Bank seeks to associate with supply chain entities willing to abide by standard and progressive labour practices while upholding basic human rights. The procurement policy document provides guidelines for uniformity in the overall procurement process of the Bank, including

Zone	Age Group						Total
	<30		30-50		>50		
Gender	Female	Male	Female	Male	Female	Male	
East	278	772	216	1971	4	21	3262
North	902	2729	517	4528	2	22	8700
South	456	1616	359	3515	4	58	6008
West	1244	2428	1067	4907	15	108	9769
Total	2880	7545	2159	14921	25	209	27739

Figure 22: Employee strength by Age Gender and Zone (FY 2018-19)

Zone	Age Group						Total
	<30		30-50		>50		
Gender	Female	Male	Female	Male	Female	Male	
East	88	231	33	327	-	-	679
North	336	1216	102	1368	-	2	3024
South	188	661	70	739	-	1	1659
West	499	954	222	1133	3	7	2818
Total	1111	3062	427	3567	3	10	8180

Figure 23: New Hires by Age, Gender and Zone (FY 2018-19)

Category	Age Group						Total
	<30		30-50		>50		
Gender	Female	Male	Female	Male	Female	Male	
Junior Management	712	1490	200	1684	-	2	4088
Middle Management	39	167	169	1061	-	5	1441
Senior Management	-	-	20	151	-	3	174
Top Management	-	-	-	18	-	4	22
Total	751	1657	389	2914	-	14	5725

Figure 24: Employee Attrition by Age, Gender and Zone (FY 2018-19)

guidelines on transparency, safety and the inclusion of human rights.

The Bank tracks employee satisfaction using a variety of channels, including branch visits, employee engagement, grievance redressal, query resolutions and exit interviews. The branch visits conducted in the year offer feedback and insights which are then analysed for remedial actions or process changes.

The parameters of growth are not limited to achieving profits but also closely linked to employee development. The Bank strives to create a workplace where employees are treated with dignity and respect.

As a result, our employee attrition rate was 20.6% in FY 2018-19. Over the year, 8180 new employees joined the organization and 5725 employees bid adieu.

The Bank encourages employees to perform better and aspire to achieve greater heights in their career. The performance appraisal mechanism is comprehensive in nature, focusing on the overall development of the employees. It involves online self-appraisal by an employee against their SMART/KRAs, followed by their appraiser. In the past fiscal year, 57.7% of our male first-time employee's and 55.5% of female first-time employee's went through the process. They derive value in terms of constructive feedback on their performance, enabling them to work better in future.

Various training programs and workshops are designed to focus on the holistic development of employees, including on-the-job training, talent management, and career planning workshops. Further, in line with our Planning Cycle 4, the Bank is

Training Type	No. of Programs	No. of Participants	Total Training hours
Technical/ Functional	1700	35260	611241
E-learning	523	357639	605000
External	77	207	4356
Total	2300	397041	1290797

Figure 25: Employee Trainings (FY 2018-19)

Benefits provided to FTEs*	No. of Programs	Employees entitled to parental leaves	Employees who availed parental leave	Employees who returned in the current reporting period after availing parental leave	Employees who availed parental leave and were employed even after 12 months	Return to work Rate	Retention Rate
Life Insurance	0.83						
Health Care	36.24						
Disability / Invalidity Coverage	0.59						
* Full Time Employee		5697	354	239	205	68%	86%

Figure 26: Employee Benefits (FY 2018-19)

Figure 27: Parental Leaves (FY 2018-19)



Get Set Run Initiative at Gurgaon

investigating, arguing employee skills and knowledge. Programs on latest technologies such as block chain are conducted. The Bank has adopted online platforms to deliver most of its programs through e-learning modules. In order to improve training programs in terms of both content and quality, IndusInd Bank has put in place a feedback mechanism ensuring an effective and need-based learning. For FY 2018–19, the average training hours per employee was 46.53, and the staff training cost was INR 10.24 crores.

IndusInd Bank also lays emphasis on the training of its security personnel on human rights and organizational policies and procedures. In the past fiscal year, 3448 security personnel were trained, with 6896 average training hours. In addition, the Bank also conducts various workshops on soft skills, sign languages, among others, for special-needs employees and their reporting managers and colleagues.

IndusInd Bank invests in the overall welfare of employees. The employee benefit programs are designed to support them even after career endings. Full-time employees are offered benefits including compensation policy, employee stock option scheme, healthcare and insurance. In addition, as part of the statutory requirement, we contribute 12% towards the provident fund of the employees, supplemented in equal proportion by the employees.

The Bank understands that employees are equally committed outside work and require provisions to balance their commitments. As an employer invested in the well-being of its employees, the Bank provides a mix of leave options, including parental leave for new parents.

Human resource strategy is closely linked to the business strategy wherein there is focus on 'double the bank objective in terms of physical infrastructure, revenue, customers and employees. We have a multichannel hiring process, and the manpower for critical roles is sourced from peer banks and reputed BFSI companies. The Bank's 'Hire, Train, and deploy' model works in sync with the resource allocation strategy. At IndusInd Bank, employees are given opportunities through policies and internal movements. As a strategic initiative to tap into the team's network to find a prospective candidate, 'Indus Parichay' has been introduced. It is an employee referral program which takes advantage of



Clothes Donation Drive at Kolkata

an existing employee's network to identify potential candidates for various open positions.

IndusInd Bank understands that effective communication is the building block of an organization. Therefore, the Bank regularly communicates with its employees through various platforms and informs them about its activities and achievements. Know Your CSR and Spotlight are two newsletters published monthly and quarterly, respectively.

One of the activities under employee engagement was conducted across 23 branches in Kolkata. On October 2 2018, marking the occasion of Durga Puja, IndusInd Bank along with Rotaract Calcutta Mid South presented more than 1200 new clothes to the under-resourced schools and orphanages in the presence of ace cricketer Mr. Saurav Ganguly and other prominent celebrities. The Bank's branches organized special events and workshops in September to urge, encourage and motivate business communities, professionals and entrepreneurs to donate new clothes.

Health & Safety

IndusInd Bank looks beyond the presence of a safety policy when it comes to providing its employees with a safe and healthy workplace. Although employees in the banking sector work in a relatively stable environment, they are exposed to some significant

risk of bodily injury and ill health, including psychological stress, physical exertion from prolonged work hours, ergonomic issues, women's safety, etc. IndusInd Bank has taken various precautionary measures to manage these risks. In the past fiscal year, 650 branches which were opened from 1994 to 2012 were subjected to a comprehensive health check-up of electrical installations as a measure to prevent any incidents due to electrical failures, overloading and short circuit.

The Bank has developed an effective health and safety management system which integrates safety in day-to-day operations and which allows an organization to consistently identify and control its safety risks, reduce the potential for accidents, help achieve compliance with safety legislations and continually improve its performance. A workplace health and safety policy is in place, guiding the actions.

IndusInd Bank also conducts various safety-related training programs including fire evacuation drills, training modules on topics such as basic fire prevention and workplace safety. In addition, it has developed an e-learning module on 'Workplace Fire Safety & Security', which is mandatory for every employee, including new recruits. In FY 2018-19, as many as 17,158 employees completed the e-learning program. Further 12,750 employees were covered



Fire Safety Training



Security Personnel Training

through classroom sessions. Also, the bank conducted fire safety training sessions/fire evacuation drill and safety training to about 10,500 employees through 1200 sessions.

There is a special emphasis on women safety to provide them with a workplace that is safe and secure.

IndusInd Bank has implemented initiatives such as the deployment of lady-guards, escorts for women employees leaving at late hours, and police verification of drivers and cleaners. The e-surveillance system implemented across all the branches facilitates identifying a potential risk, incident and threat. During the reporting period, 258 women employees were trained through 10 sessions, achieving 774 person hours on women safety.

Since IndusInd Bank is a non-industrial establishment, there is no formal safety committee. However, employees are encouraged to share their concerns through various other platforms. The Bank follows all applicable government rules and regulations with respect to health and safety.

There were no incidents or injuries, occupational diseases or fatalities in FY 2018–19. The absenteeism rate of employees for FY2018–19 was 2.69.

Green Champions Program

IndusInd Bank launched its Green Champions Program as part of its Hum aur Hariyali Campaign in 2009. At the beginning of 2012, the Bank began the process of officially launching the Green Champions Program on a national scale. Green Champions Program is an initiative designed to increase awareness of social and environmental issues and to make employee volunteers the leaders of sustainability on the ground, in turn empowering them as change makers who collectively advocate and drive initiatives at their workplace and community. Green Champions (GCs) receive intensive training and support through an annual training meet. They are joined by their juniors – the Green Commandos. The Green Commando Program is a precursor to the Green Champions Program. Green Commandos commit to practising

Tree Plantation Drives



sustainability in their respective workplaces and support the GCs with local campaigns to integrate the concept of sustainability into the employee culture, to build leadership skills and capacity among employees, which will empower them to take sound decisions and bring about a positive change in the society and to reduce energy and resource consumption by creating awareness among the employees on energy and resource efficiency. These Green Commandos have commenced activities, ranging from volunteering at NGOs to creating various awareness campaigns on saving electricity, water and paper. They have also been promoting different causes of the 'Share2Care' Campaign. The performance of the GCs and Green Commandos are tracked, managed and evaluated through an online system, and they are required to maintain and submit qualitative and quantitative reports of their activities to the CS department. The GCs are evaluated on the basis of a number of criteria, including the number of campaigns they implement, timely reporting and their engagement with other participants. Every year, the best-performing GCs are recognized with rewards. Any employee can become a Green Commando. The activities reported by Commandos are assessed and evaluated based on pre-decided criteria. They are scored, and based on the score and evaluation, Commandos are promoted as Champions. The Green Champions Program in FY 2018–19 saw several different activities being conducted across all

Tree Plantation Drives



four zones. The conservation theme in the first quarter was taken up beautifully by several GCs as they analysed resource use and put systems in place to reduce wastage and conserve water, energy and paper. Awareness sessions were held on many topics, from the issue of food wastage at the workplace in Chennai, to wet waste management in Mumbai, and reduce plastic use in Chandigarh to deforestation in Dibrugarh.

Resource use was reduced by simple measures such as recalculating requirement, as well as by more elaborate processes like auditing energy use, conducting training programs on composting wet waste and mobilizing people at the local level to save water by fixing leaky taps. The program was enabled by 19 GCs with the help of more than 350 employee volunteers who took part in more than 21 activities, and about 2458 volunteer hours were clocked in FY2018–19.

