

IndusInd Bank

CREATING LIVELIHOODS THROUGH

C  **ONFLUENCE**

OF BUSINESS AND SUSTAINABILITY



INTEGRATED REPORT 2016-17

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**MESSAGE FROM
MANAGING
DIRECTOR**

Dear Friends,

It gives me great pleasure to present our 7th disclosure on sustainability and our first using the Integrated Reporting framework. As a responsible organisation, IndusInd Bank is committed to delivering consistently greater value to all our stakeholders in a manner that promotes financial, social, and environmental sustainability. This report represents a confluence of our business activities and sustainability agenda, and provides a comprehensive understanding of the Bank's sustainable value creation model, our achievements, and our ambitions going forward.

Regulatory and policy measures of the Government and the global financial environment made this fiscal year challenging, albeit, a successful one for IndusInd Bank. Our financial performance remained robust, registering consistently strong growth across all parameters. Our Net Profit rose by 25 per cent to INR 28.68 billion and our Net Interest Income increased by 34 per cent to INR 60.62 billion. Return-on-Assets for the Bank stood at 1.86 per cent while Advances and Deposits grew by 28 per cent and 36 per cent respectively.

This year also marks the end of IndusInd Bank's Planning Cycle 3. I am happy to report that the Bank has surpassed the targets set at the beginning of 2014-15 under our overarching objective to 'Double the Bank' by increasing market share with profitability. We have exceeded our shareholders' expectations by doubling the Bank's reach, penetration, and business over the course of three years.

As we embark upon Planning Cycle 4, sustainable banking and development across the value chain will be a central focus of the Bank's strategy in upcoming years. The past year has also been a testament to our dedication to promote socio-economic and environmental sustainability in our communities, and, in the process, create sustainable livelihoods. During the year, the Bank embraced programmes aimed towards employee well-being, rural development, financial inclusion, and sustainable growth.

We reinforced our position in Priority Sector finance including agri and agri-allied sectors with lending in excess of INR 367.64 billion. In 2016-17 IndusInd Bank also reached out to nearly 2 million households from the Bottom of Pyramid section through various microfinance initiatives. We continue to support financial and legal literacy programmes for women and engage with several non-profit organisations supporting the elderly and underprivileged children. I am also proud to report that this year IndusInd Bank facilitated the creation of sustainable rural livelihoods through an important water conservation and river rejuvenation project in Satara district in Maharashtra.

Employees are a crucial asset to our business and we place great value on promoting capacity building and engagement through multiple platforms. This year, the Bank conducted 9, 60,000 hours of training and learning programmes for our employees in areas including leadership, skill development and effective communication. Through the Bank's unique Green Champions Programme employees also undertook various community-based campaigns aimed towards sustainable consumption of resources and energy.

Sportsmanship and business share a common set of values including integrity, discipline and diversity. In recognition of this, the Bank also teamed up with GoSports Foundation through our 'IndusInd for Sports' initiative to support the Indian Paralympics team and the Cricket Association for the Blind in India (CABI) to enable differently-abled athletes achieve top honours on an international platform.

On the environmental front, IndusInd Bank actively works to integrate climate change mitigation into our operational and business strategy. In FY '16-17, the Bank continued to invest in wind and solar energy generation projects in addition to Bank-wide energy-saving initiatives and adoption of green IT practices. We have also maintained our leading position in the Carbon Disclosure Project rankings in India. Our efforts have borne fruit which is evidenced by a decrease in our emissions per capita and per unit revenue.

Technology is increasingly playing a crucial yet disruptive role in the banking sector. As we work to stay ahead of the curve, the Bank has embraced digital technology and e-banking in line with our ethos of 'responsive innovation' to promote productivity and process efficiency, through new and advanced services. Initiatives like 'Fingerprint Banking' and 'Tab Banking' have resulted in enhanced profitability, customer experience, ease-of-business, and security.

It is gratifying to see our hard work recognized and rewarded. We were privileged to receive the 'Best Technology Bank' award and to be declared the runner-up in the 'Best IT Risk and Cyber Security Initiative' at the IBA Banking Technology Conference, Expo and Awards 2017, among other honours. Our Bank also featured in Forbes' list of 50 Super Companies in India and in Kantar Millward Brown and WPP's prestigious 'Brandz Top 50 Most Valuable Indian Brands 2016' list.

For IndusInd Bank, our journey towards sustainable banking is propelled by a business model that allows for innovations in products and solutions to be designed and implemented sustainably, supported by strong risk management and governance systems. I invite you all to be a part of this journey as we continue to traverse the path of sustainable growth and development.

Yours Sincerely,
Romesh Sobti
Managing Director & CEO

The image features a vibrant orange background with a subtle, repeating wavy pattern. Overlaid on this are several white geometric elements: a vertical double-line structure on the left, a large white-outlined rectangle on the right, and a horizontal white-outlined shape on the left. At the bottom, the text 'GOING WITH THE FLOW' is displayed in a bold, sans-serif font. The words 'GOING WITH' are in a lighter shade of orange, while 'THE FLOW' is in white. Below the text, there are several vertical white lines of varying heights.

**GOING WITH
THE FLOW**

The background of the page is a light beige color with a subtle, repeating wavy pattern. On the left side, there are several thick, orange lines that form a partial frame, including a top-left corner bracket and two vertical lines extending downwards. On the right side, there are several thin, light orange lines that form a partial frame, including a top-right corner bracket and two vertical lines extending downwards. The text 'ABOUT THIS REPORT' is positioned in the upper left quadrant, between the thick orange lines.

ABOUT THIS REPORT

ABOUT THIS REPORT

The business climate is increasingly being influenced by governments, regulators, and the prevailing socio-political and environmental conditions. Businesses are steadily moving towards long term capital growth, and therefore are proactively engaging with a wider stakeholder set on sustainable value creation, both financial and non-financial. IndusInd Bank is adopting the principles of integrated reporting as it aligns with our strategies and objectives for creating value for all stakeholders, as well as, playing a greater role in societal and environmental development. This is the Bank's seventh disclosure on

sustainability and our first using the Integrated Report <IR> Framework for FY 2016-17. It aims to provide a clear and comprehensive narrative of our ability to create value in line with evolving stakeholder needs and expectations while also elaborating on the successes and challenges that come with it.

The theme of this report is constructed along the ideas of 'flowing water' and the "Confluence of Business and Sustainability".

REPORTING PERIOD AND CYCLE

This report covers all material issues for the financial year from April 1, 2016 to March 31, 2017, hereafter referred to as FY '16-17.

SCOPE AND BOUNDARY OF REPORTING

IndusInd Bank is a mid-sized Bank with 1,200 branches and 2,036 ATMs, 25,314 employees, at 683 geographic locations across India. This report discusses the pan-India operations of the Bank across business verticals that cater a wide suite of products and services, targeted towards consumer and corporate banking needs. Financial and non-financial performance, including information on opportunities, risks,

and outcomes associated with material matters relevant to the Bank's stakeholders have been incorporated within the reported content. There have been no revisions to the organizational boundary from the previous reporting period, and no aspect of the Bank's operations or activities have been excluded from this report.

REPORTING PRINCIPLES

This report has been prepared in line with the framework adopted by the International Integrated Reporting Council (IIRC), the Global Reporting Initiative (GRI) G4, and the National Voluntary Guidelines on Social, Environmental, and Economic (NVGSEE) Responsibilities of Business.

Reported content is in accordance with Global Reporting Initiative (GRI) G4's set of 'Comprehensive' disclosures for

sustainability reporting. The GRI G4 Content Index can be found in the Annexure on page 103 of this report.

This report should be read in conjunction with IndusInd Bank's Annual Report for FY '16-17 which can be found at <https://www.indusind.com/investor/reports-and-presentation/annual-reports.html>

INTEGRATED REPORTING

Integrated Reporting subscribes to the view that value created by an organization, both financial and non-financial, is dependent on the global and regional context it is set against, as well as, on its evolving relationship with its stakeholders. The value created by a business is determined by the resources it uses and transforms through business activities. These resources identified by the IIRC are collectively called '**Capitals**' and changes in the nature and stocks of these capitals indicate the value-creation arc over time.

This report identifies and demonstrates the Bank's sustainable value-creation model through strategy, governance, performance and prospects, and the interrelationship between the Bank's capital stocks. It also allows the Bank to demonstrate our commitment to embedding sustainability in business, society and the environment.

THE SIX CAPITALS



Financial Capital

The pool of funds available for use to fund business activities and develop strategy. This capital is raised through financing (equity, debt), retained profits generated from operations, and investments.



Manufactured Capital

The tangible and intangible assets including information technology (IT) assets, and the national infrastructure of the country of operation which are used to conduct business activities and create products and services.



Natural Capital

Natural capital represents all renewable and non-renewable environmental resources such as water, land, energy, biodiversity and ecosystem health on which the Bank depends on to operate and create value for stakeholders. The Bank's business operations and financial capital in investments are sought to be deployed in a way that promotes the preservation, or at least minimize the destruction, of natural capital.



Human Capital

Human capital represents the Bank's people, how they are selected, managed, and trained to develop capabilities, knowledge and experience which directly enables them to meet the needs of clients, innovate, and improve product and services delivery.



Social and Relationship Capital

The relationships which the Bank creates, develops, and maintains with its employees, customers, clients, capital providers, regulators, and the civil society to remain commercially and socially relevant, and operate as a responsible corporate citizen.



Intellectual Capital

Intellectual capital encompasses organizational knowledge-based intangibles, including intellectual property, brand and reputation, which is closely related to financial, human and manufactured capital through product development, process improvement, and employee capability enhancement.

The six Capitals have been mapped across the report to provide clarity on IndusInd Bank's value creation. Look out for the Capital icons in following chapters.

VALUE CREATION

Value created is the consequence of how the six capitals are utilized and leveraged by the Bank in delivering financial and non-financial performance (outputs) and outcomes for all

stakeholders while making trade-offs between them. The Bank's value creation process is described in our business model on pages 42-43 of this report.

MATERIALITY

One of the important guiding principles for creating this report is the inclusion of **materiality**, that is, disclosure of information on matters that substantively affect the organization's ability to create value. Stakeholder engagement is one of the primary modes used to determine matters that are material to business.

The information included in this report focuses particularly on those issues, opportunities, and challenges, that have material impact on our ability to be a sustainable business, and which consistently delivers value to all our stakeholders. Our material matters and the process of materiality determination are described on pages 46-47.

SUSTAINABILITY REPORTING

At IndusInd Bank, we believe that '**Good Ecology is Good Economics**'. Sustainability reporting, as an extension of 'sustainable banking', is an important tool for communicating our social and environmental agenda, as well as, our performance on a number of non-financial indicators, with the Bank's stakeholders.

IndusInd Bank's sustainability reports, heretofore, have been key in highlighting the Bank's commitment to and impact on societal and environmental development. This is implemented through the Bank's various programmes and initiatives in areas like energy efficiency, equitable resource access, education, water conservation, and, capacity-building in rural & underprivileged communities. Sustainable value creation is also reflected in enhancing the capabilities

of internal stakeholders, i.e., the Bank's employees through dedicated engagement and skill training. This report is also indicative of the Bank's efforts to further the regional and national agenda of achieving the targets within the 2020 Sustainable Development Goals (SDGs).

This report, while presented through an integrated reporting framework, is also in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative – GRI G4. The complete list of disclosures can be found in the GRI Content Index page 103 of this report. The Bank's previous Sustainability Reports can be accessed at <http://www.indusind.com/content/csr-home/sustainability-report.html>

THE REPORTING FRAMEWORK

This report is divided into four subsequent sections:

General Disclosures

This section outlines the organisational and governance profile, business highlights for the reporting period, methods for stakeholder engagement, and the Bank's vision, values and Code of Conduct.

Our Value Creation Framework

This section describes the external context within which the Bank operates, our value-creation or business model, material matters for the Bank, and the materiality determination process. The section also provides an overview of the Bank's risk assessment and management systems.

Strategies and Outcomes

This section enumerates the strategic themes of IndusInd Bank's Planning Cycle 4 (PC4) over the medium term (2017-2020), and the approach for achieving targets is illustrated using case studies.

Sustainability at the Bank

This section mentions the Bank's activities and initiatives to incorporate sustainability into both financial and non-financial aspects of business. The section also demonstrates the impact of our various CSR and sustainability-oriented programmes.

INDUSIND BANK IN FY '16-17

The FY' 16-17 has been a particularly stressful one for the financial sector. However, despite the challenging operating environment, the Bank continued to log an improvement in performance in terms of both financial and non-financial

aspects of business. The strategy for value creation is underscored by the macroeconomic narrative within which the Bank operates.



FINANCIAL CAPITAL

The Bank delivers superior value to stakeholders through excellence in corporate & retail banking, agri-business and consumer finance.