Several theme-independent initiatives were also taken up by the GCs on their own, based on needs. The GCs organized campaigns to donate funds for cyclone relief in Tamil Nadu and also conducted several local fundraising drives for homeless shelters and schools. They successfully organized employees to take part in the plantation of more than 3700 trees in Jaipur, Pune, Gurugram, Delhi and Mumbai, thus helping to fulfil the bank's overall target of planting 20,000 trees.

'Best from Waste' workshop by Green Champions





Infrastructure & Intellectual Capital

IndusInd Bank has a wide network of ATMs and branches spread across 736 geographical locations in India. Since inception in the year 1994, the Bank has grown manifold providing customers with value for their money in terms of accessible and convenient banking at their doorstep. The Bank has increased its reach to most inaccessible corners of India through innovative banking models thereby facilitating in the economic development of the country by getting unbanked masses into an organized banking system. The representative offices in few international locations facilitate customers in their financial and commercial activities in foreign markets.

The banking sector is dynamic in nature, and with the advent of technological innovations, it has witnessed a strong competition from both national and international banks. Keeping pace with the new

developments, IndusInd Bank has always been a proactive organization adapting to the changing business landscapes in terms of changing customer preferences, digital disruptions and product innovations. The Planning Cycle 4 strategy also focuses on digitization and reengineering business through creating optimal structures and processes to improve efficiency and client experience. The strategy is developed to enhance all operations of the bank, including product development, service delivery, improving client experience analytics to risk management. The Bank delivers products and services through various channels, including digital platforms, in collaboration with technological partners, partnering with fintech players, mobile wallet providers and other business correspondents with the objective of diversifying and expanding the

Digital Strategy theme of PC4



Bank's customer base in a non-linear business-to-business-to-customer (B2B2C) model. These partnerships are enabled via application programming interface (API) integrations. Keeping with the theme of building alliances, IndusInd Bank is also engaging with various government-mandated national payment regulations and frameworks. The benefits of these alliances present themselves in the form of verifications of transactions, leading to a lower risk and a higher transparency and accountability.

Additionally, digitization effectively increases the linkage between business units to engender a business model that is cost-effective, profitable and efficient. IndusInd Bank's digital plan of action is as follows. Digital banking is expected to contribute 14% to the Bank's profits by 2020.

The Bank has surpassed the physical and infrastructural constraints of banking in rural India by leveraging digital tools and technology innovations to deepen engagement with rural customers. The digital platforms work in conjunction with public technologies, including Immediate Payment Services (IMPS), Unified Payment Interface (UPI), Aadhaar-Enabled Payment System (AePS), Bharat Bill Payment System (BBPS), Trade Receivables Discounting System (TReDS), etc. The Bank has created sustainable value for last-mile customers by moving from cash-intensive to electronic channels, thereby reducing theft, fraud and risk associated with informal credit providers. The Bank saw a good growth in the number of transactions in the last quarter of FY 2018-19 through payment channels like NEFT, RTGS, and IMPS, amounting to 290 lakhs of

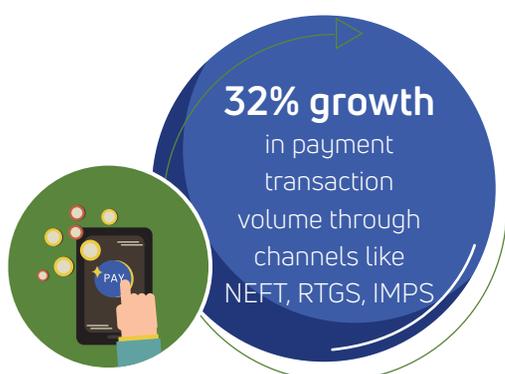
transaction volume vis-à-vis the last quarter of FY 2017-18.

At the beginning of FY 2018-19, as per the Ministry of Electronics & Information Technology (MeitY) Report, the Bank's percentage of digital transactions was around 83%, whereas when we ended the year FY 2018-19, it was around 98%.

IndusInd Bank has a strong and robust IT system to support its digital banking products and services. The core agenda of the IT function is to develop automation capabilities within each task and workflow to achieve operational excellence and to build resource capacity in terms of applications and servers. Some key initiatives include implementation of a workflow and imaging system called iWorks, re-platforming of the trader system TradePro, and iMegh, a software-defined data centre suite of application.

Digitizing to Differentiate

IndusInd Bank has consistently sought to differentiate itself in the banking sector by using



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technology to find, serve and engage customers by offering a unique client experience. Digital technology, with the potential of reaching broader markets and making banking convenient and rewarding for customers, has presented the Bank with the opportunity to stand against competition and gain leadership in the industry.

A central objective of the digital strategy is to enhance the banking experience for all clients and customers. This customer-centric approach begins by assessing the needs of these stakeholders by leveraging market research and industry trends and subsequently developing digital platforms, products and services. These solutions, in line with IndusInd Bank's theme of 'responsive innovation', are customized to the needs of different client segments and have been successful in terms of improving overall customer experience and service, at the same time widening our reach across markets, in both rural and urban areas. In particular in rural India, IndusInd Bank's growing portfolio of digital innovations and products and technology has successfully enabled and propagated the rural strategy by democratizing and simplifying the banking access. In addition, from the business perspective, the integration of digital technology into retail banking in our home markets have proven to be beneficial, with a noticeable improvement of nearly 35% in productivity.

Information technology is a strategic partner to the business to build the bank of the future. It continues to deliver on its commitment of better customer service, improved risk management and superior performance through compliant, secure and resilient solutions and infrastructure. Key customer-centric initiatives within the digital space are as follows:

 **WhatsApp Banking** – The Bank has innovated to launch WhatsApp Business as a new channel for customer service and engagement. With this launch, IndusInd Bank became one of the first banks to participate in WhatsApp banking. Through WhatsApp, customers can use a 'Verified Account' and the bank offers banking services such as

checking balance, mini statement, checking reward points as well as updating Aadhaar data through WhatsApp.

 **EmpowerRM** – RM productivity app
EmpowerRM is a tool to equip the relationship managers to facilitate cross-sell and up-sell by providing a holistic view of the customer. It provides 360-degree holding information of the customer by collating information from multiple systems of record such as customer, request, query, and complaints.

 **Cash and Trade App** – Indus Direct Mobile App 2.0 is the existing corporate mobile banking app that is now integrated with both Indus Direct and Connect Online. It facilitates corporate banking customers, irrespective of the channel being used by them to avail mobile banking services. The app offers services such as self-registration, self-managing accounts, cash management services and trade services.

 **Customer Enrichment Experience through IndusMobile** – The Bank has constantly innovated on its flagship mobile app by providing secure facilities such as block/unblock and limit maintenance features on the fly. These are features which enable customers to manage their wealth securely and conveniently and is a market first App launch and login time has been optimized by reengineering.

 **IndusAssist: Personal Banker on Alexa** – IndusInd is the first bank in the industry to offer both financial and non-financial transactions on Alexa, with voice-based conversational banking without a single tap or click and without interrupting the customer's current task. Transactions are authenticated via a voice PIN set up during a one-time account linking process followed by OTP for completing any financial transaction. Voice PIN is the industry-first initiative by IndusInd Bank. The most frequently used services include successful transfer, recharge and credit card bill payments.

 **IndusCollect** – It offers simplicity to customers as a single-dashboard view for

multiple forms of collection. It simplifies the refunds management with mobile application for smaller merchants. This has generated transactions with a value of 12 crores.



Ripple Blockchain – The Bank has launched cross-border remittance with AlRajhi Bank of Saudi Arabia and Bank Dhofar of Oman with live transactions that commenced from October 2018. This uses the distributed ledger technology to settle inward remittance transactions, resulting in IMPS credit within 5 minutes from the existing turnaround time of one working day. The platform also performs an AML check for inward remittances (for values <INR 5 lakh).



Public Financial Management System – cBKonnect Version 3.0 platform has become a single platform supporting government disbursements like Rajasthan Payment Portal (RPP) Module, MP Health Payment System, Certificate-Based Payment Processing for Corporate, New Account Validation for Mahatma Gandhi National Rural Employment Guarantee Act (MNERGA), E-tax, Enhanced Functionality of WPS (Kerala – Wage Protection).



ProCollect – Collections for Consumer Finance Division – All collections have moved to an app to replace the handheld terminal (HHT). This is securely handled through a mobile device management (MDM) enabled mobile device and Bluetooth printer. To support cashless payments, integration of alternate payment modes like payment through debit card and Unified Payment Interface (UPI) has been created.



CRETA – Customers at branches have a single window to handle service requests straight, for example Aadhaar linking/seeding with the IndusInd account for government subsidies, signature changes, address and email changes after biometric authentication.



Software Defined Data Centre (VLAN to NSX-VxLAN) - Fast Application Deployment of Template Dynamic Configuration and Deployment

of Templated NSX and vRealize Automation for on-demand application delivery has been achieved. Stopping lateral spread of security attacks by enforcing security at the granular level – at the data centre–individual security policies and individual firewalls has also been achieved through micro segmentation, improved asset utilization and reduced hardware spend.



Robotic Process Automation – This is using software to mimic human operator interactions with software to automate routine, repetitive and high-volume human tasks. The journey of process automation started in September 2017, with 57 processes automated for CPU yielding to over 800,000 plus transactions processed per month and growing. The CGMO unit saw seven processes automated with about ten FTE man power savings. Some of the key processes automated are bulk payment processing such as salary uploads, NEFT outwards, ATM/GL/NPCI/IMPS reconciliations, customer requests processing from various digital channels, corporate client statements, automated AML investigation/STR report, reports on fund inflow/outflow and cash management reconciliation. The way ahead for the Bank is to plan for a deeper application of automation in credit card operations and commercial vehicle finance operations and CGMO. We have planned to add 60 processes across different business units, with an expected additional effort saving of around 35 FTE manpower across operations units in credit cards, CGMO and vehicle finance operations.

Leveraging Digital Partnerships

In the era of digitization, gaining competitive advantage is paramount, especially in the banking sector. IndusInd Bank's digital strategy over Planning Cycle 4 has been developed strategically to capitalize on the existing digital ecosystems with established capital infrastructures and reach mutually beneficial collaborations. The underlying intent is to offer value to all stakeholders, the Bank, partners and, importantly, customers.

To this end, the Bank has partnered with fintech players, mobile wallet providers and other business correspondents with the objective of diversifying and expanding the Bank's customer base in a non-linear business-to-business-to-customer (B2B2C) model. These partnerships are enabled via application programming interface (API) integrations.

The Bank partnered with various payments banks on the launch of new products and services that are offered to the latter's clients through their portals. In collaboration with Paytm, a leading mobile wallet provider and payments bank, the Bank is offering a fixed deposit (FD) product to Paytm's customers. The IndusInd Bank FD product for Paytm customers has been packaged such that the FD generates high returns even while the funds are available for withdrawal through the sweep facility, based on account balance – a feature that has been well received by customers. In the subsequent phase of this partnership, customers will be able to book an FD irrespective of account balance.

In a rapidly transforming banking landscape, digital adaptation has emerged as a necessity in every Bank's agenda. With shifting customer demands, emerging alternative non-bank players – fintechs – are changing the financial sector by revamping solutions, enabling their clients to do more with less. Recognizing this, IndusInd Bank is proactively partnering with fintech companies with penetration in the MSME sectors to create tools that enable the democratization of its product offering for customers in these sectors by customizing them to match their needs, for example with microfinance loans and loan accounts synced to structural sales rhythms.

Keeping with the theme of building alliances, IndusInd Bank is also engaging with various government-mandated national payment regulations and frameworks. One important benefit of these alliances is verification of transactions, leading to a lower risk and a higher transparency and accountability.

Major Technological Innovations

Tab 2.0 - Tab banking platform has been enriched as a loaded solution with co-origination and cross-selling as a core. It includes (a) one-stop shop, for sourcing for products such as CASA, PL, and CC through the Tab, (b) bundled offering, clubbing basic products with value-added services such as FD, RD, lockers and /other offers, ©next-best offer, increasing loyalty by pitching the next-best product, and (d) e-KYC (using Aadhaar–biometric and OTP), to name a few.

Social Banking - The Bank has launched banking on social platforms like Facebook and Twitter. Customers can bank through Facebook Messenger or app by sending direct messages to the Bank. Other services like balance enquiry, mini statement, locating the nearest ATM and branch outlets are also available.

Wallet of Wallets delivering Beyond Banking - The Bank has gone live with a new version of Indus Mobile. With this version, the Bank is all set to embark on a journey to take Indus Mobile 'Beyond Banking'. Indus Mobile now has the following brands live on our platform: Ola, Uber, Swiggy, Fresh Menu, Near Buy, and Little, through a new section called 'All-in-one store'. This provides a one-stop solution for all the recurring lifestyle needs of customers to provide 'customer delight through convenience'.

iMegh - (IndusInd on-Premise Private Cloud Banking) - The Bank implemented VMWare's software-defined data centre suite of applications to empower the IT applications team and business units with a self-service mechanism to provide infrastructure for computing, storage, networks, ELB and security, which otherwise would be a time-consuming manual process.

Maintaining Cyber Security

Cyber security has been of great importance in the financial sector. It becomes all the more necessary since the very foundation of banking lies in nurturing trust and credibility. Moreover, since the Bank has

moved towards a cashless economy using debit cards and credit cards, issues with respect to data security and privacy have taken centre stage. Data breach and customer privacy can lead to huge losses for both the parties. Therefore, banks need to be on their guard more than most businesses.

IndusInd Bank has established an IT strategy committee of the board with relevant technical expertise to oversee IT security of the bank. The dedicated responsibility lies with the chief information officer who reports to the chief risk officer. The information security policy guides us in the initiatives to implement strict cyber security rules and regulations across operations. The Bank has implemented a structured IT infrastructure and information security management system certified to ISO 27001:2013 across all data centres and IT support locations.

Further, the Bank also conducts various awareness training programs on security/cyber security. In FY 2018-19, 160 senior officers attended a workshop on Aadhaar/data protection. Forty employees from senior management alongwith the CISO, CRO, CTO and two board of directors attended the RBI-prescribed cyber security program. In addition, the Bank also has an in-house learning management portal where the mandatory information security awareness module along with learning assessment is assigned to employees. Classroom awareness sessions are conducted for contractual vendor resources operating from the Bank's premises.

The Bank has put in place business continuity management (BCM) framework approved by the board, which covers the business continuity plans for its critical process and functions. BCP tests are conducted on an annual basis for critical processes as per the agreed BCP test calendar.

The Bank is subject to various security audits throughout the year. The regulator conducts onsite IT examinations focused on cyber security annually. Apart from the yearly assessment for ISO 27001 by

BSI, internal ISMS audits are conducted thrice a year. The Bank's internal yet independent information systems audit team conducts audits covering general control plus security aspects throughout the year. This function reports to the head of the Audit Committee, who in turn reports to the Audit Committee of the Board. Periodic audits are conducted for specific functions like SWIFT, depository (e.g., NSDL), cards (e.g., VISA), UPI (NPCI), Aadhaar (UIDAI), etc.

Vulnerability assessment and penetration testing are conducted every quarter. IndusInd Bank engages a security partner under the Bug Bounty Program to conduct simulated attacks. It also conducts simulated phishing exercises to assess and educate employees on phishing-related threats. The Bank also participates in periodic online cyber attack drills conducted by the Institute of Development and Research in Banking Technology (IDRBT). In FY 2018-19, there was one case of cyber security breach.

Latest Technologies aiding Financial Growth

The launch of the flagship product of the Bank, IndusMobile, the mobile app, is already a



Mobile Banking

considerable revenue generator for e-commerce transactions for the Bank. The channel is also leading to other purchases through various platforms, via the 'All in One Store' feature.

The Bank's implementation of Ripple Blockchain for Inward Remittances, partnering with Al Rajhi Bank of Saudi Arabia and Bank Dhofar of Oman, is also a contributor to revenue generation.

With the implementation of latest technologies, the Bank has created value for both the business and its clients. The Bank provides API services by collaborating with various digital platforms such as collaboration with fintechs. The API management services enable channel partners to connect their applications easily to our banking service with minimum coding. We have also implemented an API Management tool. The platform has seen about 30-40% growth monthly in the last 3 years. Earlier, on boarding any of these partners would take more than a month, which is now reduced to a day. There is a multifold increase in the transactional volumes,

with more partners coming on to this platform. This has also brought about productivity gains internally; prior to the implementation of the product, such interfaces with external partners have to be facilitated by establishing network connections and other cumbersome options. The API Management tool has helped increase business by enabling the Bank's partners to connect with its systems seamlessly.

The Bank saw a good growth in the number of transactions in the last quarter of FY 2018-19 through payment channels like NEFT, RTGS, and IMPS, amounting to 290 lakhs of transaction volume vis-à-vis the last quarter of FY 2017-18, resulting in 32% growth in the payment transaction volume.

At the beginning of FY 2018-19, as per the Ministry of Electronics & Information Technology (MeitY) Report, the Bank's percentage of digital transactions was around 83%, while at the end of FY 2018-19, it was around 98%.



Natural Capital

IndusInd Bank's exposure to natural capital is limited to the use of land for its physical infrastructure, but it has an impact on business activities. The Bank is exposed to financial risks as a result of loans and investments provided to businesses with natural capital impact. These risks come from stricter environmental regulations which increase compliance costs: from droughts and resource shortages which disrupt production and supply chain to reputational damage and changing consumer preferences which reduce company revenues. In contrast, it also presents various opportunities due to the shift to a greener economy that protects and enhances natural capital through renewable energy and resource efficiency.

IndusInd Bank has directed its various initiatives to create a positive impact on natural capital. We have implemented environment-friendly measures in our business operations. In addition, environmental impact is a key consideration in the decision-making process for various products and services. The Bank has an established environmental and social management system (ESMS) to ensure that investments balance financial growth with socio-environmental sustainability. The focus areas under the ESMS policy include greenhouse gas emissions, energy efficiency, water and waste management, and resource conservation.

IndusInd Bank, as an environmentally responsible organization, seeks to specialize in the lending portfolio by increasing investments in the renewable

energy sector. The project finance unit of the Bank has investment products for renewable energy generation projects such as wind and solar. In FY 2018–19, this unit invested INR 36 billion in renewable energy projects. Other investments towards environment sustainability include investments in the CDGS Project (City Gas Distribution System).

In addition to products and services, the Bank is also working towards making facilities green. The Palm Spring office at Gurgaon and the IBL House in Mumbai have achieved LEED Gold and Platinum, respectively. The bank office facility at Karapakkamin Chennai is pursuing the LEED Gold rating. In FY 2018–19, there were no fines or non-monetary sanctions due to non-compliance with environmental laws and regulations.

KPI	Measure	Target
GHG Emissions	Reduction in Scope 1&2 GHG emissions intensity	15%
Waste Disposal	Reduction waste disposal	10%
Energy Consumption	Reduction in energy consumption intensity	15%

Figure 28: Environmental targets

IndusInd Bank also invests through its CSR initiatives in projects that lead to environmental conservation. The Bank is promoting afforestation as an effective way to sequester greenhouse gas emissions. In association with the NGOs, the Bank has planted 25,861 saplings across different locations in FY 2018–19.

The Bank monitors performance against environmental indicators such as energy, GHG emissions, water and waste for 100% of its operations. The Bank has taken specific measures against these environmental key performance indicators (KPIs) with the target year being FY 2020–21 and baseline year being FY 2017–18.

Energy

Electricity and fuel are the two largest sources of resource consumption in IndusInd Bank. Electricity consumption is a mix of renewable and non-renewable sources of energy, the major part being non-renewable. The electricity purchased is used at the offices, branches and ATM outlets. In FY 2018–19, IndusInd Bank utilized a total of 85,655.76 MWh of energy (renewable 255.8 MWh and non-renewable: 85622.23 MWh). Further, diesel is used to power branches in remote locations which have an inadequate and intermittent access to grid electricity.

Source of Energy	Type of Energy	Energy Consumption (MWh)	Energy Consumption (GJ)
Non-Renewable	Fuel-diesel	11,323.10	40763.11
	Fuel-petrol	222.26	800.136
	Electricity	74,076.87	266676.51
Renewable	Solar	255.80	920.88

Figure 29: Energy Consumption (FY 2018-19)

To reduce the environmental impact of diesel use, the Bank has collaborated with Vodafone Internet of Things to develop and deploy an integrated monitoring system across high-diesel-consumption centres. In FY 2018–19, diesel consumption reduced by 3.11% in DG sets using this system over the previous year.

Energy Efficiency Initiative	Energy Saved (KWh)	Energy Saved (GJ)
Thin clients	34730	125
Virtual servers	4601300	16565

Figure 30: Energy Saving (FY 2018-19)

At IndusInd Bank, energy management is a thrust area, and various strategic initiatives such as use of

energy-efficient equipment, greening of IT systems, reducing physical branch size, and use of renewable energy have been taken towards energy conservation. The Bank is the first in India to launch an on-site renewable program for offices, branches and ATM outlets. In FY 2018–19, the Bank was able to reduce Scope 1 GHG emission by 477.9MTCO₂e, whereas the Scope 2 GHG emissions has increased by 3106.05MTCO₂e.