- Net profits ↑ by 25.43% to INR 28,678.9 million with 3-year CAGR of 27%
- Net Non-Performing Assets (NPAs) remained low at 0.39% in a challenging environment
- Return on Assets (RoA) placed at 1.86%
- Average revenue per employee steady at INR 4.04 million
- Raised USD 225 million from OPIC for MSME financing in India

- Increased the number of branches by 200 to total 1,200
- Refurbished IBL House office in Mumbai to a LEED Platinum rated facility
- Added new fleet of solar ATMs
- 371 additional servers virtualized to enhance Green IT systems



MANUFACTURED CAPITAL

The Bank invests in increasing its physical presence across India and creating sustainable physical value through green buildings & IT systems.



INTELLECTUAL CAPITAL

The Bank uses a knowledge-based and inter-unit collaborative approach to provide customized solutions. Investment in new-age digital platforms & technologies enhance the Bank's internal process efficiency & customer experience.

- Proprietary cross-sell strategies resulted in additional business valued at INR 7 billion
- Responsive Innovation through Video-Banking; Finger-print Banking & Shake N-Pay features in mobile banking improved client experience.
- Developed a customised API management tool that enhanced collaboration with external service partners.
- Launched communication initiatives to garner higher visibility and reinforce brand image



SOCIAL & RELATIONSHIP CAPITAL

The Bank prioritizes customers through client-centric engagement & intervention, and through initiatives to increase ease-of-business in all segments of society. The Bank also targets key areas for mainstreaming development through community-centric programmes with scalable and sustainable impact to create livelihoods.

- Consumer base stands at 9.5 million having doubled over a 3-year period.
- High customer satisfaction is maintained across all banking channels.
- Provided micro-credit to 2 million house-holds from the BoP segment with 99% of women borrowers
- 25,000 women trained in legal and financial literacy
- 97.50 million Litres of water capacity added through refurbishment of the Ghigewadi Dam, benefiting around 100,000 occupants
- Supported 18 para-athletes at the 2016 Paralympics and the Indian Blind Cricket team through IndusInd for Sports

- The workforce grew by 2,254 employees to a total strength of 25,314
- Conducted 9,60,000 man-hours of training for over 3,40,000 participants
- Conducted 981 programs on workplace safety, Women's Safety and Fire Safety
- 45 Green Champions and 1,500 Green Commandos successfully completed the '12 Acts of Leadership' campaign



HUMAN CAPITAL

The Bank delivers value to employees through a culture of transparency, communication, benefits & rewards, engagement through capacity building and engagement programmes.



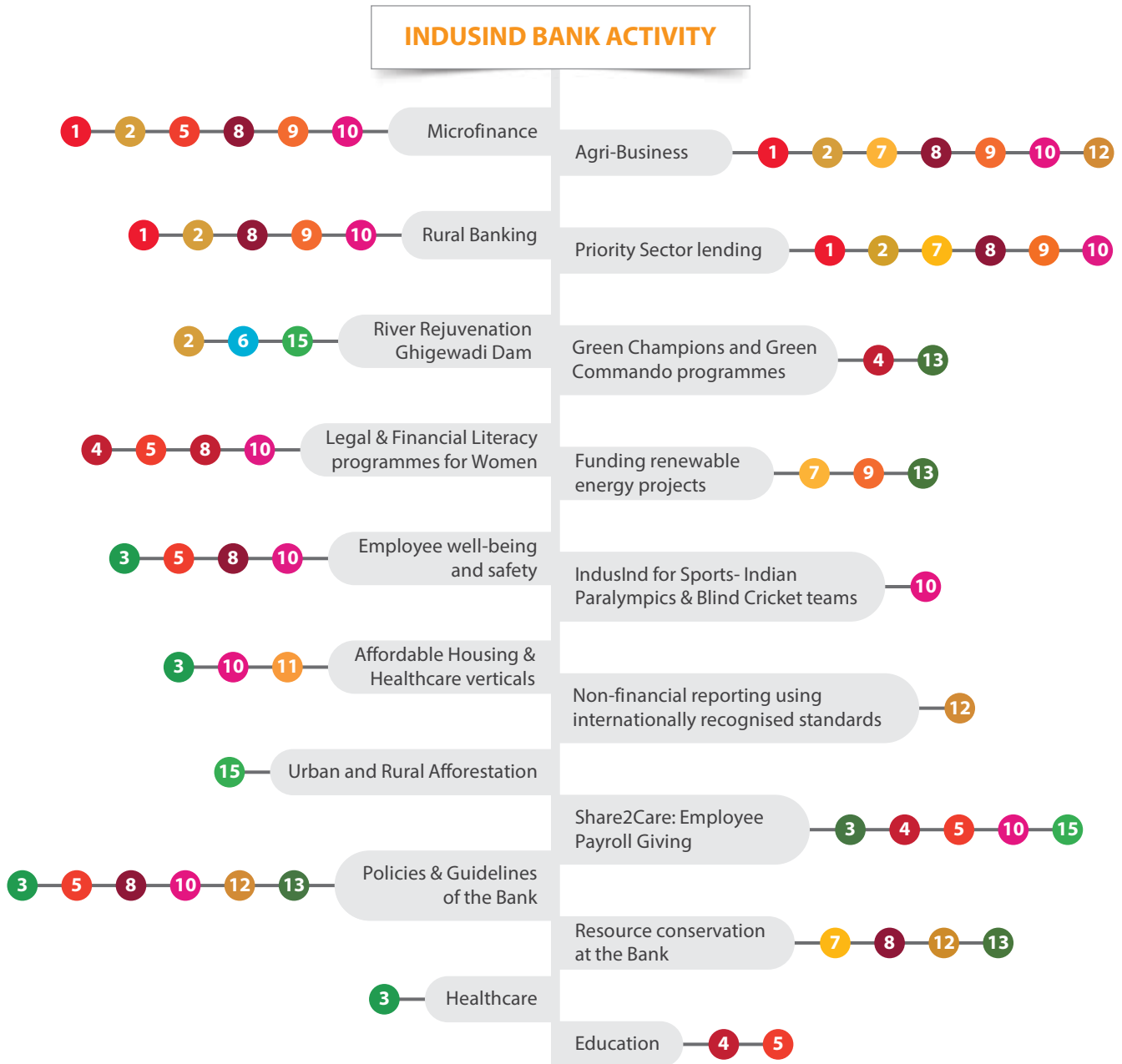
NATURAL CAPITAL

The Bank believes in preserving and enhancing natural capital through investment in and adoption of renewable energy sources, environmental risk assessment & GHG mitigation, and works towards integrating positive environmental action in business.

- Per capita GHG emissions decreased by 5.35% to 2.25 MT of CO₂e/FTE
- Generated 255.26 MWh of solar energy, thus avoiding more than 200 MT of GHG emissions
- Recycled 24,046 kg of e-waste and 4,162 kg of paper
- Planted 35,000 native trees in forests and urban areas

INDUSIND BANK & SUSTAINABLE DEVELOPMENT GOALS

IndusInd Bank is committed to propagating and contributing to the global 2030 Agenda for Sustainable Development via the 17 Sustainable Development Goals (SDGs). To this end, the Bank's programmes and initiatives are geared towards meeting the objectives within the SDGs.

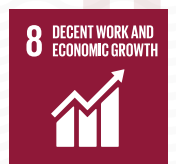




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III

GENERAL DISCLOSURES

SUSTAINABLE DEVELOPMENT GOALS
COVERED IN THIS CHAPTER



ABOUT INDUSIND BANK

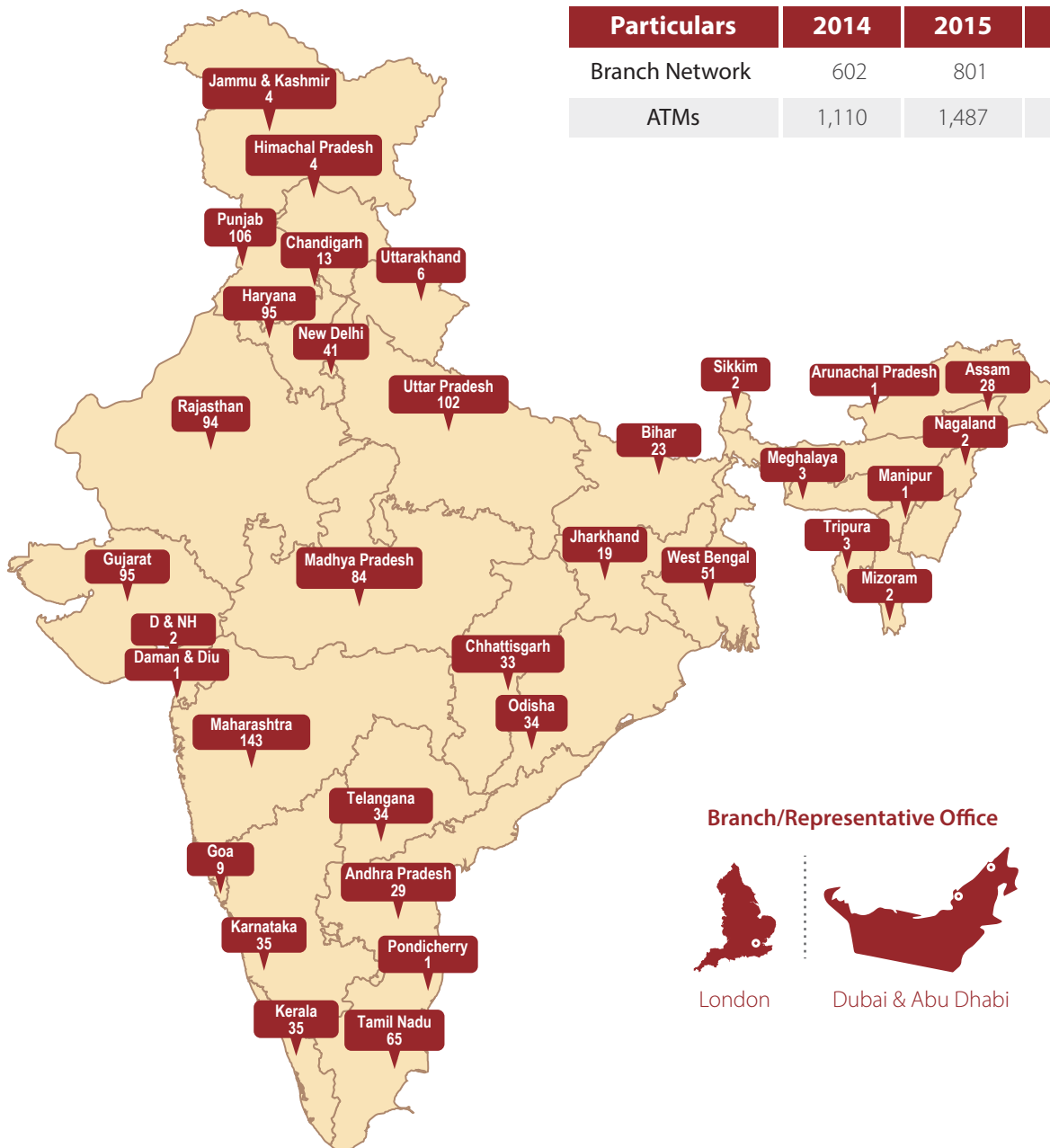


IndusInd Bank commenced operations in 1994 as one of India's new generation of private banks that cater to the needs of both consumer and corporate customers. The Bank started with a capital amount of INR 1,000 million, and today has a total income of INR 185.77 billion. As on March 31, 2017, IndusInd Bank caters to more than 9.5 million customers, has 1,200 branches, and 2,036 ATMs spread across 683 geographical locations of the country. The Bank also has representative offices in London, Dubai and Abu Dhabi, and a strategic alliance in Doha. We enjoy clearing bank status for both major stock exchanges - BSE and NSE- and major commodity exchanges in the country, including MCX, NCDEX, and NMCE. On April 1, 2013 IndusInd Bank was also included in the NIFTY 50 benchmark index. Recently, IndusInd Bank was ranked 12th amongst the Top 50 Most Valuable Indian Brands 2016 as per the BrandZ Top 50 rankings powered by the WPP and Millward Brown.

IndusInd Bank offers a range of services including Corporate Banking, Retail Banking, Foreign Exchange, Investment Banking, Capital Markets and Vehicle Finance, to mention a few. The Bank's technology platform supports multi-channel delivery. Our mission is to be a 'Best-in-Class' Bank and so, deliver value in a sustainable fashion to all our stakeholders by doubling our profits, clients and branches within a period of three years. The Bank's vision is to be a relevant business and banking partner to our clients, while continuing to be a frontrunner in the marketplace in terms of profitability, productivity, and efficiency. Furthermore, our business is built on a foundation of strong core values that include transparency and accountability, productive and sustainable growth, and excellence in responsive service for our customers and communities.