Renewable Energy

In its endeavour to shift towards renewable sources of energy, IndusInd Bank has implemented various initiatives to utilize solar energy in its operations. Some of the facilities generate electricity using grid-integrated rooftop solar panels. Further solar ATM outlets also contribute towards renewable energy consumption.

Initiative	Energy Generated (kWh)	Energy Generated (GJ)
Solar energy generated at Karapakkam facility	44940	162
Solar energy generated at IBL House facility	20060	72
Solar ATMs	190800	687

Figure 31: Renewable Energy Generation (FY 2018-19)

Green IT

IndusInd Bank has developed a green IT roadmap to transform our IT infrastructure to a virtualized habitat. Currently, in Phase 2, the green IT transformation in data centres and disaster recovery centres has been designed to reduce power consumption by 20% as well as to optimize space requirements. This has resulted in higher operational efficiency for the Bank along with lower energy overheads. Within this initiative, the Bank has moved from physical to virtual servers. Server virtualization allows businesses to migrate data from physical

Year	Number of Servers Virtualized
2016-17	1248
2017-18	1582
2018-19	696

Figure 32: Server Virtualization

servers to software-based virtual machines which can hold data equivalent to that held on many physical servers. This remains the most effective way for the Bank to reduce energy consumption while boosting system efficiency and agility; end users can access their data faster and in a more secure way with this virtual system. Virtualization will continue to be the technology of choice for all new applications for the Bank in the coming years. The next step will be virtualizing network components like routers and firewall that form backbone of our IT security deployed at the Bank's data centres. Currently, 80% of the workload in our data centres is virtualized. The Bank is also aligning the IT architecture with foundational transformations like Network Virtualization and Security Platform (NSX) and Hybrid Cloud to ensure that our data centres are energy efficient and green. In FY 2018–19, energy savings of 4601300 kWh and emission reduction of 3303.9 MTCO₂ were achieved.

GHG Emissions

IndusInd Bank, in its endeavour to follow a low-carbon path towards growth, has implemented a

GHG Emissions (MT of CO ₂)	FY2016-17	FY2017-18	FY2018-19
Scope 1	5937.57	5777.29	5299.38
Scope 2	51141.22	57801.92	60907.97
Total GHG Emissions (Scope 1+2)	57078.79	63579.21	66207.35

Figure 33: Absolute GHG Emissions (Scope 1 + Scope 2)

GHG Emissions (MT of CO ₂) per Revenue	FY2016-17	FY2017-18	FY2018-19
Scope 1	5937.57	5777.29	5299.38
Scope 2	51141.22	57801.92	60907.97
Specific GHG Emissions (Scope 1+2) per revenue	0.00000056	0.00000052	0.00000046

Figure 34: Specific GHG Emissions (Scope 1 + Scope 2)

GHG Emissions (MT of CO ₂)	FY2016-17	FY2017-18	FY2018-19
Scope 3	5131.66	5797.56	14350.29

Figure 35: Absolute GHG emissions (Scope 1 + Scope 2)

carbon strategy to limit its GHG emissions. There is a GHG inventory enabling the Bank to measure and monitor carbon footprint. It includes all business activities and operations in India. The bank has adopted GHG protocol corporate accounting guidelines to report on GHG emissions. In order to increase the credibility of the disclosure, the report is externally assured by an independent third party.

In FY 2018–19, the overall GHG emissions are estimated to be 80557.64 MT of CO₂e (gases including CO₂, CH₄, N₂O, R-22, R-410a, R-32). The largest contributor to carbon footprint was purchased electricity, which accounts for 64.9 % of total GHG emissions. The per revenue emission intensity for FY 2018–19 considering Scope 1&2 was 0.00000046 (MTCO₂e/unit revenue)

The increase in Scope 3 emissions is due to inclusion of additional data of the Bank, namely transactional ATM outlets (outside the operational boundary), data centres and hotel stays.

IndusInd Bank is a signatory to the Carbon Disclosure Project (CDP) where carbon footprint and GHG inventory data are voluntarily disclosed in public domain. The Bank currently features in the 'A' list of the CDP, a platform that is widely referred by global investors. This is the fifth consecutive year in which the bank has retained its top position securing Band A in the CDP India Climate Change Rising Stars 2018. The Bank is one of the only five Indian companies to secure Band A and has achieved the highest score in the banking and investment services sector.

Afforestation:

IndusInd Bank, in association with NGOs, has planted 25861 trees with a carbon sequestration potential (CSP) of 6410.43 metric tons of carbon dioxide (CSP estimated value over a tree life span of 15 years) with an aim to promote urban afforestation. The details

Energy Efficiency Initiative	GHG Emissions Saved (MTCO ₂)
Thin clients	28.4
Virtual servers	3303.9

Figure 36: GHG Emissions Savings (FY 2018-19)

Renewable Energy Initiative	GHG Emissions Avoided (MT CO2)
Solar energy generated at Karapakkam facility	36.95
Solar energy generated at IBL House facility	16.45
Solar ATM outlets	156.88

Figure 37: GHG Emissions Savings (FY 2018-19)

about afforestation are provided in the Social and Relationship Capital Section of this report.

Waste Management

India is grappling with the problem of solid waste management; waste from electrical and electronic equipment has become an important area of focus of legislators. The very hazardous nature of this waste component, in terms of both the health of the citizens and the environment, has made it important to implement a safe disposal mechanism.

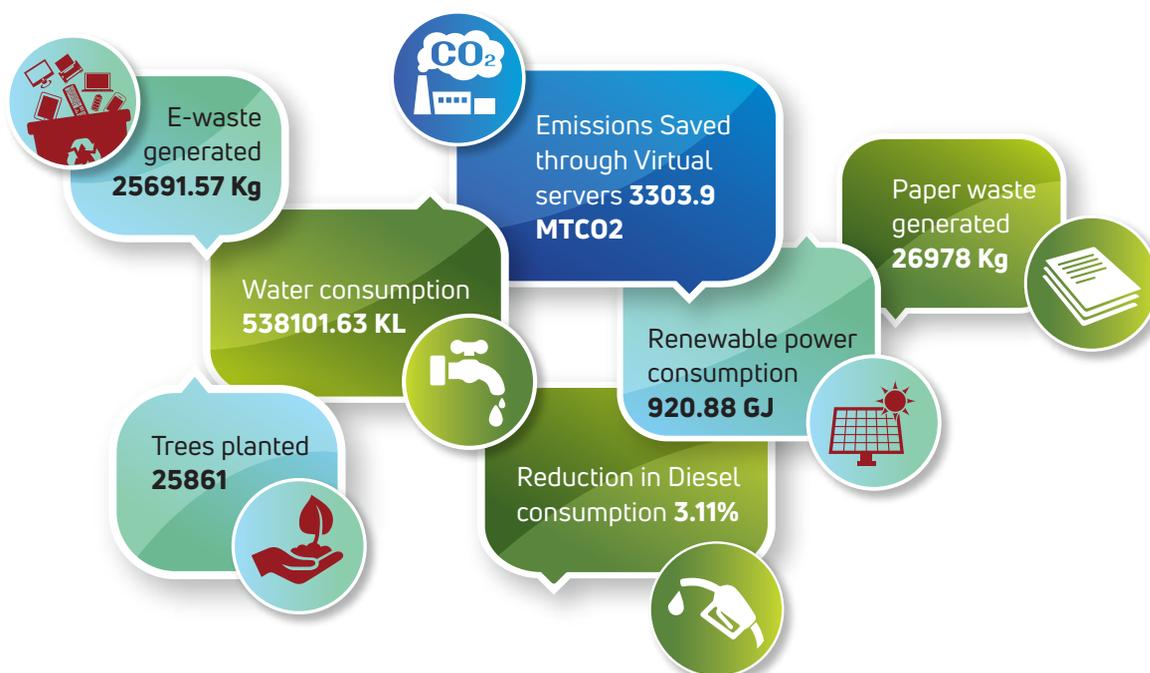
For IndusInd Bank, e-waste is an unavoidable component of the waste generated due to dependence on electronic equipment for services. However, the Bank is committed towards sustainable management of e-waste as per government regulations.

IndusInd Bank is working towards creating a culture of waste management at source. The Bank has

initiated the process of waste segregation at many branches and offices. IndusInd Bank has implemented another initiative to reduce waste and conserve resource which is the reduction in the use of papers which is the most consumed commodity at the Bank. This is attributed to the shift to digital banking with various technological solutions such as mobile banking, video banking, ATM outlets, electronic transfers, online banking, etc. A total of 25691.57 Kg of hazardous e-waste and 26978 Kgs of non-hazardous paper waste were generated and disposed in FY 2018-19.

Water Management

Water management is the control and movement of water resources to minimize damage to life and property and to maximize efficient beneficial use. IndusInd Bank recognizes the urgent need for efforts in the area of water stewardship and is working towards creating a culture of water conservation across its offices. Some of the initiatives taken in this regard are the installation of water filters for all taps at wash basins and use of bioblocks instead of flushes in male urinals at some offices. The estimated total water consumption for FY 2018-19 was 538101.63kl.





Social & Relationship Capital

The Bank recognizes that the viability of business depends on its ability to sustain strong relationships with stakeholders. The Bank has devised the PC4 strategy in line with the focus area on sustainable banking wherein there is a commitment to create long-term sustainable value for all stakeholders including customers, employees, regulators, shareholders and society.

IndusInd Bank invests in a series of initiatives that enhance collaboration with stakeholders and subsequently build its brand. The customer-centric approach facilitates the strengthening of the customer base. The Bank also contributes to the sustainable growth of communities through customized products and services and its community development initiatives. Suppliers and vendors are business partners who are given various opportunities to grow along with the Bank. The Bank also works with employees and maintains healthy relations as they are brand ambassadors. Moreover, the Bank seeks to improve the well-being of the country by aligning priorities with national priorities and promoting a culture of responsible financial

management. Maintaining social and relationship capital offers intangible benefits that are realized in the future. In FY 2018–19, there were no fines or non-monetary sanctions due to non-compliance with social laws and regulations.

I. Community Relations

IndusInd Bank has a strong focus on the development of the communities through its various developmental programs designed for the communities. The objective is to equip them with knowledge and skills that are necessary for a sustainable livelihood.

We have a corporate social responsibility (CSR) policy guiding us in our CSR initiatives and a CSR committee responsible for their implementation. In FY2018–19, the bank has spent INR 55.46 crores (1.25% of PAT) on various social and environment-oriented programs. Philanthropic contributions to this sum were INR 3,406,176.