DISTRIBUTION NETWORK

Particulars	2014	2015	2016
Branch Network	602	801	1,200
ATMs	1,110	1,487	2,036



CORPORATE GOVERNANCE

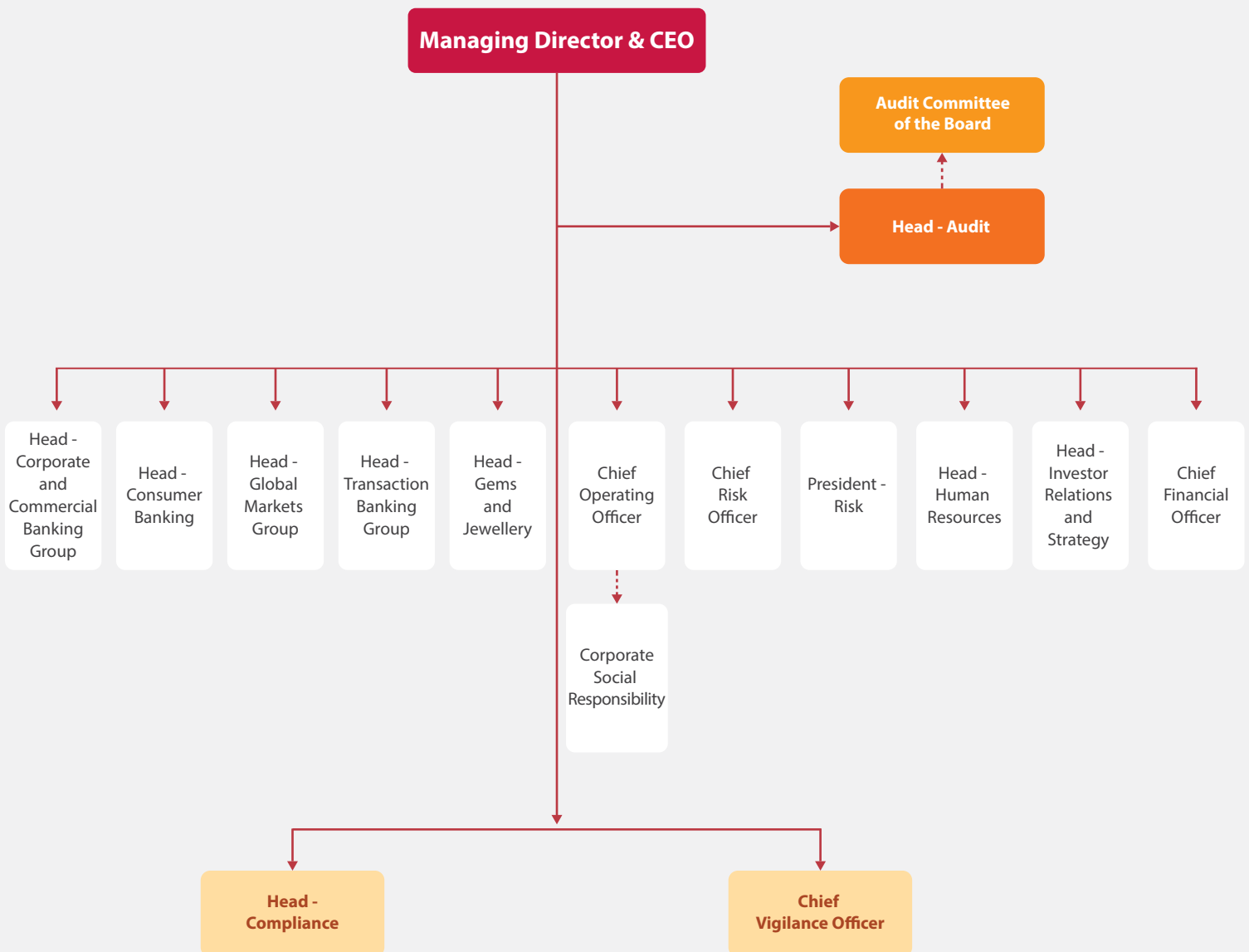
Banks and financial Institutions are the backbone of the economic sector of any country and corporate governance is thus a critical aspect of a business' approach to long-term and sustainable growth. At IndusInd Bank, we believe that Corporate Governance is a reflection of our value system, encompassing our culture, policies, and relationships with stakeholders.

The Bank is committed to executing our business while

maintaining the highest levels of ethical standards, professional integrity and corporate conduct. Our governance framework follows the guidelines laid down by both RBI and SEBI and is in compliance with the Companies Act and other relevant national legislations.

Corporate Governance at the Bank is driven by the Board of Directors, our Core Executive Team (CET) and the various Committees of the Board.

ORGANISATIONAL STRUCTURE



BOARD OF DIRECTORS



The Bank is run under the leadership and direction of Mr. Romesh Sobti, Managing Director (MD) and CEO of the company. Mr. R. Seshasayee, the Non-Executive Chairman, presides the Board of Directors of the Bank. The Board of Directors has been constituted as per the procedures laid

down in the Companies Act 2013 and has 9 Directors including 6 Independent Directors, 1 female Director, 1 non-executive, non-Independent Director, and the MD & CEO.

Name of Director	Nature of Directorship	Special Knowledge/ Practical Experience	Occupation
Mr. R. Seshasayee	Part-time, Non-Executive Chairman	Finance and General Management	Non-Executive Chairman Infosys Ltd.
Mrs. Kanchan Chitale	Independent, Non- Executive	Accountancy	Practising Chartered Accountant
Mr. Vijay Vaid	Independent, Non- Executive	SSI	Industrialist
Mr. T. Anantha Narayanan	Independent, Non- Executive	Accountancy, Finance and Agriculture	Retired. Former Executive Director (Finance) of Ashok Leyland Ltd.
Mr. Ranbir Singh Butola	Independent, Non- Executive	Finance & Economics	Retired. Former CMD of Indian Oil Corporation Ltd. Advisor, Oil & Gas
Mr. Yashodhan M. Kale	Non-Independent, Non-Executive	Corporate Governance, Accountancy and Taxation	Service
Mr. Shanker Annaswamy	Independent, Non- Executive	Information Technology	Retired. Former Managing Director of IBM India Private Limited
Dr. T. T. Ram Mohan	Independent, Non- Executive	Banking & Finance	Professor, Finance and Accounting, IIM, Ahmadabad
Mr. Romesh Sobti	Managing Director	Banking	Managing Director & CEO



SENIOR MANAGEMENT

At the functional level, the Board has constituted a number of committees to take strategic decisions and monitor the activities falling within their terms of reference. The Committees of the Board provide organisational structure to the Bank, and help in responding to changes in the Bank's strategy as determined by the Board of Directors. The

day-to-day functioning of the Bank is further managed by the Core Executive Team. Additional details about the Board of Directors and the roles and responsibilities of the Committees of the Board can be found in IndusInd Bank's Annual Report 2016-17, on pages 109 – 123.

COMMITTEES OF THE BOARD

- ◆ Audit Committee of the Board
- ◆ Committee of Directors
- ◆ Compensation Committee
- ◆ Customer Service Committee
- ◆ Corporate Social Responsibility (CSR) Committee
- ◆ Finance Committee
- ◆ Human Resources Committee
 - Human Resources & Remuneration Committee
 - Nomination Committee
 - Nomination & Remuneration Committee
- ◆ I.T. Strategy Committee
- ◆ Risk Management Committee
- ◆ Review Committee – Non-Cooperative Borrowers & Wilful Defaulters
- ◆ Stakeholder Relation's Committee
- ◆ Special Committee of the Board
- ◆ Vigilance Committee

The Bank's Board of Directors and its senior leadership are guided by the Bank's Code of Ethics and Conduct for Directors and Senior Management. This Code sets forth the guiding principles on which the Bank operates and conducts its daily business with multiple stakeholders including the Government and regulatory authorities. It also enumerates the principles of integrity, accountability, fair business and financial prudence which the Bank's senior leadership are

expected to uphold. The Bank has a Board Evaluation Framework setting out the process, criteria, frequency, etc. for evaluating the performance of the Board as a whole, Committees of the Board, and all Directors. Performance evaluation of the Board and its Committees are based on criteria such as composition and structure, effectiveness of processes, roles and responsibilities of Directors, information & functioning, etc.

CORE EXECUTIVE TEAM



Romesh Sobti
Managing Director
& CEO



Paul Abraham
Chief
Operating Officer



Suhail Chander
Head - Corporate
& Commercial Banking



Sumant Kathpalia
Head - Consumer
Banking



K. S. Sridhar
President



Arun Khurana
Head - Global
Markets Group



S. V. Parthasarathy
Head - Consumer
Finance



Ramesh Ganesan
Head -
Transaction Banking



S. V. Zaregaonkar
Chief Financial Officer



Sanjeev Anand
Country Head - Commercial
Banking & Deputy Head -
Corporate & Commercial Banking



Zubin Mody
Head - Human
Resources



Sanjay Mallik
Head - Investor
Relations & Strategy



**Ramaswamy
Meyyappan**
Chief Risk Officer



Roopa Satish
Country Head -
Corporate, Institutions &
Investment Banking

ETHICS, INTEGRITY & COMPLIANCE

IndusInd Bank is committed to executing our business strategy such that it actively promotes transparency, ethical standards, and integrity while engaging and meeting the needs of our stakeholders, as outlined in our Codes of

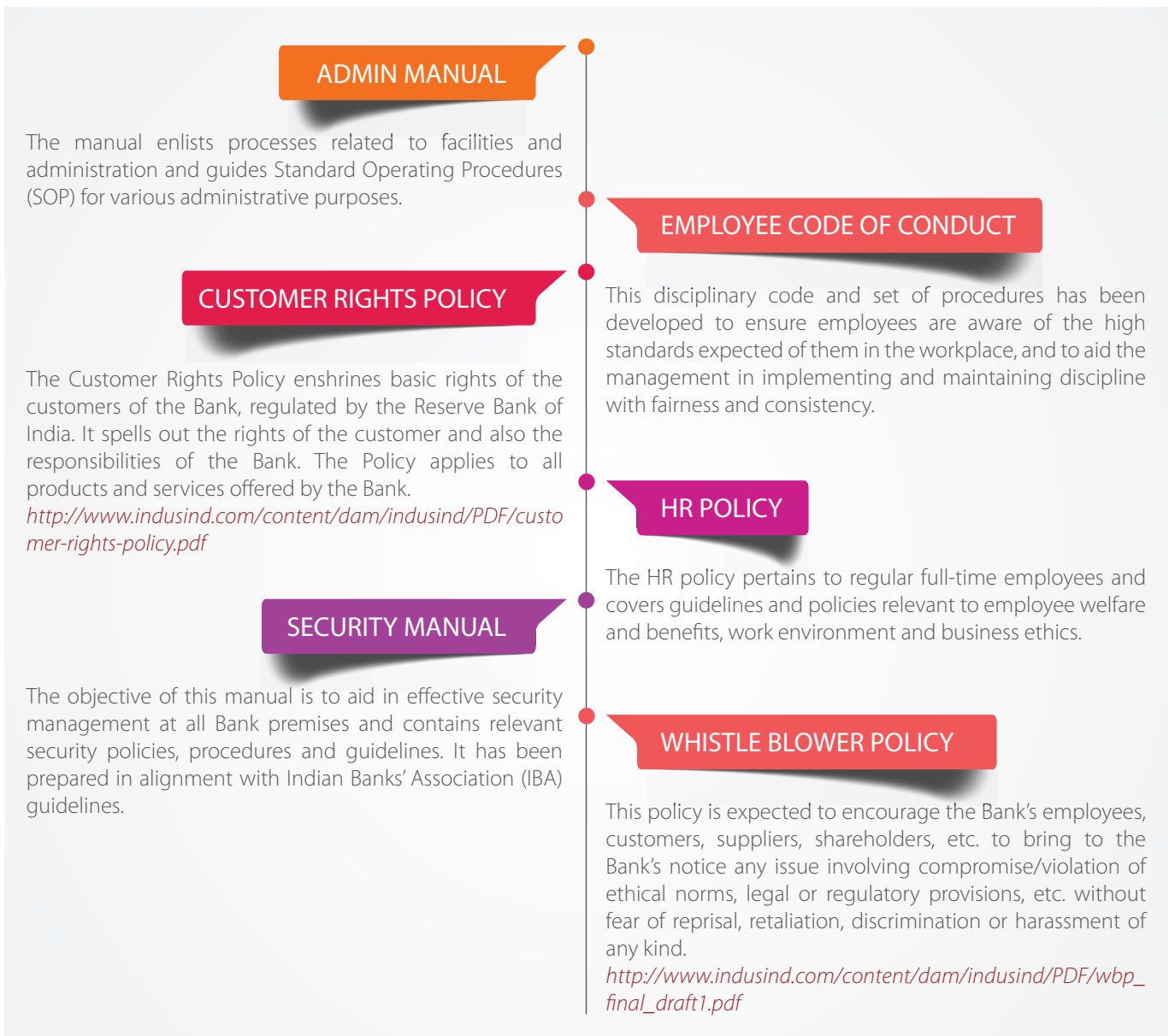
Conduct. To this end we have also developed robust mechanisms to ensure compliance with existing regulations and legal, statutory, and industry norms.