Key Performance Indicator	Target
Creating and maintaining excellence in sports	Supporting and nurturing 300 athletes through Grassroots and High Performance Programs. From these, 8-10 are expected to win medals at the 2024 Olympics. In addition, we expect 35-40 athletes to win medals for India at other marquee international tournaments.
Water resource development and management	Additional water availability of more than 700 million litres or 700,000 cubic metres will be created through various conservation and restoration initiatives. Watersheds will be developed over 3,600 hectares of land by 2023.
Afforestation	59,000 indigenous trees to be planted by 2019, which is expected to have a carbon sequestration potential of approximately 26,700 MT of CO ₂ e (offset over 15 years).

Figure 38: Social Targets



Figure 39: CSR Focus Areas

A structured process is followed for project identification, implementation and monitoring. Each initiative is assessed to ensure that it has a significant socio-environmental impact and is considered vital by internal and external stakeholders.

As an effective approach to engaging the community, they are trained to take ownership through training and capacity building. Local leadership is identified and groomed. Village-level institutions are formed with members from all the economic strata, gender and other hierarchies. Projects are handed over to such village institutions and/or heads of the institutions (in the case of school programs) and are monitored for a specific period of time to facilitate hand-holding and troubleshooting. The Bank monitors its performance against social indicators such as education, healthcare and rural development. The Bank has committed specific targets against social key performance indicators (KPIs).

A. Environment

The Bank believes that a green landscape, by enhancing the quality of the environment, and natural resources such as clean water and air improve the quality of life in our communities in both urban and rural areas.

Water Stewardship

IndusInd Bank works towards managing water resources in ways that are socially equitable,

environmentally sustainable and economically beneficial. Water stewardship aims to collaboratively manage the landscape and its development to maintain watershed function and create sustainable communities. IndusInd Bank's water stewardship goals are to pursue effective and collaborative watershed management and stewardship, protect clean water and effectively manage flows and improve the resiliency and adaptive capacity of watersheds to a changing climate. Through initiatives such as watershed management, restoration of natural water bodies like lakes, ponds, and storm water drains, and availability and accessibility of safe drinking water through village-level water ATMs, the Bank is able to achieve overall goals of water stewardship. The water stewardship program has five key projects:

- Watershed development
- Roof rain water harvesting system (RRWHS)
- Lake rejuvenation
- Drain restoration
- Safe drinking water ATMs

Watershed Development

Watershed development project aims at conserving rain water and soil to enhance livelihood by increasing agriculture productivity. Watershed development and management involves the conservation and regeneration of the entire



Watershed Development



Watershed development

catchment area of a drainage line through different physical and vegetative measures.

The watershed development project is a combination and integration of various activities which help to control run off and subsequent soil erosion. As part of this project, various land treatments are carried out, like continuous contour trenches, water absorption trench and gully control measures along with drainage line treatments such as earthen gully plugs, loose boulder structures, check dam, earthen check dam and gabion structures. Agricultural demonstrations on organic formulation are organized to create awareness about the project. Intensive training of village-level resource persons is also carried out.

Stakeholder involvement:

Gram Panchayat and village-level development committees (VDC) and other supportive institutes like self-help groups (SHGs) and farmers groups are engaged periodically and capacitated in

project-related meetings to roll out different components of the project as well as to provide consistent post-project support to the overall community. The Watershed Organization Trust (WOTR) established in 1993 has been the implementing agency for this project.

The quantity of water conserved through this project is 43.58 crore litres. The project will be executed till 2024 and will be maintained through community participation. Creating indigenous trained resources at each village level will help ensure community participation. Along with these efforts, convergence through government schemes is envisaged to sustain the project.

Rooftop Rain Water Harvesting System

Rooftop rainwater harvesting (RRWH) is the most common technique of rainwater harvesting (RWH) for domestic consumption and is in practice in western Rajasthan for centuries. The inhabitants of desert areas face scanty water conditions due to the erratic and meagre rainfall and saline and mineral-rich native groundwater; therefore, harvesting fresh water from rainfall is always preferred for drinking purposes. The major components of RRWHS are roof, connecting pipeline and underground storage tank. Tankas (small tanks) are underground tanks found

Rainwater Harvesting System



traditionally in most of the traditional houses in the region of Thar Desert in western Rajasthan, to collect rainwater. This project has been implemented in 18 villages at Jaitaran in the Pali district of Rajasthan.

Stakeholder involvement

Gram Panchayat and village-level institutions like SHG and youth groups were involved in all the important stages of the project implementation. The beneficiaries were provided training on the entire process of planning, construction and maintenance of tankas. This project has been implemented in partnership with Ambuja Cement Foundation (ACF). ACF is a not-for-profit organization that works with the rural communities for socio-economic empowerment. RRWHS constructed were registered in the name of the women beneficiary once the final verification of the work was complete.

Project Impact:

- 250 tankas constructed
- 1250 households benefitted in 18 villages
- 6000 cubic metres of rainwater harvested
- Freedom from daily water-fetching drudgery for women and children.

The project is handed over to the community, and the RRWHS is owned by the beneficiaries. Since the asset ownership lies majorly with the women of the households, the entire family is involved in taking care and maintaining the tank.

Lake Rejuvenation

Water bodies like lakes play an important role in conserving fresh water, increasing groundwater

table, enriching the flora and fauna of the area and taking care of the flood water of the catchment. In India, most of the freshwater bodies are polluted, and rejuvenating them will help restore the water ecosystem. Rejuvenation projects were undertaken at IndusInd for three lakes: Sholinganallur Lake, Ramachandra Nagar Pond and Kulappan Kulam Pond in Chennai, TamilNadu. This project was implemented in partnership with the Environmentalist Foundation of India (EFI). A not-for-profit trust, EFI focuses on real-time and result-oriented conservation efforts.

As part of this project, the following activities were conducted:

- Removal of exotic invasive trees, garbage and silt
- Building and repairing of the bunds, creation of recharge pits in the lake/pond
- Plantation of native species, restoration and regulation of inlets of the lake/pond
- Fencing to ensure no further dumping – barricading at appropriate locations.

Stakeholder involvement

Awareness sessions were conducted for the local community to create a sense of ownership and conservation. Local government authorities and groups were involved for necessary approvals, monitoring and other support.

Project Impact

A total of 29 acres of pond area was restored, conserving 106 million litres of water, which will benefit an estimated 70,000 people.



Collection Tank of Rooftop Rain water Harvesting System

Drain Restoration

The objective of restoration of Wazirabad Drain in Sector 53-56, Gurugram, was to revive the storm water and recharge system. The Nallah water was severely contaminated with sewage disposal from surrounding villages and residential colonies, leading to adverse environmental and health hazards. The implementing partner for this project was 'I Am Gurgaon' organization which aims to help make Gurgaon a better place to live. The project was also carried out in partnership with the Centre for Environmental Research and Education (CERE). It was established in 2002 and has successfully completed projects in both urban and rural India.

As part of this project, the following activities were conducted:

- Cleaning of the Nallah by collection and disposal of the plastic and debris
- Blocking sewage flow into the Nallah by locking entry points and diverting to the sewage treatment plant
- Plantation of native tree species in the area alongside the drain
- Fencing and barricading at appropriate locations to stop further dumping of debris.

Stakeholder involvement

Awareness sessions were conducted for the local community to create a sense of ownership and conservation. Local government authorities and groups were involved for necessary approvals, monitoring and other support. The project also involved students and teachers from the nearby schools who were actively engaged in activities like cleaning and plantation. Employee participation was encouraged in the garbage removal and plantation activities.

Project Impact

- Rejuvenation of garbage dump of area 1.83 square kilometre is now being used for recreation by the citizens of Gurgaon.

- The potential of this project is to conserve 20 lakh litres of water which will benefit an estimated 20,000 people.
- Plantation of 10,200 saplings of 50 native species along the restored bund area will help restore the natural ecosystem.

Safe Drinking Water ATM

Availability of potable drinking water helps in the reduction of waterborne diseases, leading to the improved well-being of the surrounding rural communities. Through the Safe Drinking Water ATM project, **35 customized decentralized drinking water solutions** were installed at 20 villages of Gorakhpur, Kushinagar and Deoria districts in Uttar Pradesh and 15 villages in Ajmer and Pali districts of Rajasthan. These are community-level purification plants to provide safe drinking water at affordable prices to the villagers. This reverse osmosis (RO)-based purification and water distribution system is a unique water ATM which uses radio frequency identification (RFID) cards to bring in price transparency and ensure accountability. The project will be implemented at locations where people do not have



Water ATM



Urban Afforestation Project with Employee Volunteers

access to potable drinking water and lack financial resources to purchase domestic water filters. Prior to installation of the water ATMs, a scoping study of the catchment was undertaken to assess the needs, drinking water availability and community practices. After the needs assessment, necessary approval from the local authorities, i.e., the gram panchayat, is obtained for execution of the project. The implementing agency for this project is Piramal Swasthya Health Management Research Institute.

Stakeholder involvement

Communities are made aware of the benefits of the project through ongoing awareness drives and also of the ownership of the project. Engagement of gram panchayat/village water committee is required for setting up the project by the community. Training is provided to the village panchayat or water committee after completion of the project tenure on how to manage the project on their own. Continued technical support is provided to the community through the implementing partner.

Impact created from each project

- 4.86 lakh litres of clean and safe drinking water made available to communities through 35 water ATMs that will benefit an estimated population of 1.56 lakh people.
- Each drinking water installation generates sustainable livelihood opportunities for the local community.
- Communities are made aware of various waterborne diseases and costs of the related treatments.

- Accessible purified safe drinking water is made available to communities at an affordable rate.
- Reduction in waterborne diseases will lead to improved well-being.
- Women's drudgery to carry water has reduced.
- There is awareness among communities on the importance of safe drinking water.

Afforestation

IndusInd Bank, in association with Centre for Environmental Research & Education (CERE), has planted 36,097 trees with a carbon sequestration potential (CSP) of 8732.1 metric tons of carbon dioxide (CSP estimated value over a tree life span of 15 years) with an aim to promote urban afforestation. The plantation model has a tree survival rate of nearly 90% as only native species have been planted on selected sites after assessing land and water availability, soil quality and availability of gardening labour, healthy tree saplings (minimum 4 ft. height), followed by ordering and organization of transport to the preselected site, localized mapping of trees, geo-tagging of clusters, and replacement of wilted trees with new saplings. It is expected that the project will contribute towards reduction in pollution, microclimate management and biodiversity conservation.

The Bank also partnered with a Delhi-based NGO Swechha for planting 2500 native saplings in Delhi. In addition to this, IndusInd Bank has taken up plantation drives at various other locations, including Jaipur, Pune, Chandigarh, Chennai and Nashik.



Waste Management

Waste Management

IndusInd Bank is the first and currently the only private partner implementing Uttarakhand government's solid waste management policy across eight villages of the Bhogpur Cluster in Dehradun District under the Jagmaagaata Uttarakhand project. The project is benefitting around 19,000 residents. The infrastructure, process and systems for efficient waste management have been established. Nearly 1800 kgs of waste is managed daily, with 80% of door-to-door collection and 40% of segregation at source being achieved, which is expected to improve further in the coming days.

Activities/implementation strategy includes

- Segregation of waste and keeping the waste stream unmixed
- Door-to-door collection in all accessible motorable roads
- Minimization of the solid waste generated
- Awareness programs conducted in schools, local areas, etc.

Rooftop Solar Panels at Marwari Vidhyalaya School, Mumbai



- Women representation in governing bodies
- Building partnership with stakeholders
- Developing a model site and sustaining it for a period of 3 years and subsequently handing it over to the village committee.

Renewable Energy

Schools on Solar: In FY2018–19, the Bank initiated the 'Schools on Solar' project with an aim to help schools adopt clean energy. The initiative also included various activities promoting energy conservation within the school premises. Under the 'Schools on Solar' project, solar panels have been installed at four locations generating 91,000 units of electricity, which is equivalent to a combined carbon emission reduction of 74.62 MTCO₂e per annum.

Solar Street lights: IndusInd Bank installed 2000 solar-powered street lights in the Pali district of Rajasthan. The project was carried out in stages covering 29 villages, benefitting over 1,65,000 villagers. The community was also trained on the maintenance of these lights. The initiative is also seen as a measure towards women safety especially at night due to well-lit roads.

B. Education

Enhanced Education: The Bank has partnered with the business correspondent 'Cashpor' to implement its enhanced education program. Under this initiative, group tuition programs are conducted in six districts of Uttar Pradesh and Jharkhand where school



Enhanced Education Program

drop-out rates are very high and students are unable to pass secondary school without external help. In addition to the existing 100 centres set up in the previous year, 300 more centres benefiting approximately 15,000 children have been opened. Besides students, the program entails capacity building for teachers and outreach to parents through field visits and meetings at the centres. The aim of this outreach is to sensitize parents on the importance of education, health and hygiene and to encourage continuous attendance of their children. The program has rendered improvement in knowledge, comprehension and analytical abilities across subjects.

Legal Literacy for Women: In partnership with Samhita (a Section 8 company), a legal literacy programme was conducted in Madhya Pradesh. The objective was to build awareness on their legal rights, entitlements and protective laws on the issues of domestic violence and gender discrimination through training programs. A total of 65,000 women have benefitted from this intervention. Awareness on protection measures against violence increased to 95% from 36% before intervention. Similarly, women have improved awareness levels with respect to the helpline numbers.

Academic Support: IndusInd Bank is providing access to quality education by supporting 75 children from families in the lower-income group. The Bank, in

addition to taking care of their academic expenses at Purkal School, Dehradun, is also providing for other ancillary needs, including food for ten of these children who live in the school hostel, school bus fees, their school uniform, hostel expenses, etc. These are ninth-and tenth-grade children with academic potential, who are predominantly from villages near Dehradun and other parts of Uttarakhand. The selection process has ensured a higher ratio of girls.

Digital Literacy: In support of PMGDISHA, a scheme to train rural citizens to use computers and other digital devices, IndusInd Bank has trained 3,00,000 candidates (over 3 years) till FY 2018–19 in 11 states: Chhattisgarh, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Uttar Pradesh, and West Bengal. The Bank has collaborated with the Ministry of Electronics & Information Technology through their special purpose vehicle, CSC e-Governance Services India Limited. Candidates were trained to operate computer and digital access devices (like tablets or smart phones) to actively participate in the process of nation building. Enhanced access to microfinance, business opportunity, employment, education and healthcare resources to those who previously faced prohibitive socio-economic barrier to the same has helped to bridge the digital divide and empower disadvantaged rural population.

Young India Fellowship: In partnership with Ashoka University, IndusInd Bank supports deserving meritorious students through the Young India Fellowship (YIF) program, a one-year full-time residential program renowned for creating the next generation of leaders and change agents. IndusInd supports fellows who are from poor socio-economic background for their course fees. Apart from covering tuition fees, exceptional scholarships also cover the student's day-to-day expenses such as books, stationery and food. Twenty students are provided support under the IndusInd fellowship program this year.

Midday Meal Program: The Bank has partnered with the Akshaya Patra Foundation for providing good-quality midday meals to more than 27,000 children in 437 municipal schools of Bhubaneswar. The objective of the scheme is to help improve the effectiveness of primary education by improving the

nutritional status of primary school children. It also incentivizes children to attend school regularly.

Arts & Heritage: IndusInd Bank contributes to Sahapedia with a Frames Photography Grant which actively encourages documentation of our cultural heritage, as opposed to projects that prioritize photojournalism, commercial photography and art photography. Around 20 photographers are supported for their projects in FY 2018–19. These photographers document the tangible and intangible heritage of India and South Asia for the benefit of future generations.

Pedagogy & Teacher training: The Bank has partnered with EDUCO, a Mumbai-based NGO, to implement this program. The program emphasizes delivering quality education to 531 children by capacity building of teachers in municipal schools of Mumbai, which includes comprehensive quality assessment of in-house-created teachers' performance system, performance appraisal, training courses, up-skilling to ensure the education delivered is best practice and up to date.

C. Livelihood

Skill Development of Youth: In FY 2018–19, IndusInd Bank in association with Ambuja Cement Foundation at Jaitaran, Rajasthan, has established skills training centres where trainings will be conducted inline with the NSDC guidelines on three trades, viz., microfinance executive, customer relationship management and unarmed security guard. Training programmes for three batches of 30 candidates each will be scheduled. The program is targeted at 100% placement for the 475 candidates enrolled. The candidates who are placed are assisted for further guidance for a year.

Skill Development for Drug-rehabilitated Youth: IndusInd Bank has partnered with 'SUPPORT,' an NGO offering long-term residential rehabilitation program for substance-abuse street children/youth. The two-pronged approach involves rehabilitation



Children of Government schools in Odisha Benefiting from our Mid Day Meals Program



Anandan is one of the 47 Para Athletes supported by the IndusInd Para Champions Program

(medical and psychological) from substance abuse and then skill development for employability. While in rehabilitation, based on their age, children are enrolled into formal school and youth who have already crossed the age of schooling are sent to SUPPORT's Vocational Skills Training Program. The programme has trained and placed approximately 375 youth. Many of the rehabilitated boys have been absorbed by them on roll. This has given them immense confidence and motivation to lead a drug-free life. Many candidates are reunited with their families, and some are weaned in group homes.

D. Sports

In line with its ethos towards sports, the Bank runs an umbrella initiative called 'IndusInd for Sports.' Not only does it propagate the value of sports within the institution, it also supports talent outside the organization. Sportspersons under IndusInd for Blind Cricket, IndusInd for Para-champions and IndusInd Girl Power Program have made the nation proud by bringing in several international medals and tournaments.

IndusInd Para-champions Program: IndusInd Bank in association with Go-Sports Foundation encourages

sports persons with special needs through a sports scholarship program. Till date, 45 athletes have been covered under the program. In FY 2018-19, 13 athletes availed the scholarship. It covers their travel, injury management, rehabilitation strength training, medical support needs, etc. These para-athletes are selected through a streamlined process. We hope to inspire many others by promoting the stories of these athletes and, in the process, help in bridging social barriers. They have participated at various national and international events and have secured several medals. In total, they have won 170 gold, 82 silver and 59 bronze medals.

IndusInd Blind Cricket Program is implemented in association with the Cricket Association for the Blind



Blind Cricket Tournament



Mini Health Clinic at Narayanpur, UP

in India (CABI), the cricketing arm of Samarthanam, who governs Indian cricket tournaments. CABI is the apex body organizing cricket for the blind and is affiliated with World Blind Cricket Ltd (WBC). IndusInd is the principal supporter for 26 players in the Indian Blind Cricket Team. The program gives exposure, infrastructure and training to the visually impaired to practice this sport on a larger scale. Our 'Other Men in Blue' have represented the nation and made us proud by winning ODI Blind Cricket World Cup against Pakistan in Sharjah in January 2018 and the 5th ODI World Championship in Dubai.

E. Healthcare

Mini-Health Clinics: In rural Uttar Pradesh, IndusInd Bank in partnership with 'Cashpor' has supported the setting up of 177 Mini Health Clinics which provide affordable primary healthcare to poor and low-income-group families. The project covers 20 districts with more than 15,000 villages and a population of around 3 lakhs. These centres are OPD clinics, visited by experienced medical professionals fortnightly. The treatment at these centres is free, and medicines are given at a 50% subsidy. Of the cost, 84% is shared between Cashpor and IndusInd Bank. The rest is borne by the patient.

Support for Cancer-Affected Children: The Bank has partnered with Bhagwan Mahaveer Cancer Hospital and Research Centre (BMCHRC) in Jaipur, Rajasthan, to support the treatment of 50 children with cancer from rural Rajasthan, whose parents cannot afford the treatment.

Distribution of Sanitary Pads: Under the Stree Swabhiman Initiative, around 4500 girls are provided with sanitary pads in Madhya Pradesh through our business correspondent Samhita. These pads are manufactured by trained village-level entrepreneurs, thus encouraging their livelihoods as well. Workshops are also conducted at the ground level to create awareness about health and menstrual hygiene.

II. Supplier Relations

Suppliers and vendors are a critical entity in the value chain and facilitate smooth delivery of products and



Girl Power Program

IndusInd Girl Power Program: IndusInd Bank supports 60 girl athletes from lower-income families across India. They get access to world-class coaching and training facilities at the Inspire Institute of Sports (IIS). They are being groomed to become champions who will represent and win medals for India at international sporting events. We expect that at least 10% of these girls will turn out to be future champions for India competing at the international level.

services. Managing this relationship effectively offers multiple benefits. It reduces risks with third parties, ensures the integrity of data, gain clarity into supplier processes and practices, help avoid unnecessary fines and mitigate reputation risks. Supplier relationship management offers a competitive advantage.

The Bank looks for a relationship with suppliers and vendors beyond procurements and contract signatures – one that offers a greater return on investments. The Bank interacts regularly with its suppliers through various platforms.

IndusInd Bank has a diverse range of suppliers and service providers for various goods, services, IT/non-IT support systems and other operational needs such as paper, electrical provisions, procurement of ATM machinery, etc. The vendor onboarding process also focuses on various aspects of sustainable procurement. The Bank works with suppliers who understand their responsibility towards the environment and the society. They are assessed on various attributes including carbon emissions, waste management, and material conservation. The sustainable procurement policy underlines the selection and onboarding criteria for vendors.