POLICIES AND GUIDELINES



The values of integrity, accountability, transparency and excellence in service are integral to the culture at IndusInd Bank and an essential part of the way we conduct our business. To ensure that our senior management, employees

and vendors maintain the highest professional standards, we have formulated and implemented a range of policies and guidelines. An overview of the most relevant of these is presented below:



GRIEVANCE REDRESSAL POLICY

This policy aims to minimize instances of customer complaints and grievances through proper service delivery & 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

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.

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.

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>

PRIVACY POLICY

The Privacy Policy outlines the Bank's commitment towards keeping customers' data secure.

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

WORKPLACE HEALTH AND SAFETY

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

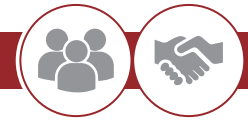
CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

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

<http://www.indusind.com/investor/corporate-profile/code-of-conduct.html>

PROCUREMENT POLICY

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



COMPLIANCE AND VIGILANCE

The Bank endeavours to achieve the highest standards of compliance and corporate governance. This responsibility falls on the Compliance function of the Bank, senior management, and the Audit Committee of the Board which ensures appropriate employee conduct. The Bank's Vigilance function and the Vigilance Committee review

lapses on the part of employees. These efforts are strengthened by our Code of Conduct which guides senior leadership and employees to ensure the needs of our stakeholders are adequately addressed in a balanced and transparent manner.

MANAGING COMPLIANCE RISK

The Bank's dedicated Compliance function facilitates the management of Compliance Risk and has defined policies to ensure adherence to statutory guidelines. This function scrutinizes and monitors compliance aspects at various stages. The Compliance Function also monitors and reports to management, the compliance status based on certifications provided by Branch Managers and the heads of various functional units. The Bank has taken several steps to

ensure better compliance at the execution stage by enhancing processes and controls and by ensuring early detection of any deviations. The Bank's Operational Risk Management Committee (ORMC) approves all new products and processes of the Bank, including changes in existing ones. The Compliance function vets all propositions put before the ORMC.

PROMOTING COMPLIANCE AWARENESS

The management of compliance related risks is determined by the actions and omissions of employees charged with related responsibilities. Integration of employees into a culture of good corporate governance is essential for mitigating this risk. To this end, the Bank engages with employees periodically for creating awareness on the Bank's compliance framework and the consequences of

non-compliance. The Bank publishes and disseminates several communications which cover compliance topics from domestic and global regions, analysis of default events, and a monthly Compliance Newsletter. The Bank also organizes regular seminars on compliance aspects for the employees.

Guides	Flashes	Seminars	Bytes	AML News	Tidbits	Fraud Modalities	Flash Messages
25	18	25 Seminars covering 688 BM, MCSOPs & other operations staff at 14 Centres	12	32	26	10	44

COMPLIANCE MONITORING

The Bank has various mechanisms in place to monitor compliance. For example, test studies were carried out for sample branches, corporate office departments, and associate agencies to assess the level of compliance in significant areas. Sample checks were undertaken in areas

considered important from a compliance perspective like meeting Know Your Customer (KYC) requirements, cash transactions, handling of AML (Anti-Money Laundering) alerts, forex transactions etc.

Customer service aspects like display of notices and codes, holding customer service meetings, security and surveillance and other such aspects were also verified. Additionally, parameter-based testing is done for obtaining of PAN, allotment of UCIC, cash transactions of walk-in customers, etc.

Meeting compliance is an on-going effort at the Bank and our employees and management are continuously learning from experience to improve operations and processes.

During this financial year, RBI carried out a Thematic Scrutiny of several banks and penalised them with respect to Advance Remittances made for imports where Bills of Entries were not submitted by customers. This was essentially an issue that arose as a result of customer abuse of liberalised regulations for imports payments. The Bank was also penalised in this context. However, the Bank has identified this problem and taken certain preventive measures to mitigate the risks on this account in the future.

Fines or Actions Against the Bank

Penalties paid for non-compliance*	INR 20 million
Actions initiated against IndusInd Bank for non-compliance by regulatory bodies	None
Any products offered as part of IndusInd Bank's portfolio banned in any markets or have any been subjected to questions by stakeholder or public	None

***Disclosure of penalties imposed by RBI:**

During the year, RBI imposed a penalty of INR 20 Million for violation of regulatory directions / instructions / guidelines, among other things on KYC norms, in exercise of powers vested under Section 47(A)(1)(c) read with Section 46(4) of the Banking regulation act, 1949. This penalty was duly paid by the Bank.

VIGILANCE

Building trust is key to IndusInd Bank's success and being a trusted partner to our customers and other stakeholders is an essential part of our strategy for Planning Cycle 4. Discipline and proactive Vigilance are thus indispensable

requirements for our development as a responsible business. The objective of the Vigilance mechanism of the Bank is to enhance the level of managerial and operational efficiency and protect the integrity of the Bank & its stakeholders.

REPORTING UNLAWFUL OR UNETHICAL BEHAVIOUR

The Bank employs robust prevention and detection mechanisms to minimise the risk of unlawful or fraudulent behaviour and has also put in place a number of reporting channels to expose deviant behaviour. These include Direct Reporting to the Chief of Internal Vigilance for any vigilance matters, the Head of Compliance for any matter where a compliance issue may be involved and the Head HR for any queries regarding the Code of Conduct and a strong Whistle-blower Policy. The Whistle-blower Policy of the Bank encourages various stakeholders namely, employees, customers, suppliers, shareholders, etc. to bring to the notice of the Bank any issue involving compromise or violation of ethical

norms, legal or regulatory provisions, etc. without any fear of reprisal, retaliation, discrimination or harassment of any kind.

During FY '16-17, 1,878 cases pertaining to operations related staff accountabilities, vigilance, sexual harassment and behavioural misconduct were reported through the various channels mentioned above. Of these, 73 cases were reported via the Whistle-blower Mechanism. 12 complaints were received in the area of corruption and bribery, of which 9 were found to be untrue and the remaining 3 are under investigation, thus demonstrating the effectiveness of our anti-corruption training programmes.



ANTI-CORRUPTION ACTIVITIES

IndusInd Bank also has a zero tolerance stance towards corruption and unlawful behaviour by its employees. This policy is emphasised in our Code of Conduct and is reviewed during induction and training programmes. In the FY '16-17,

3,916 employees attended programmes and seminars on anti-corruption to keep abreast with good practices and control measures.

HUMAN RESOURCES: PROFILE AND STRATEGY

We at IndusInd Bank treasure our internal stakeholders, notably, our employees who represent Human Capital, and strive to maintain a group of like-minded, dedicated, and passionate people. The HR agenda is to be a strategic business partner by focusing on talent acquisition, management & development, retention, sustaining a result-oriented culture, rewarding and recognising talent, offering meaningful career growth, and building employee equity. Achieving these objectives helps the Bank build a

satisfied workforce, which in turn, is adequately enabled and capable of delivering superior customer service.

The Bank pursues 'Discipline and Compliance' as core values to create a conducive work environment. Every employee must adhere to the employee service rules and code of conduct, and follow the Bank's processes. The Bank also meets the relevant HR-related regulatory and statutory laws.

WORKFORCE BY THE NUMBERS

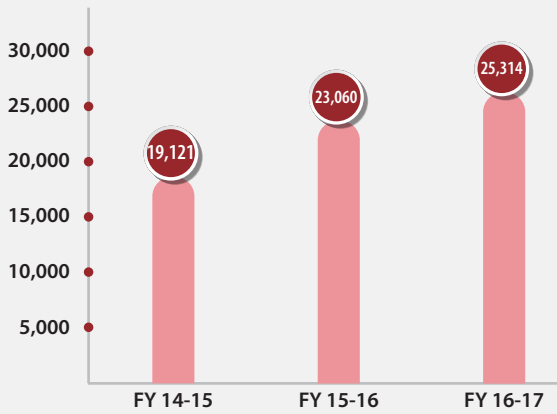


IndusInd Bank is a preferred career destination for the high-potential talent industry for building a long-term career and achieving career growth. During the FY '16-17, hiring was based on the Annual Business Plan of the Bank. A variety of hiring channels were utilized including Employee Referral Schemes, job portals, consultants, campus hiring, etc. for quality hiring. Social media platforms (LinkedIn, Facebook) were also leveraged for niche and leadership hiring. The Bank's selection process consists of multi-layered interviews,

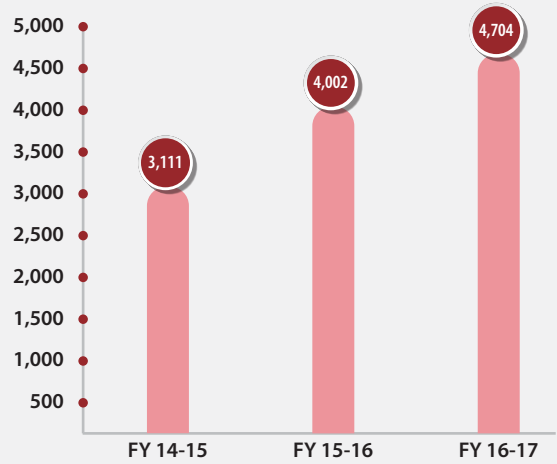
competency assessment tests, background verification, etc. to recruit the right candidates.

This year our workforce increased to 25,314 from 23,060 in 2015-16, maintaining the trend of growth in number of permanent employees over the years. Of these, the number of permanent woman employees has steadily increased and stands at 4,704 at the end of FY '16-17.