The Bank ensures that suppliers have a procurement policy and is committed to prohibition of child labour, health and safety, and human rights. The suppliers are also expected to have an environment and energy management system. In FY 2018–19, 89 new suppliers joined the IndusInd family.

IndusInd Bank collaborates with its business partners to facilitate the adoption of innovative environment technologies and strategies.

III. Customer Relations

The Bank's customer-centric approach helps in embedding the principles of convenience – seamless, easy, fast and transparent – into the core of the organization and thereby facilitates the delivery of

superior customer experience. The knowledge-based and interunit collaborative approach helps in providing customized solutions to customers. The Bank is committed to meeting customer expectations by engaging with them in a result-oriented and transparent manner. Planning Cycle 4 is also focused on incorporating digitization as a means to provide better services to customers. Digital-led innovations in products and services, while expanding market horizons, have had a significant positive impact on the Bank's customer experience performance in terms of ease of banking, security, and convenience, among others.

At the beginning of Planning Cycle 4, IndusInd Bank developed a strategy for deepening the relationship with its customers through the cross-selling of products and services to the existing customers, facilitated through internal BU collaboration. This strategy benefitted customers in terms of improving convenience and reducing the risk and uncertainty associated with engaging with multiple financial services providers. The differentiation strategy also supported in enhancing the banking experience of clients in all processes such as account opening, ease of doing business, and complaint resolution.

Being in the banking sector, customer privacy and data security are of utmost importance. To ensure the protection of sensitive customer data, the Bank has implemented a privacy policy across its branches. In addition, the Bank has developed a comprehensive cyber security framework and state-of-the-art security systems and protocols. IndusInd Bank does not share the customer account information with any external organization unless it is necessary to enable IndusInd Bank to provide services or to enable the compilation of a transaction or credit reporting, or it is necessary or required pursuant to applicable banking norms or pursuant to the terms and conditions applicable to such information as agreed to with IndusInd Bank or pursuant to any requirement of law/regulations or any government/court/other relevant authority's

directions/orders. Needless to add, confidentiality norms as applicable to banks are adhered to.

Keeping the financial information secured is one of the most important responsibilities. The Bank maintains physical, electronic and procedural safeguards to protect customer information. Employees are authorized to access customer information for business purposes only. Employees are bound by a code of ethics that requires confidential treatment of customer information and are subject to disciplinary action if they fail to follow this code.

Further, as an approach to sustain and enhance customer satisfaction, the bank has implemented an efficient and quick grievance redressal system. Customers can lodge their complaints directly at the branch, at the contact centre or through the bank's website. Irrespective of the medium, the Bank is committed to resolving every complaint in a time-bound manner. In FY 2018-19, the Bank did not receive any complaint regarding breaches of customer privacy, loss of customer data or thefts or from regulatory bodies. However, 1.82% customer complaints were pending at the end of financial year FY 2018-19 which got subsequently resolved (total complaints – 35314; open complaints – 643).

IndusInd Bank is committed to delivering superior and consistent customer service across all client touch-points. For a comprehensive, all-encompassing look at customer satisfaction, the Bank employs a number of service channels for client-centric engagement at various levels through

relationship managers, service delivery managers and key account managers. Each service channel has different KRAs and incentive programs. Through these channels, the Bank manages a plethora of services for branches and contact centres, as well as product-related services, customer complaints and grievances, ATM servicing, and competition monitoring. Customer satisfaction (CS) score is measured by the 'percentage of satisfied customers out of the total number of customers responding to the survey.' For FY 2018-19, the CS score was 73.

No complaints were received from outside parties and regulatory bodies and substantiated by the organization regarding breaches of customer privacy and losses of customer data. There were no identified leaks, thefts or losses of customer data.

IndusInd Bank offers a range of services, including corporate banking, retail banking, foreign exchange, investment banking, capital markets and microfinance, to name a few. We integrate environmental and social risk mitigation aspects into our credit/lending business services, and project finance and advisory services into our corporate/investment banking clients. There is no requirement of information on procedures for product and service information and labelling. There are no incidents of non-compliance with regulations or voluntary codes concerning product and service information and labelling. Also, there are no incidents of non-compliance with regulations or voluntary codes concerning marketing communications.



The Customer Journey

The customer journey is the complete sum of experiences that customers go through when interacting with our Bank. Instead of looking at just apart of a transaction or experience, the customer journey documents the full experience of being a customer.

IndusInd Bank leverages its customer engagement platforms as a means to generate sustained value. The customer engagement encompasses interconnecting activities such as client coverage, communication and relationship building, and complaint redressal. Various mechanisms are used to better understand customer needs and thereby develop customized solutions. Feedback, surveys, and interactions with relationship manager, client engagement managers, service delivery managers and key account managers contribute to provide customized solutions to our customers. The Bank's unique client engagement manager program (CEM) is an engagement-led

coverage model that is aimed to grow the client base, ensure customer retention and build brand loyalty. Other initiatives that are implemented with an objective to foster long-term sustainable relationship with customers include 'Client Connect,' monthly transactional surveys 'Voice of Customer', and customer compensation policy.

As a means of customer engagement, the Bank conducts monthly transactional surveys called 'Voice of Customer' conducted through net-banking portals, ATM outlets and e-mails to gauge customer engagement and experience with day-to-day transactions. Additionally, to understand and analyse trends in customer satisfaction over extended periods, the Bank conducts an annual loyalty survey which offers a deeper understanding of customer satisfaction and a way to identify process and product improvement opportunities. The Bank also undertakes regular customer service monitoring and assessment at the branch level through random branch audits.



Financial Capital

IndusInd Bank utilizes its financial capital effectively and efficiently through its various products and services, thereby generating value in terms of sustainable return on investments for the bank, its stakeholders and clients.

FY 2018-19 has been productive as the macroeconomic environment for the banks in India was favourable. Bank credit growth accelerated over the year to reach 14.5% as against a growth of about 11% in FY 18. Credit flows became broader-based in FY 19, with services accounting for the highest share as against personal loans a year ago. Credit flow to industry and infrastructure improved too. Overall ratio of non-performing assets also moderated over

the first three quarters of the year, but the pace of the NPA resolution remained slow. The average recovery rate under the new Insolvency Code at 46% in the first half of FY 19 was better than the mechanisms that existed before IBC and improved from 41.3% in FY 18.

For IndusInd Bank, with FY 2018–19, it completes its second year of Planning Cycle 4, and performance against various indicators has exceeded expectations. One of the objectives is to improve RoRWA from 2.18% in Q4 FY 17 to over 2.4% by FY 19–20. The performance against the indicators that have been mapped in Planning Cycle 4 is as follows:

Indicator	Planned	FY 2017-18 Outcome	FY 2018-19 Outcome
Loan Growth	25%–30%	28%	29%
CASA Ratio	40%	44%	43%
Revenue Growth	Exceed balance sheet Growth	20%	18% / 20%*
RoRWA	>2.4%	2.28%	0.69% / 2.28%*
Branch Network	2000	1400	1665 **
Customer Base	Double to >20mn	On track	22 mn

*Excluding derecognition of interest/Provision for a group in infrastructure sector

** includes 65 banking outlets

Figure 40: Planning Cycle 4 (2017-2020): Plan vs Outcome

Indicator	FY 2016-17	FY 2017-18	FY 2018-19
Net Interest Margin	3.99%	3.99%	3.86%
Return on Assets	1.86%	1.90%	1.89%
Return on Equity	15.26%	16.48%	17.45%*
Cost/income	46.74%	45.65%	43.73%*
Net NPA	0.39%	0.51%	0.48%
Revenue/employee (INR mn)	4.0	4.8	5.2

*(excluding impact of a large NPA in infrastructure)

Figure 41: 3 Years Operating Performance

Particulars	FY 2017-18	FY 2018-19
A Direct Economic Value Generated		
Revenues from Operations	17,280.75	22,261.15
Revenues from Other Sources	4,750.10	5,646.72
Total	22,030.85	27,907.87
B Economic Value Distributed		
Operating Expenses (Excluding Employee Wages and Benefits)	3,810.76	4,551.17
Employee wages and benefits	1,780.69	1,853.51
Total	5,591.45	6,404.68
Economic Value Retained (A-B)	16,439.40	21,503.19
Profit Before Tax	5,481.00	4,981.00
Profit After Tax	3,606.00	3,301.00
Earnings Per Share	60.19	54.90

Figure 42: Direct Economic Value Generated and Distributed (all values are INR crores, except for Earnings Per Share, which is in INR)

Another strategic focus area under Planning Cycle 4 is rebalancing the loan book with an objective to create more wealth for our stakeholders. The Bank wants to achieve an optimal mix of corporate and consumer loans as this will help in ensuring higher risk-adjusted return. The Bank's vision is to move towards a 50-50 mix between corporate and consumer loans. In FY 2018-19, consumer loans contributed to 45%. Under the consumer loans, vehicle loans stand at 63% and non-vehicle loans stand at 37%. Corporate loans currently stand at 55%.

The Bank has increased its focus on improving productivity with 12 initiatives to be implemented during PC4. These initiatives are largely focused on branch banking, channel optimization and organizational design. They are expected to contribute 5% incremental PBT and lower cost-to-income ratio by 2%.

The Bank's growth in FY 2018-19 was affected by certain macroeconomic developments. The IL&FS default event in October was an important development for the banking sector, which brought to light the challenges the wider financial system faced from the NBFC sector through direct and indirect exposures. The NBFC sector has been a key source of finance for commercial activity over the past 5 years and has grown rapidly. The IL&FS event raised concerns about various risks related to the sector itself. These included risk of default on account of asset-liability mismatches, liquidity risk on account of dependence on other parts of the

financial system for funding and the risk of contagion within the sector and to the banking sector. Economy-wide, a credit squeeze was felt, but banks, especially private sector banks, stepped up credit supply to sectors like housing and consumer finance, helping to contain the drag from this event.

Another key development was tight liquidity conditions, especially over the second half of the year, on account of large capital outflows coupled with a sharp increase in currency in circulation. This exerted upward pressure on overall money market and lending rates, especially during the third quarter of the year. Various measures taken by the RBI to infuse durable liquidity in the economy helped ease the liquidity deficit over the fourth quarter.

IndusInd Bank seeks to continually add to its expertise by identifying new domains to address consumer needs. In FY 2018-19, IndusInd Bank through its various products and services, including micro finance, consumer finance, priority sector lending, impact financing, community development projects, etc., created long-term value for its stakeholders and community at large in terms of return on investments, sustainable livelihood opportunities, environment sustainability, etc. The details of performance of various portfolios are available in the subsequent sections of the report, and for further information on economic performance, please refer to the annual report 2018-19.



Annexures

Policies and Guidelines

Admin Manual

The manual enlists processes related to facilities and administration and guides standard operating procedures (SOP) for various administrative purposes.