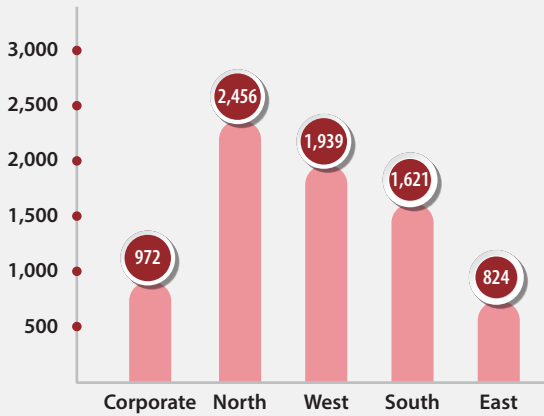
TOTAL EMPLOYEE STRENGTH



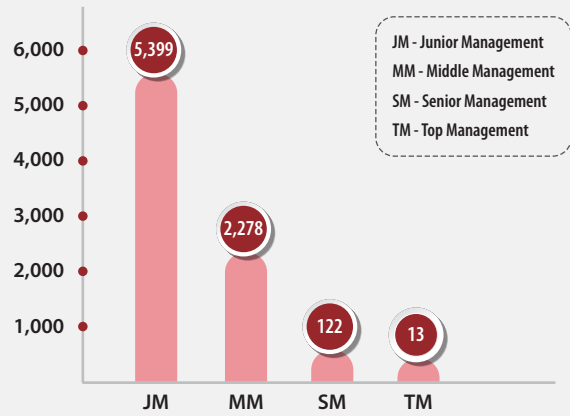
PERMANENT WOMEN EMPLOYEES



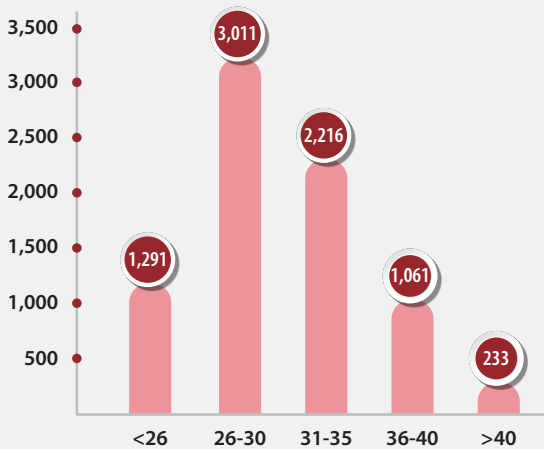
NEW HIRES BY REGION



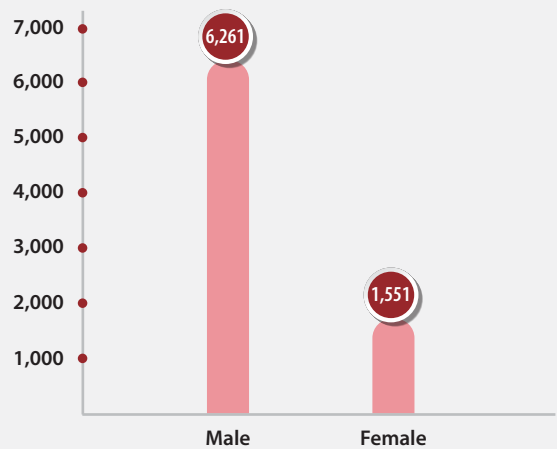
NEW HIRES BY MANAGEMENT GRADE



NEW HIRES BY AGE GROUP



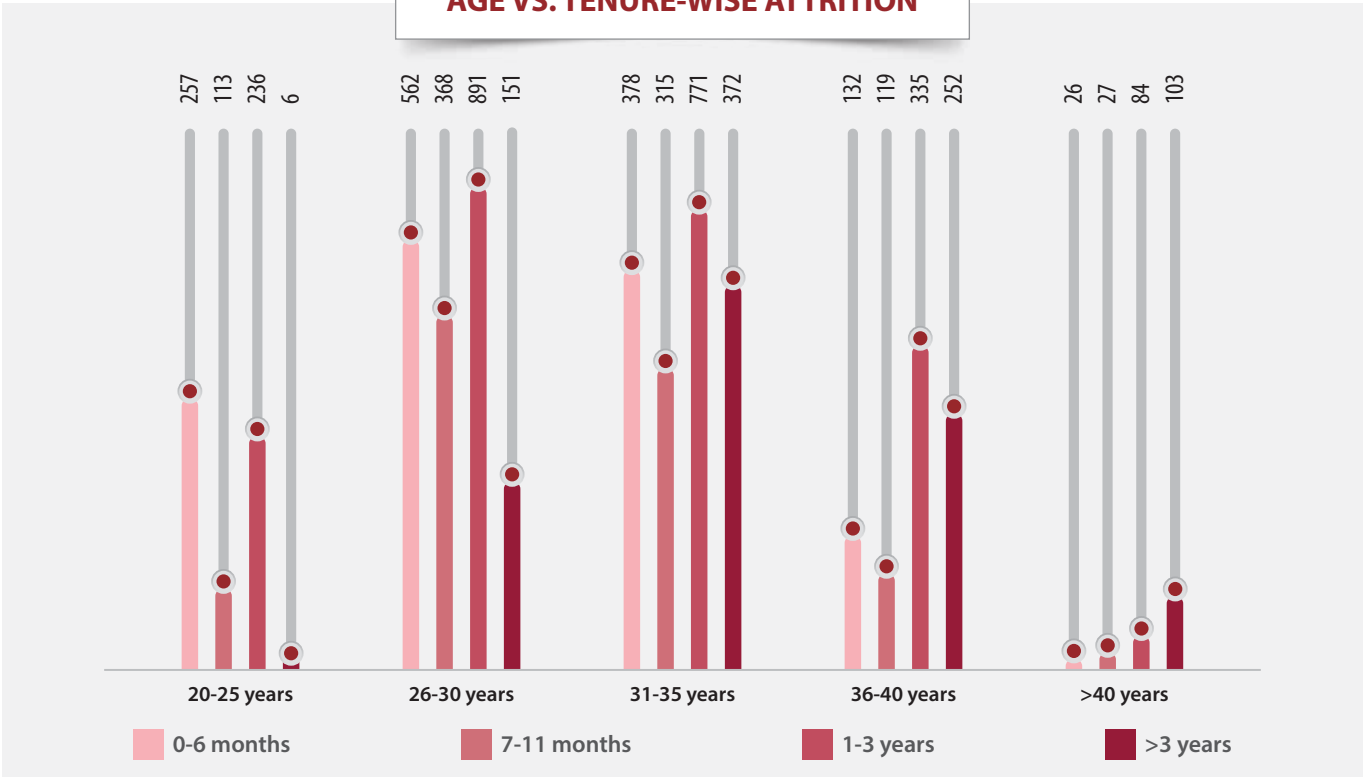
NEW HIRES BY GENDER



The Bank's attrition rate is consistently lower than the market level. We have witnessed a decline in attrition across all employee levels and negligible attrition at strategic levels that provide strategic and functional leadership across various business units (BUs). Similar to industry trends, the attrition at the Junior and Middle Management are comparatively higher than that at the Top Managerial levels – mainly at the frontline sales and branch operation roles.

The Bank addresses attrition through several career development programmes and initiatives and provides employees with supportive measures like market-linked compensation, mentoring by seniors, learning opportunities, career planning, as well as, employee engagement.

AGE VS. TENURE-WISE ATTRITION



MANAGEMENT GRADE VS. TENURE-WISE ATTRITION



EMPLOYEE BENEFITS AND WELFARE



The Bank recognizes that engaged and satisfied employees are better performers and an asset to business. To this end, HR policies are designed to attract and retain talented professionals by rewarding and acknowledging employees' efforts. This is implemented through performance management processes like Goal Setting and Annual Performance Reviews which review individual performance, provide performance counselling & developmental feedback, and identify future leaders for driving the Bank's business growth. Employee goals differ across skill-bases and management roles. Some of the standard goals and the targets therein are:

- ◆ **Business Targets** reflected through Sales Revenue, Profitability
- ◆ **Business Development** through new product roll-out, new customers on-boarded
- ◆ **Compliance**
- ◆ **People Development** through number of learning man-hours, etc.

The Bank's Compensation Policy is based on the philosophy of 'Pay for Performance' and Role Criticality. Key objectives include linking the Bank's compensation to business performance and industry trends, offering differentiated reward and recognition based on performance, building long term employee ownership and association, while being compliant of compensations guidelines set by RBI.

Additionally, the Bank has instituted an Employee Stock Option scheme to enable employees, including full-time Directors, to participate in the future growth of the organization. An aggregate of 3,98,39,800 options, totalling 6.66% of the Bank's equity capital have been granted through the scheme as on March 31, 2017. Certain benefits like health care (Mediclaime, Group Personal Accident Policy) and insurance are also offered to full-time employees. Further details on employee benefits can be found on pages 156-157 of the Bank's Annual Report 2016-17.

EMPLOYEE TRAINING AND EDUCATION



Since employees are one of our most valued assets, developing diversified and multi-dimensional skills for employees remains a major focus area for the Bank and is a part of our agenda for PC4. Skill development and training of employees is carried out through a variety of classroom programmes and e-learning initiatives in the areas of Leadership, Innovation & Creativity, Banking Products, Banking Operational Processes, Credit, and, Induction & Compliance. The Bank also conducted Management Trainee programmes across BUs in FY '16-17 to build entry-level talent with cross functional-skills.

During FY '16-17, the Bank conducted over 9,60,000 total training man-hours for more than 3,40,000 participants through 1344 programmes, including 4,66,801 hours on skill-based training. About 40% of all training is currently conducted through e-learning modules; mobile-based

learning programmes are expected to be rolled out by 2018. Employees are assessed based on their completion of the training courses. Learning effectiveness is ensured through learning needs assessments, well-designed content, delivery by qualified internal & external subject matter experts, and a feedback mechanism. The assessments are linked to individual performance ratings.

Employee skill development contributes positively towards improving operational processes, and has kept in line with the Bank's Planning Cycle objectives of enhancing customer service, sales performance, and ensuring business growth with market profitability. Furthermore it is essential to the development of dynamic skills required for the roll out of new business strategies and developments in rural banking and agri-business.

Employee Skill-based Training

Type of Training Programme	No. of Programs	No. of Participants	Training Man Hours
Orientation to IndusInd Bank	166	3,972	77,076
Product & Behavioral Training (across BUs)	440	9,052	239,623
Process Training (GBO/CCBG/CGMO/Compliance)	54	1,381	15,259
CFD (Induction/DRA/Others)	75	5,266	134,843
Total	735	19,671	4,66,801

ENSURING HUMAN RIGHTS



The Bank respects, protects, and promotes the Human Rights mandate that is recognised at the global level. In the following section, we highlight some of the steps taken by the Bank towards recognising these rights as they pertain to

all stakeholders including our business supply chains, thereby ensuring that the principles of ethics and sustainability are upheld.

EQUAL OPPORTUNITY EMPLOYMENT

IndusInd Bank is an equal opportunity employer; all employees are treated equally in HR processes including hiring, training, promotions, and staff benefits. Further, each employee is provided benefits without discrimination based on culture, language, ethnicity, caste, gender, religion, age or disability. To this end, female employees represent 18.58% of our total employee base. Differently-abled employees also form a part of the permanent workforce and are given

special soft skills training. Additionally, we evaluate and address the specific infrastructural and support requirements of our differently-abled personnel to facilitate their integration into the system. In FY' 16-17, training in sign-language was given to the reporting managers and colleagues of hearing-impaired employees as part of our employee engagement programme.

SEXUAL HARASSMENT POLICY

The Bank has a robust policy in place for addressing sexual harassment and gender inequality in the workplace. The policy is in harmony with the Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013 and directives of the Supreme Court. Female employees are encouraged to notify any cases of harassment or gender-based discrimination and all such matters are escalated for immediate investigation

irrespective of grade or level of those involved. Employees found guilty of misdemeanour are dismissed from the Bank. Names and identities of employees are kept confidential during the investigation to protect their interest. The Bank also organises comprehensive workshops for employees on the issue. In FY '16-17, the Bank received 9 complaints alleging sexual harassment all of which were resolved during the year.

REPORTING AND COMMUNICATION CHANNELS

There exist a number of reporting and communication channels for employees to voice their concerns and raise complaints. The Whistle Blower Mechanism and Direct Reporting are two such channels. The Bank promotes and participates in dialogue with employees regarding matters

of violations of the Code of Conduct, indiscipline, sexual harassment, etc. A fair and unbiased treatment policy also ensures any disciplinary action, and unfair dismissals or terminations can be challenged by employees which are then resolved adequately post investigation.

EMPLOYEE HEALTH AND SAFETY

IndusInd provides a safe, healthy, and secure workplace for all employees, contractors, visitors, and customers. Our HR Policy and Workplace Health and Safety Policy which lay out safety measures, escalation mechanisms and directions for handling emergency situations. The Bank's e-learning module on 'Workplace Safety' creates awareness on the various potential hazards and accidents at the workplace.

Fire evacuation drills and training programmes are conducted periodically at various locations of the Bank and covers security staff stationed at high-rise buildings in addition to employees. Electronic Direct Mailers (EDMs) on fire safety measures and emergency preparedness are

shared with all employees. Training sessions on Women's Safety were also conducted for female employees during which they were trained on various self-defence techniques using common implements and accessories for protection. They were also sensitised on common safety issues and incidents that can affect them.

IndusInd Bank is also one of the first to implement e-surveillance at all branches to identify potential risks, incidents, and threats. This has helped in significantly reducing the response time for action to combat such incidences.

Safety Training Details

Program Name	Training Type	No. of Programmes	No. of Employees
Women's Safety	Classroom	38	1,530
Fire Safety	Classroom	780	12,800
POSH	Classroom	162	3,916
Workplace Safety & Security	e-Learning	1	7,670
Total		981	25,916



Women's Safety Training at IndusInd Bank



Fire Safety Training at IndusInd Bank

STAKEHOLDER ENGAGEMENT

IndusInd Bank recognizes that our success as a business is founded on understanding the needs and expectations of our stakeholders, both internal and external. Stakeholder engagement is, therefore, crucial to not only create value as a financial organisation, but also to foster long-term relationships to make value creation sustainable.

The Bank engages with a wide variety of stakeholders including customers, suppliers, shareholders, investors, regulators, non-governmental organisations (NGOs), and the community at large. We have identified these stakeholders as key through a series of internal discussions with the Bank's executives. A number of programmes, initiatives, and communication channels have been instituted to engage

with stakeholders, gain their feedback and insights on material issues, and respond appropriately. Effectively managing the issues raised by stakeholders is integral to fulfilling our ambitions and planning the future direction of our business as a bank, while motivating us to be accountable.

The Bank's Stakeholder Relations Committee comprising of senior management has the sole objective of addressing stakeholders' complains and responding to their needs.

The Bank's engagement with key stakeholders is summarized in the following pages.

Stakeholder	Description
 <p>Customers</p>	<p>The Bank's customer base consists of retail banking customers as well as corporate banking clients. The Bank is committed to meeting their expectations by engaging with them in a result-oriented and transparent manner.</p>
 <p>Employees</p>	<p>IndusInd Bank has 25,314 full-time employees working out of branches and offices. The Bank aims to provide employees with a diverse and safe working environment with opportunities for growth and development.</p>
 <p>Shareholders and Investors</p>	<p>Shareholders and investors share our vision for the Bank. We are committed to building relationships with them and creating sustainable long-term value through timely and effective disclosures.</p>
 <p>Suppliers and Service Providers</p>	<p>The Bank is committed to upholding sustainable procurement practices and ensuring suppliers and vendors are aware of and adhere to compliance standards.</p>
 <p>Senior Leadership</p>	<p>Senior leadership at the Bank consists of the Board of Directors and the Core Executive Team (CET). Together, they drive the business and strategic decisions of the Bank</p>
 <p>Regulatory Authorities</p>	<p>The Bank engages with a number of financial regulatory authorities (RBI, SEBI) and is compliant with all relevant regulations and laws.</p>
 <p>Society and NGOs</p>	<p>The Bank is committed to engaging with the broader community, including our employees, through our products & services and internal initiatives. We also engage with civil society groups, social development organisations, and NGOs through our CSR activities.</p>

Mode of Engagement	Issues of Interest
<ul style="list-style-type: none"> Formal and informal communication means at branches, video branches, other digital channels. EDMs and social media platforms Customer care channels Customer Satisfaction and Loyalty surveys <p>Frequency: Interaction with customers is continuous and ongoing.</p>	<ul style="list-style-type: none"> Customer data privacy and security Ease of use, access and availability of banking services Effective grievance redressal mechanisms and timely response
<ul style="list-style-type: none"> Town-hall meetings with the MD Training and capacity development programmes Whistle Blower Policy Performance management processes Performance-based benefits Intranet portal, webcasts, newsletters <p>Frequency: Interactions with employees is continuous and ongoing.</p>	<ul style="list-style-type: none"> Benefits and remuneration Health and safety in the workplace Effective grievance redressal mechanisms and timely response Training and skill development Work-life balance
<ul style="list-style-type: none"> Roadshows and investor meets Investor grievance channels Roundtables, quarterly conference calls, and face-to-face meetings Annual general meeting Annual Report, Sustainability Report, CDP Response Investor Relations information portal on website <p>Frequency: Interactions are need-based, monthly, quarterly, annual, and ongoing.</p>	<ul style="list-style-type: none"> Financial performance Risk management Compliance Sustainable growth Responsible value chain Rural development and financial inclusion
<ul style="list-style-type: none"> One-on-one supplier meets Techno-commercial discussions and service engagements Meetings related to audits, governance, compliance Supplier sustainability assessments <p>Frequency: Interaction is quarterly and on a periodic basis.</p>	<ul style="list-style-type: none"> Service delivery and quality Operational efficiency Business intelligence
<ul style="list-style-type: none"> Board Meetings Meetings of the Committees of the Board Direct reporting <p>Frequency: Board meetings are held 6 times in a year. Committee meetings are held as per regulatory guidelines and directions of the Board.</p>	<ul style="list-style-type: none"> Compliance and governance Financial performance Employee welfare and training Sustainable growth Rural development and financial inclusion Sustainability
<ul style="list-style-type: none"> Qualified Institutional Placements with RBI One-to-one meetings and group meetings Emails and letters Submission of performance reports <p>Frequency: Interaction is need-based.</p>	<ul style="list-style-type: none"> Compliance Corporate Social Responsibility Reporting
<ul style="list-style-type: none"> Employee engagement programmes Employee payroll giving Financial & legal literacy initiative Community and rural development Biodiversity conservation programmes Resource conservation initiatives and awareness generation campaigns <p>Frequency: Interaction is need-based and monthly.</p>	<ul style="list-style-type: none"> Rural development Financial literacy Sustainable development Responsible value chain Rural development and financial inclusion

FOSTERING SUSTAINABILITY IN SMALL AND MEDIUM ENTERPRISES

In FY '16-17, IndusInd Bank conducted two 'Symposiums on Sustainability' for promoting the fundamentals of sustainability in Small and Medium Enterprises (SMEs) in India. The symposiums were attended by over 70 clients from various industry sectors including, real estate, chemicals, plastics & polymers, education, freight services, etc. The objective of the workshops was to generate awareness on the case for incorporating sustainability in business, and equipping clients with knowledge on Environment, Social, and Governance (ESG) principles. Sustainable procurement, ESG risk management, green infrastructure, and compliance & regulation, were some of the topics of interests for clients at the symposiums. The learnings for clients from the workshops covered areas like energy efficiency, employee engagement for resource conservation, ESG mechanisms, etc. The workshops were facilitated by experts from the CII-ITC Centre of Excellence for Sustainable Development.



EMPLOYEE ENGAGEMENT AND COMMUNICATION



Engaging employees and creating a dialogue with them is integral in the pursuit of sustainable value creation. Since employees form the backbone of the Bank's business, it is important to empower them with the relevant skills and knowledge regarding priority issues of the Bank, while also providing them an avenue to communicate their concerns and ideas to the organisation. The Bank has incorporated various programmes and systems to maintain a high level of engagement and dialogue with our employees.

The Bank has adopted transparent formal and informal communication channels to connect with employees,

obtain feedback, and foster ideation & innovation. Quarterly webcasts by the MD live streamed across all offices and branches, akin to virtual 'Town halls', which broadcast the Bank's business performance, trends, and business strategy. Periodic visits by HR personnel and line managers also helps in capturing employee feedback. On the sustainability front, tips, environmental bulletins, and the Bank's event calendar are publicized through Electronic Direct Mailers (EDMs), the *Hum aur Hariyali* intranet site, and an internal employee portal, 'Pulse'. The various platforms through which employee engagement is carried out are elaborated below.

NEWSLETTERS AND WORKSHOPS

In addition to the Bank's various monthly and quarterly newsletters, the Bank continues with a monthly corporate social responsibility newsletter titled 'Know Your CSR', first launched in FY 2014-15. This newsletter aims to generate awareness in, and enhance engagement of the employees on the Bank's sustainability agenda, CSR activities, Green Champions programme, and green business news. The social and environment related activities undertaken by the Green Champions are showcased in the CSR newsletter.



INDUS PARICHAY



Indus Parichay is an internal recruitment initiative designed to identify potential candidates from our existing employees' social network. The direct relationship between the candidate and the referring employee allows the candidate

to develop a strong understanding of the Bank's business and the recruitment process. The candidates' fit with company culture, department and teams is improved as candidate and employer expectations find a match.

STAKEHOLDER REPORTING



The Bank has in place a number of reporting and escalation channels for stakeholders as a means of grievance redressal. Employee communication is promoted through all channels – vertically, horizontally, and across the board. The most prominent and well-established channels through which employees can voice their concerns are the Whistle Blower Mechanism, and Direct Reporting.

Through Direct Reporting, employees can write directly to their higher authorities up to the CEO on any issue, especially related to unacceptable behaviour or treatment, sexual

harassment, unethical dealings or transactions. The issue at hand is looked into by the concerned department and even the CEO if the issue is of significant importance.

The Bank adheres to due diligence and various legalities regarding issues of disciplinary action and staff accountability, which may result in penalties like dismissals and terminations. Issues are dealt with systematically, and the concerned employees are given an opportunity to contest the Bank's decision. During FY '16-17, 8 employees challenged their dismissal or terminations in the Courts and Tribunals.

CUSTOMER COMPLAINT REDRESSAL

The Bank follows a clearly-defined method of addressing customer complaints and grievances. All customer complaints lodged at the branches are handled by the Branch Head who can then refer the complaint to a Nodal Officer if the complaint is not resolved within 7 days. If the Nodal officer is unable to resolve the complaint within 30 days of receiving it, the issue is then escalated to the Banking Ombudsman, a statutory body appointed by the Reserve Bank of India (RBI). The salient features of the Banking

Ombudsman Scheme 2006, to which IndusInd Bank is party, are displayed on branch notice boards and the website. Customers can also lodge complaints at the Contact Centre or through the Bank's website. In FY '16-17, the Bank received 36,978 complaints in addition to the 455 complaints pending at the beginning of the year. Of these, 35,349 or 94% of the total 37,433 complaints were redressed during the fiscal year.

PRIVACY POLICY AND CUSTOMER PROTECTION

Within the objective of providing excellent customer service, protection of sensitive customer data is the top priority for the Bank. Our Privacy Policy, publicly available on the Bank's website, reiterates our promise of keeping customer data private and secure. We maintain physical, electronic and procedural safeguards to protect customer information. Employees are authorized to access customers' information only for business purposes and are bound by a code of ethics

that requires confidential treatment of the information, and are subject to disciplinary action if they fail to follow this code. The Bank's website hosts the contact details for customer support in case customers have queries or complaints. The Bank's digital-led innovative security systems and protocols launched during the year, discussed at length in Chapter 4 of this report, have also strengthened the controls around the Bank's customer data.

OUR SUPPLY CHAIN



The Bank has adopted a value chain approach whereby we assess the backward linkages to our supply chains, as well as, the impact of our business on social and environmental indicators. To address the challenges of sourcing from ethical and socially and environmentally responsible suppliers, the Bank has in place well-defined policies on ethical procurement and supply chain sustainability.

supplier on-boarding criteria for procurement of all goods and services, including IT and non-IT support. The Bank seeks only to associate with supply chain entities willing to abide by standard and progressive labour laws & practices while upholding basic human rights. To ensure this, the Bank gives preference to suppliers which have a formal Supplier Code of Conduct. The policies and efforts towards product, supplier, and vendor selection within the Procurement Policy include:

The Bank's Procurement Policy maintains a strict vendor and

- ◆ Ensuring supplier organizations have consulted key stakeholders for creating their own Supplier Code or related policy
- ◆ Assessing whether supplier organizations are aware of representation of any disadvantaged communities in capacity building programmes
- ◆ Assessing whether supplier organizations disclose procedures for sustainable sourcing
- ◆ Ensuring the supplier organizations' policies explicitly prohibit child labour
- ◆ Ensuring the supplier organizations' Human Rights and worker rights policies extend to their supply chain with appropriate redressal systems
- ◆ Ensuring the supplier organizations' employment policy includes minimum wage, equal opportunity, health & safety, and social benefits
- ◆ Ensuring the supplier organizations adopt safe environmental practices

The Bank ensures that vendors or suppliers indulging in unethical or collusive practices with other vendors, or using unscrupulous means are blacklisted. A comprehensive sustainability assessment of high-volume suppliers has also

been conducted by the Bank. Most of the suppliers and vendors the Bank engages with have adopted sustainable practices in their product life cycle.

MEMBERSHIP & ASSOCIATIONS

Addressing the challenges of sustainable growth and development requires a collaborative, multi-stakeholder approach which brings together businesses, government, academia, and civil society groups. Industry associations, in

particular, play a crucial role in advocacy and promoting awareness on a number of socio-economic and industry issues. IndusInd Bank is an active member of several such associations including:



Confederation of Indian Industry (CII)



Bombay Chamber of Commerce & Industry (BCCI)



Indian Institute of Banking and Finance (IIBF)



Banking Codes and Standards Board of India (BCSBI)



Indian Merchants' Chamber (IMC)



Indian Banks' Association (IBA)

AWARDS AND ACCOLADES



IBA Technology Awards 2017

IndusInd Bank won three technology awards. Best Technology Bank – IndusInd Bank was declared the winner in the small bank category. IndusInd was the runner-up in two categories viz. Best IT Risk and Cyber Security, and Best Payments Initiatives.

Best Bank Award

IndusInd Bank was awarded the 'Best Bank Award' for Innovation Use of Technology at the 12th IDRBT Banking Technology Excellence Awards. The award was presented at a ceremony at IDRBT campus in Hyderabad.

Energy and Environment Foundation Global Safety Awards 2017

IndusInd Bank was awarded for Outstanding Achievement in Practicing Excellent Workplace Culture in Health and Safety, and Evolving Safe Work Practices in Operations.

Dun & Bradstreet India's Leading SME Companies & SME Business Excellence Awards 2016

IndusInd Bank was awarded the Best Private Sector Bank for Retail Growth Performance.

Celent Model Bank Award 2017

IndusInd Bank featured in the 2017 Celent Model Bank Awards and was the sole winner of the Fraud Management and Cybersecurity Celent Model Bank Award 2017. Celent is a US based research and consulting firm focusing on applications of information technology in the global financial service industry. The Celent Model Bank is awarded for best practices in technology usage in different areas critical to success in banking.

vForum 2016 Award

IndusInd Bank received an award in the Most Innovative Company category organised by VMWare Software India Pvt. Ltd.

Best CSR Practices Awards 2017

IndusInd Bank bagged the Best Bank in Private Sector award and Best CSR Practices under Banking Category awards at the ABP News BFSI Awards 2017.

IndusInd Bank was honoured with CNBC Asia's Corporate Social Responsibility award

THE RIPPLE EFFECT



OUR VALUE CREATION PROCESS

SUSTAINABLE DEVELOPMENT GOALS
COVERED IN THIS CHAPTER



MACROECONOMIC CONTEXT AND BANKING ENVIRONMENT

The financial year 2016-17 was a watershed year for the Indian economy and major Governmental policy reform measures are expected to have significant structural impact on businesses, especially the financial sector, over the next 3-5 years. One of the most important of these reforms is the introduction of a nationwide Goods and Services Tax (GST).

The 'Demonetisation' policy measure enacted in November, 2016, and combined with efforts to leverage technology, digital access, and the unique identification system, Aadhaar, by the Government has reduced the reliance on cash for transactions. This is expected to complement the business model for banks like IndusInd with a clear forward-looking strategy to digitise businesses and improve market reach and penetration through digital-led innovations. Additionally, the Bank's superior knowledge of financial services, customer preferences, safe banking practices, and robust risk-management systems, offer us a distinctive advantage for creating sustained value for stakeholders through digitisation.

The Government is also focused on increasing capital expenditure on public infrastructure, including roads, highways, and overhauling the transport sector offering significant opportunity for IndusInd Bank seeking to improve exposure in the infrastructure sector over the next few years. Furthermore, in line with the national strategy to

promote the socio-economic interests of economically disadvantaged and marginalized sections of society, IndusInd Bank has formalized plans to invest in rural banking and promote inclusiveness & livelihood development. This strategy includes initiatives in the spheres of micro-lending, food security, clean water, affordable housing, education, etc.