Employee Code of Conduct

This code sets forth the guiding principles on which the Bank shall operate and conduct its daily business with multiple stakeholders.

<https://www.indusind.com/content/dam/indusind/Code%20of%20Conduct/Code%20of%20Conduct.pdf>

This disciplinary code and set of procedures have been developed to ensure employees are aware of the high standards expected of them in the work place and to aid the management in implementing and maintaining discipline with fairness and consistency.

In 2018–19, there were six cases of breaches to our code of conduct and ethics, including whistle-blower complaints, sexual harassment and stakeholder complaints on human rights.

Customer Rights Policy

The customer rights policy enshrines basic rights of the customers of the Bank, regulated by the Reserve Bank of India. It spells out the rights of the customer and also the responsibilities of the Bank. The policy applies to all products and services offered by the Bank.

<http://www.indusind.com/content/dam/indusind/PDF/customer-rights-policy.pdf>

HR Policy

The HR policy pertains to regular full-time employees and covers guidelines and policies relevant to employee welfare and benefits, work environment and business ethics.

Security Manual

The objective of this manual is to aid ineffective security management at all Bank premises and contains relevant security policies, procedures and guidelines. The manual has been prepared in alignment with the Indian Banks' Association (IBA) guidelines.

Whistle-Blower Policy

This policy is expected to encourage the Bank's employees, customers, suppliers, shareholders, etc., to bring to the Bank's notice any issue involving compromise/violation of ethical norms, legal or regulatory provisions, etc., without fear of reprisal, retaliation, discrimination or harassment of any kind.

https://www.indusind.com/content/dam/indusind/PDF/wbp_final_draft1.pdf

Grievance Redressal Policy

This policy aims to minimize instances of customer complaints and grievances through proper service delivery and review mechanisms and to ensure prompt redressal. The review mechanism helps in identifying shortcomings in product features and service delivery. This policy also covers issues relating to services provided by the outsourced agency.

http://www.indusind.com/content/dam/indusind/PDF/grievance_redressal_policy.pdf

Privacy Policy

The privacy policy outlines the Bank's commitment towards keeping customers' data secure.

<http://www.indusind.com/footer/privacy-policy.html>

Environment Policy

The environment policy brings cohesiveness to IndusInd Bank's green banking strategy and integrates sustainable action and decision making into the Bank's core business practices.

Workplace Health and Safety Manual

The manual lays down safety measures, escalation mechanisms and ways to handle emergency situations to ensure a safe work environment.

CSR Policy

The CSR policy outlines the key CSR focus areas of the Bank and enumerates the roles and responsibilities of the CSR department and the CSR committee.

<http://www.indusind.com/content/csr-home/our-approach/csr-policy.html>

Outsourcing Policy

The outsourcing policy of the Bank acts as the guiding principle for the top management of the Bank in dealing with matters relating to outsourcing. Particularly, it addresses issues such as compliance with regulatory authorities and confidentiality and security of data.

Procurement Policy

This document provides guidelines for uniformity in the overall procurement process of the Bank, including guidelines on transparency, safety and inclusion of human rights.

Banking Codes & Standards Board of India (BCSBI): Code of Commitment

The Bank is a member of the BCSBI and has voluntarily adopted their Code of Commitment for Customers and Micro- and Small Enterprises, which informs the Bank's dealing with these stakeholders in our day-to-day operations.

<http://www.indusind.com/important-links/code-of-commitment.html>

Customer Compensation Policy

This policy establishes a system whereby the Bank shall compensate the customer for any direct and actual loss by way of interest loss/payment of charges by customers due to deficiency in service on our part or any act of omission or commission directly attributable to the bank without recourse to any legal action.

<https://www.indusind.com/content/dam/indusind/PDF/compensation-policy-may17.pdf>

Fair Practice Code

The Bank follows this voluntary code which sets standards of fair banking practices based on Indian Banks' Association (IBA) Fair Practice Code and incorporates principles of Banking Codes and Standards Board of India (BCSBI) Code of Bank's Commitment to Customers, when dealing with individual customers. The code applies to current, savings and all other deposit accounts, collection and remittance services, loans and overdrafts, foreign exchange services, card products, and third-party products offered through our network.

<https://www.indusind.com/content/dam/indusind/PDF/fair-practice-code.pdf>

Policy Guidelines on Financing to Micro, Small, and Medium Enterprises (MSME)

The MSME code of our loan policy is reflective of the objectives and spirit of the national policy and the regulatory prescription while dealing with application for loan or any financial assistance by MSMEs. It deals with sourcing of MSME borrowers, assessment of their credit need, prompt communication of sanction/ rejection, post-sanction and post-disbursement formalities, recovery, and nursing of sick account.

<https://www.indusind.com/content/dam/indusind/PDF/policy-guidelines-on-financing-to-micro-small-and-medium.pdf>

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Independent Limited Assurance Statement to IndusInd Bank Limited on the selected Sustainability disclosures presented in its Integrated Report for Financial Year 2018-19

To the Management of IndusInd Bank Limited, 7th floor, Solitaire Corporate Park, 167-Guru Hargovindji Marg, Andheri (East), Mumbai-93, India.

Introduction

We ('KPMG in India', or 'KPMG') have been engaged for the purpose of providing assurance on the selected Sustainability disclosures presented in the Integrated Report ('the Report') of IndusInd Bank Limited ('IBL' or 'the Company') for FY 2018-19. Our responsibility was to provide limited assurance on the Report content as described in the scope, boundary and limitations.

Reporting Criteria

IBL applies its reporting criteria derived from the following:

- International Integrated Reporting Framework (<IR>) published by the International Integrated Reporting Council (IIRC)
- Global Reporting Initiative (GRI) Standards 'in-accordance' Core option

Assurance Standards Used

We conducted our assurance in accordance with the following:

- Limited Assurance requirements of International Federation of Accountants' (IFAC) International Standard on Assurance Engagement (ISAE) 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. Under this standard, we have reviewed the information presented in the report against the characteristics of relevance, completeness, reliability, neutrality and understandability.

Scope, Boundary and Limitations

- The scope of assurance covers the selected sustainability disclosures of IBL's operations for the period from 01 April 2018 to 31 March 2019.
- The assurance process was limited to the selected sustainability disclosures presented in the Integrated report.
- The boundary of the Report covers the economic, environmental and social performance of IBL's operations in India which include:
 - 44 Corporate and Regional offices
 - 1600 Branches
 - 2545 ATM centers (offsite and onsite) of IndusInd Bank

The General and topic Specific Disclosures¹ subject to assurance were as follows:

Universal Disclosures
General Disclosures
<ul style="list-style-type: none"> • Organizational Profile: 102-1 to 102-4, 102-6 to 102-8. • Ethics and Integrity: 102-16.

¹ For details regarding the disclosures please refer the GRI Content Index on Page.80

<ul style="list-style-type: none"> • Governance: 102-18. • Reporting Practice: 102-48 to 102-56.
Management Approach
<ul style="list-style-type: none"> • Explanation of the material topic and its Boundary: 103-1
Topic Specific Disclosures
<ul style="list-style-type: none"> • Economic <ul style="list-style-type: none"> ◦ Anti-Corruption: 205-3. • Environmental <ul style="list-style-type: none"> ◦ Energy: 302-1. ◦ Emissions: 305-1 to 305-5. • Social <ul style="list-style-type: none"> ◦ Employment: 401-1, 401-3. ◦ Non-discrimination: 406-1. ◦ Training and Education: 404-1 to 404-2. ◦ Child Labour: 408-1. ◦ Local communities: 413-1. ◦ Customer Privacy: 418-1.

Limitations

The data verification and validation was restricted to Corporate/ Regional office which collates the data for pan India locations and we have not visited any branch for review.

- Disclosures other than those mentioned above
- Data and information outside the defined reporting period
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim to future intention provided by the Company and assertions related to Intellectual Property Rights and other competitive issues.

Assurance Procedures

Our assurance process involves performing procedures to obtain evidence about the reliability of specified disclosures. The nature, timing and extent of procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the selected sustainability disclosures whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the preparation of the Report in order to design assurance procedures that are appropriate in the circumstances.

Our assurance procedures also included:

- Assessment of IBL's reporting procedures regarding their consistency with the application of GRI Standards.
- Evaluating the appropriateness of the quantification methods used to arrive at the sustainability disclosures presented in the Report.
- Verification of systems and procedures used for quantification, collation, and analysis of sustainability disclosures included in the Report.
- Understanding the appropriateness of various assumptions, estimations and materiality thresholds used by IBL for data analysis.
- Discussions with the personnel responsible for the evaluation of competence required to ensure reliability of data and information presented in the Report.
- Discussion on sustainability aspects with senior executives at the corporate office to understand the risks and opportunities from sustainability context and the strategy IBL is following.



- Assessment of data reliability and accuracy.
- For verifying the data and information related to IBL's financial performance we have relied on its audited Financial Statements for the FY 2018-19.

Appropriate documentary evidence was obtained to support our conclusions on the information and data verified. Where such documentary evidence could not be collected due to sensitive nature of the information, our team verified the same with the relevant authority at the Corporate office.

Conclusions

We have reviewed the Integrated report of IBL. Based on our review and procedures performed, nothing has come to our attention that causes us not to believe that the sustainability data and information as per the scope of assurance presented in the Report is appropriately stated, in material aspects and in line with the reporting principles of GRI Standards.

Data representation and calculation related errors were detected but the same were resolved during the assurance process. There is a scope for enhancing the understanding of the performance disclosures among the data owners. We have provided our observations to the Company in a separate management letter. These, do not, however, affect our conclusions.

Independence

The assurance was conducted by a multidisciplinary team including professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 (Revised) standard. Our work was performed in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants, which requires, among other requirements, that the members of the assurance team (practitioners) be independent of the assurance client, in relation to the scope of this assurance engagement, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. The firm applies ISQC 1 and the practitioner complies with the applicable independence and other ethical requirements of the IESBA code.

Responsibilities

IBL is responsible for developing the Report contents. IBL is also responsible for identification of material sustainability topics, establishing and maintaining appropriate performance management and internal control systems and derivation of performance data reported. This statement is made solely to the Management of IBL in accordance with the terms of our engagement and as per scope of assurance. Our work has been undertaken so that we might state to IBL those matters for which we have been engaged to state in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than IBL for our work, for this report, or for the conclusions expressed in this independent assurance statement. The assurance engagement is based on the assumption that the data and information provided to us is complete and true. We expressly disclaim any liability or co-responsibility for any decision a person or entity would make based on this assurance statement.

Prathmesh Raichura
Executive Director
24th December 2019

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