Finally, the Indian Government, in collaboration with other global powers, has committed to reducing the nation's GHG emissions in line with its Intended Nationally Determined Contributions (INDC) submitted for the Paris Agreement on climate change. IndusInd Bank is committed to facilitating the implementation of programmes for generation and provision of access to renewable energy. Looking forward to the Conference of Parties (COP) 23 on climate change in November, 2017, renewable energy investments is poised to remain a high potential growth market for the near future. The Bank is also committed to reducing our emissions intensity by implementing energy and resource efficiency and conservation principles.

At IndusInd Bank we believe economic, societal, and environmental sustainability are inextricably linked and need to be supported by the financial services industry. All-encompassing sustainability is, therefore, an integral part of our medium-term strategy.

OUR BUSINESS MODEL



At IndusInd Bank, we believe that the role of a financial institution includes supporting and promoting socio-economic and environmental progress to create livelihoods for people in all sections of society while generating sustained returns for shareholders. We facilitate the movement and flow of capital for the benefit of our clients, other stakeholders, the society and environment at large. IndusInd Bank's value creation framework, i.e. business model, illustrates how we create value for and along with our stakeholders, and relies on continuous interactions with stakeholder sets both within and external to the Bank.

Under this framework, the Bank operates with the aforementioned six capital inputs, and these capital

endowments enable us to plan and implement value - addition activities to generate products & services. The Bank's products & services are managed by various business units (BUs) operating across India in different market segments and catering to a wide spectrum of clients including microfinance borrowers, individual consumers, corporate & commercial entities, SMEs, and MSMEs. The functioning of each BU and the activities thereunder are underscored by robust risk assessment and management systems. The Bank delivers its products and services through a variety of channels and technology partners.

We create value for investors and shareholders by consistently meeting our financial targets and ensuring profitability of business. We add value for our customers by making banking with IndusInd Bank progressively accessible, guided by our customer-centric approach to business and a clear medium-term strategy of enhancing customer satisfaction. Additionally, we see an important role we can play in empowering customers in all sections of society with products & services tailored to their needs and socio-economic context, and in the process enabling sustainable livelihoods. Our business model is also geared towards ensuring that the Bank adheres to the principles of environmental sustainability.

The business model operates within a strict regulatory framework of Government and industry standards for compliance and vigilance. The Corporate Governance and

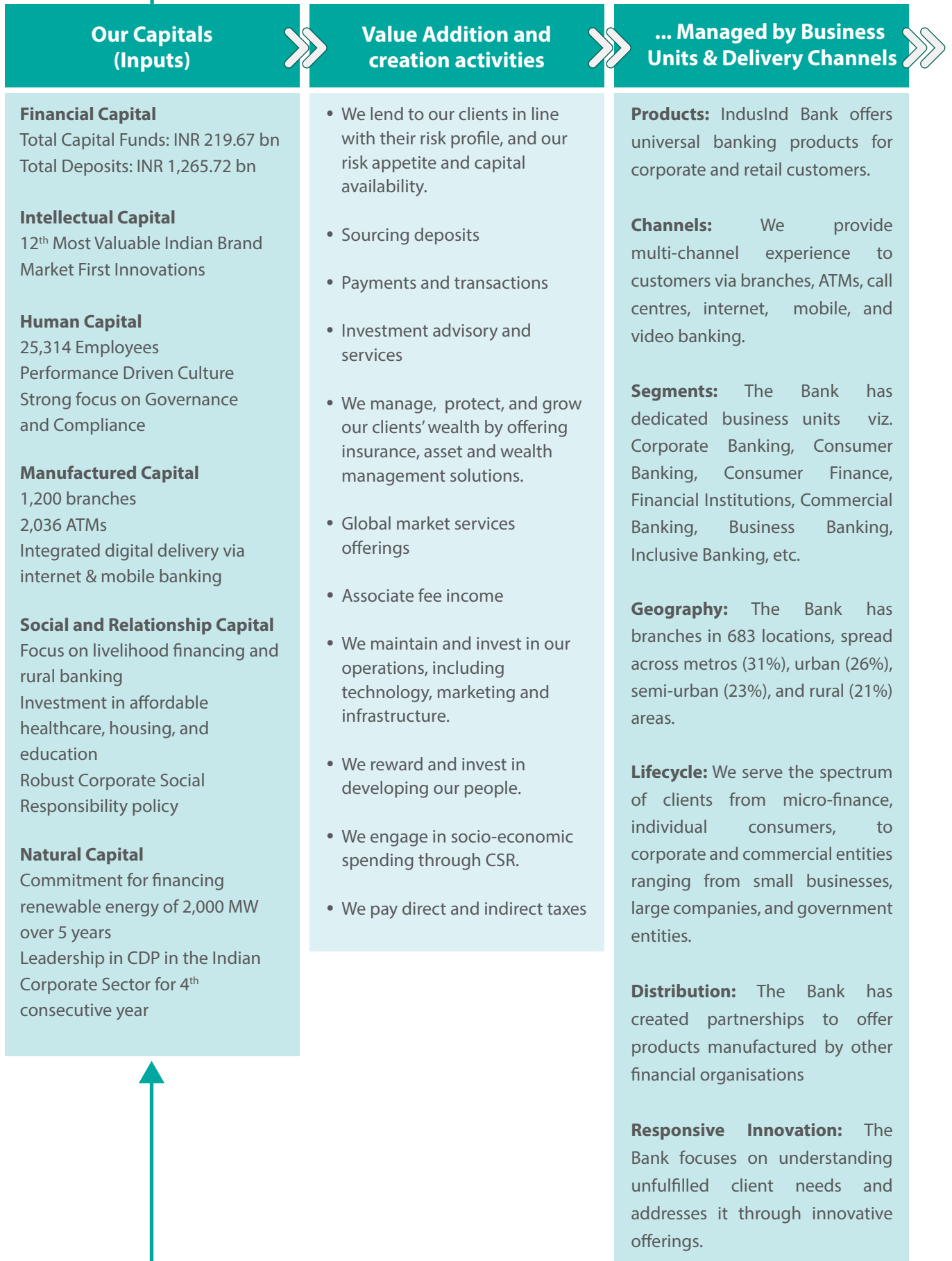
Compliance functions of the Bank work in tandem to ensure compliance and that regulatory operating standards are met, enforced, and maintained across the Bank at all levels. Additionally, our value chain is regularly monitored and updated to ensure ethical and sustainable sourcing & operational processes.

The Bank's business model evolves in response to changes and shifts in trends in market segmentation with respect to geography (metro cities, Tier 1 cities, rural areas) and customers, and innovations in products & services. Additionally, the business model is customized according to the type of customer served – individual, business owner, distributor, or partner. The business model framework also responds appropriately to changes in external factors which affect the Bank's regulatory and operating environment.



INDUSIND BANK'S VALUE CREATION FRAMEWORK

VALUE ADDED



VALUE CREATED FOR IBL AND ALL STAKEHOLDERS

... Through Efficient Risk Assessment & Management

Credit Risk

Endeavouring to keep restructured assets among the lowest in the industry.

Capital Risk

Maintaining low risk levels along with stress-testing conducted for impact on Capital to Risk (Weighted) Assets Ratio. In FY '16-17, Total CRAR: 15.31% Tier I CRAR: 14.72%

Market Risk

Using state-of-the-art systems to defend against market volatility by monitoring VaR, derivatives portfolios, exposure limits, etc.

Risk systems cover other financial & non-financial risks including:

Operational and Legal Risk
Regulatory and Compliance Risk
Liquidity Risk
Interest Rate Risk

Further details are provided on pages 88-92 of Annual Report 2016-17

... To Deliver Financial Performance (Outputs)

Deposits

36% Y-o-Y growth to INR 1265.72 bn

Loans

Up by 28% to INR 1130.81 bn

Net Revenue

Up by 31% to INR 102.34 bn

Operating Profit

Up by 31.27% to INR 56.42 bn

Profit After Tax

Up by 25% to INR 28.68 bn

Return on Assets

1.86%

Return on Equity

15.26%

Net NPAs

0.39%

Further details on business performance are provided on pages 74-75 of Annual Report 2016-17

... And Create Value for Our Stakeholders (Outcomes)

Shareholders:

- Delivering strong performance with 25% growth in Profit After Tax
- Increase in share price by 47% in FY '16-17 in NIFTY
- Increase in dividend per share to INR 6 from INR 4.5

Clients:

- Opened 200 branches & 236 ATMs
- Launched innovative products such as Fingerprint Banking and Easy Credit
- Maintained competitive pricing

Employees:

- Net employee addition of 2,254
- Conducted 9,60,000 man-hours of training
- Salary and incentive payments of INR 15.21 bn

Society:

- Exceeded Priority Sector Lending targets in FY '16-17 reaching 41.29% of ANBC
- Reached 2mn households through inclusive banking spread over 13,000 villages
- INR 338 mn spent on environmental & social projects

Regulators:

- Complied with extant regulations
- Made INR 18.85 bn tax contributions



Embedded in the DNA of IndusInd Bank is the understanding that the business of banking is fundamentally about managing risk. It is imperative that various risks faced by the Bank are effectively measured, monitored, and managed. Risk is as much a threat as it is strategic and an opportunity. Therefore, the Bank's risk systems are aligned with the best industry practices that are designed to be able to continually evolve in response to a changing external operating environment & market conditions.

IndusInd Bank has established an enterprise-wide Risk Management framework which enables effective and proactive management of various risks by reducing volatility in earnings and shareholder value, thereby supporting business growth. Besides financial risks, the risk management department of the Bank also manages non-financial risks like Operational Risk, Strategic Risk, Reputation Risk, Compliance and Legal Risk, and Information Security risk. Important indicators within various risk types include, but are not limited to, Weighted Average Credit Rating (WACR), Return on Risk-weighted Asset (RoRWA), Value at Risk (VaR), Liquidity Coverage Ratio (LCR), Capital to Risk-weighted Asset Ratio (CRAR), and Return on Equity (RoE).

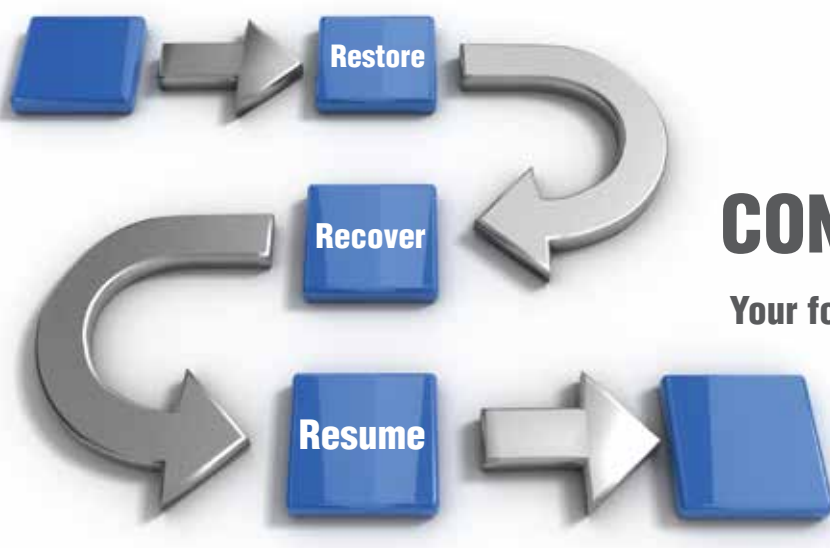
Within the major risk categories, the Bank has comprehensively articulated various risk policies which specify risk appetites and strategies, risk measurement methodologies, and monitoring & control measures for respective business segments. The policies work in

conjunction with the business plan and the key strategic focus areas to deliver value to stakeholders that is sustainable in the long run. Additionally, the Bank has set up the following executive committees for risk management. Senior executives act as members of the committees which are chaired by the Managing Director.

- ◆ Credit Risk Management Committee (CRMC)
- ◆ Assets – Liabilities Management Committee (ALCO)
- ◆ Market Risk Management Committee (MRMC)
- ◆ Operational Risk Management Committee (ORMC)
- ◆ Information Security Committee
- ◆ Information Technology Strategy Committee
- ◆ Fraud Risk Management Committee
- ◆ Business Continuity Plan (BCP) Steering Committee

Risk policies ensure that the Bank's business strategies are in alignment with risk strategies and the risk appetite approved by the Board. These policies are reviewed periodically to keep pace with changes in the nation's economic and regulatory climate, banking sector norms, and the Bank's risk profile. The various risk policies and risk management systems as implemented by the Bank are represented in the table on the next page.

A detailed description of IndusInd Bank's risk management systems and frameworks can be found in the Bank's 2016-17 Annual Report.



BUSINESS CONTINUITY PLAN

Your foresight to tackle unexpected operational emergencies

Risk Type	Description	Policies	Risk Management Approach
Credit Risk Management	<p>Credit risk is managed at both the transaction and portfolio level. The key objective is to maintain credit quality within the defined risk appetite, while achieving appropriate returns to risk.</p>	<ul style="list-style-type: none"> • Credit Risk Policy • Bank Risk Policy • Country Risk Policy • Real Estate Policy • Stress-testing Framework • Policy on Collateral Management • Framework on Industries Classification • Risk-based Pricing • Policy on Internal Capital Adequacy Assessment Process 	<ul style="list-style-type: none"> • The Bank maintained credit growth & portfolio quality even in a challenging environment • Corporate exposure fully diversified over 85 industries insulates the Bank from individual risk cycles • Restructured assets lowest in the industry • Retail products governed by risk mitigation measures for customer selection & underwriting
Market Risk Management	<p>Market Risk arises from changes in interest rates, exchange rates, equity prices and risk-related factors such as market volatilities.</p>	<p>Funds and Investment Policy</p> <ul style="list-style-type: none"> • Foreign Exchange Policy • Derivatives Policy • Equity Policy • Bullion Policy <p>Market Risk Management Policy</p> <ul style="list-style-type: none"> • Exposures Management & Limit Structures • Valuation Policy • Stress Testing Policy • Model Validation Policy • Value at Risk Policy 	<ul style="list-style-type: none"> • The Bank adopted the standardised approach to compute appropriate capital charge towards market risk • Contingency plans are in place to meet impact of stressed liquidity scenarios • Contingency Funding Plan covers all available funds sources to supplement cash flow gaps
Operational Risk Management	<p>Operational Risk is risk of incurring losses due to failure of systems, technology, employees, disasters, external factors, etc., including legal and regulatory risks.</p>	<ul style="list-style-type: none"> • Operational Risk Management Policy • New Product Programmes Policy • Business Community Management Policy 	<ul style="list-style-type: none"> • An Incident Reporting Tool has been designed for reporting and responding to operational risk incidents across the Bank. • New products and processes are filtered through ORM Committee to identify & mitigate inherent risks. • Implemented a comprehensive Bank-wide Business Continuity Plan to ensure continuity of critical processes during disruptions or disasters.
Systems Risk Management	<p>The Information Security Policy deals with security of information in any form or medium across the Bank. The policy directs managerial decision-making and facilitates secure business operations.</p>		<ul style="list-style-type: none"> • The Bank has implemented a Board-approved Cyber Security Policy. • Sensitive information is shared with authorised personnel for business purposes only. • Movement of customer identity data between systems or between systems & physical endpoints is monitored and controls like encryptions have been put in place.
Reputational & Strategic risk	<ul style="list-style-type: none"> • Reputational Risk Policy • Strategic Risk Policy • Policy on Know Your Customer (KYC) and Anti-Money Laundering • Health and Safety Policy • Outsourcing Policy • Framework on Enterprise Risk Appetite • Fraud Risk Management Policy 		

ENVIRONMENT AND SOCIAL MANAGEMENT SYSTEM (ESMS)



While sustainability has been effectively incorporated within the Bank's own operations, IndusInd Bank considers it a responsibility to understand, monitor, and control the environmental, social and ethical risks associated with the clients we invest in and the services we provide.

To this end, the Bank has established the Environmental and Social Management System (ESMS) Policy to ensure our investments balance economic growth with socio-economic sustainability, and that the wider impacts of our investment activities are positive in nature. This also safeguards the bank against credit and reputational risks. The key focus areas under the umbrella of the ESMS Policy are GHG emissions mitigation, energy, water & waste management, sustainable resource use, and compliance

with the Government regulations on environment, human rights, and basic labour rights.

This Policy is governed at the macro-level by key stakeholders across the Bank's Management apparatus, including Board Members, the CEO, and Business Heads. There exists a grass-root implementation mechanism at the micro-level, wherein Relationship Managers and business teams perform in-depth evaluation to understand each client's impact on the key parameters outlined in the policy. ESMS will be administered via an online portal, which in addition to screening proposals, will capture data on the volume of projects financed, that have a positive impact on environmental and social considerations.

OUR MATERIAL MATTERS

Materiality assessment helps the Bank identify what economic, social and environmental topics should be prioritised to enhance the way we do business and ensure an alignment between our overarching strategy, and the

interests of both internal & external stakeholders. Topics that are considered material are those that can substantively affect the Bank's ability to create value in the short, medium and long term.

MATERIALITY DETERMINATION PROCESS

Materiality determination is essential to understanding the concerns and expectations of the stakeholders that influence and impact the Bank's business. We continuously strive to make our materiality assessment increasingly representative of our stakeholders' expectations. Materiality

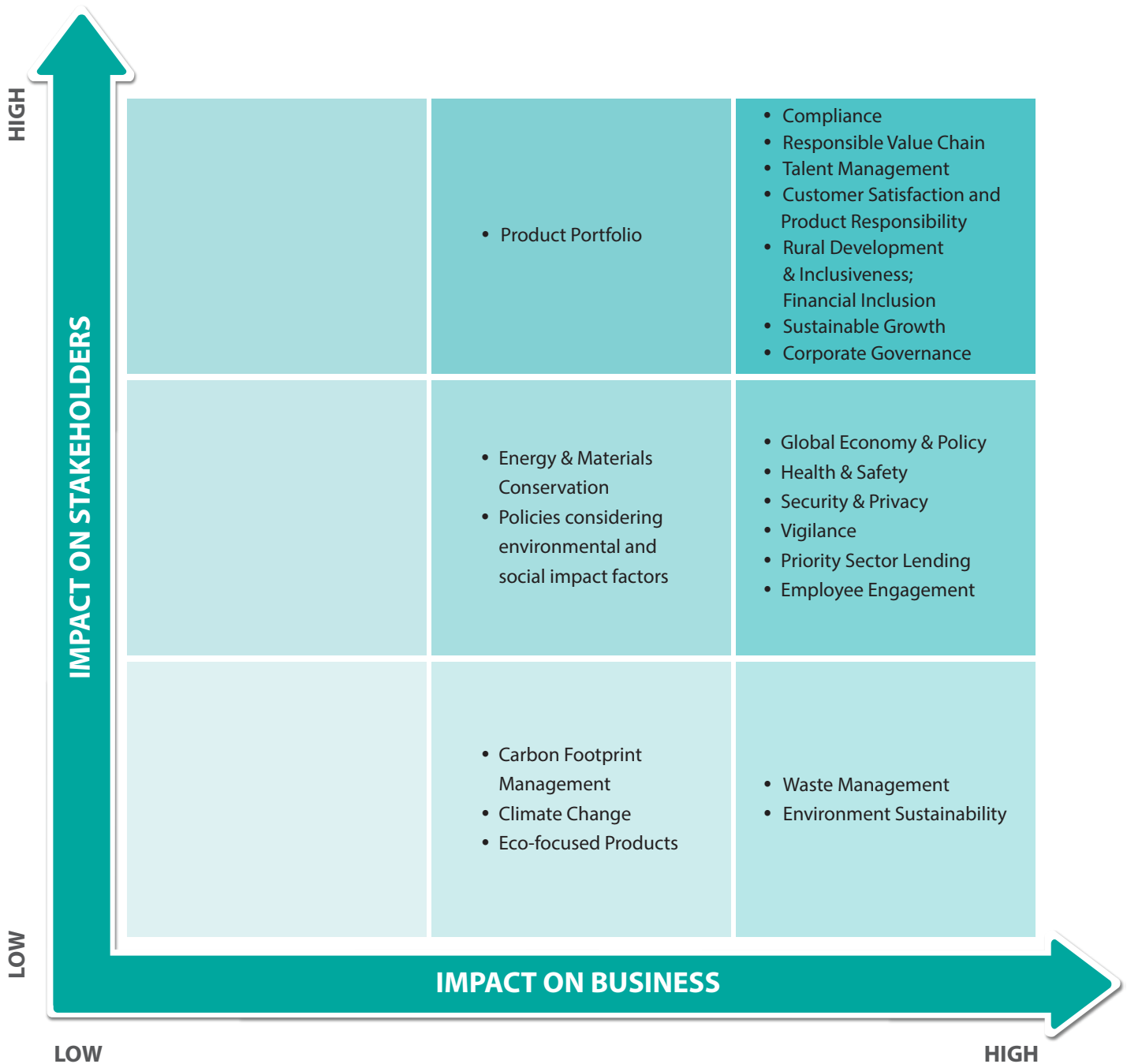
determination was conducted through intensive stakeholder interactions, including internal stakeholders from the Bank's business units, and external stakeholder constituencies – NGOs, the Bank's corporate clients, investors, rating agencies, suppliers, and vendors.

MATERIALITY MATRIX

The materiality matrix represents the outcome of our materiality assessment with issues that are the most relevant and important to the Bank's stakeholders.

Material Topics & Aspect Boundaries

Material Topic	Internal	External
Compliance	✓	✓ Customers
Responsible Value Chain	✓	✓ All Stakeholders
Talent Management	✓	
Customer Satisfaction and Product Responsibility	✓	✓ Customers
Rural Development & Inclusiveness, Financial Inclusion	✓	✓ Local Community
Sustainable Growth	✓	
Corporate Governance	✓	✓ All Stakeholders



CHANNELING RESOURCES



CREATING LIVELIHOODS: STRATEGIES AND OUTCOMES

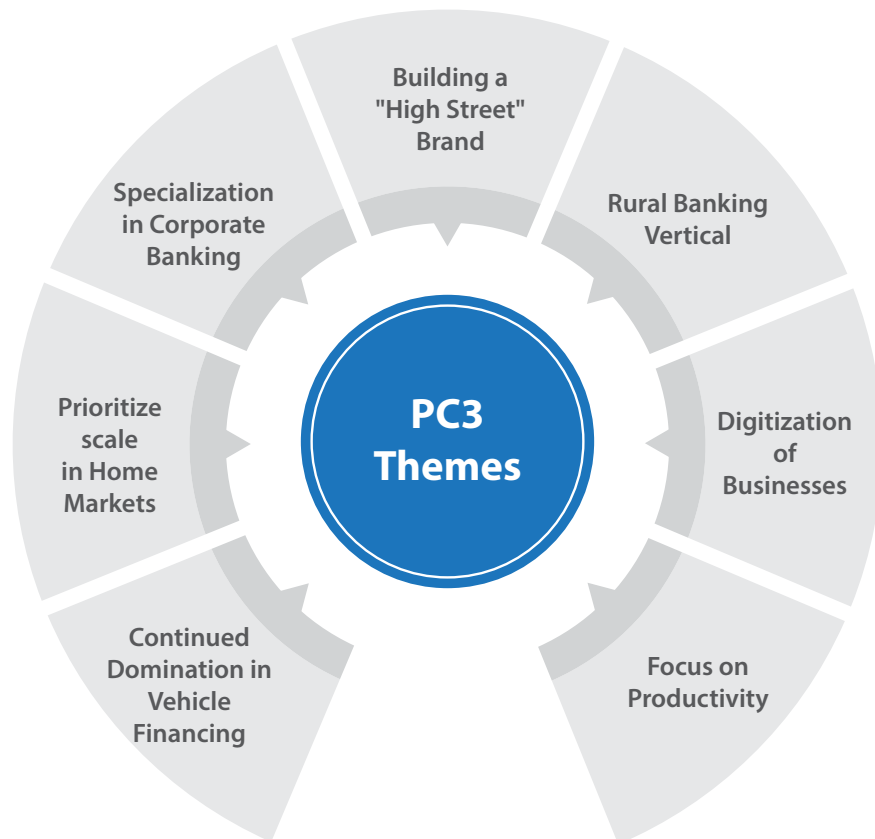
SUSTAINABLE DEVELOPMENT GOALS
COVERED IN THIS CHAPTER



PLANNING CYCLE 3 (2014-17)

The fiscal year 2016-17 marked the culmination of IndusInd Bank's Planning Cycle 3 (PC3) where the overarching objective was to increase market share with profitability. The ambition over this period has been to 'Double the Bank', represented by the 3Ds – **Dominate •**

Diversity • Differentiate – whilst investing to achieve scale in our business. The prime focus on growth in 'Business as Usual' was implemented through the Bank's activities under the following broad themes –



Key initiatives under these 7 themes for the Bank's Planning Cycle 3 included expanding microfinance through vehicle loans and financing of small scale enterprises; expansion of retail assets & retail trade; greater investment in real estate; driving in-house innovation in customer products and services; and increased focus on expanding product suite for the rural sector, among others.

At the onset of PC3, our goal was also to 'Double' the Bank in terms of branch network and customer base. We can proudly report that we have met, and even exceeded, our shareholders'

expectations over this period; the Bank doubled its reach, penetration, and business over the course of three years.

The Bank delivered on its promise of expansion in scale by logging a revenue growth from INR 478.1 million to INR 1,023.4 million at a CAGR of 29% over the 3-year period. This fee growth, as expected, surpassed loan growth which expanded from INR 55.102 million to INR 1,130.81 million between 2014 and 2017 at a CAGR of 27%. The Bank also doubled its profits to INR 28,680 million in FY '16-17 from INR 14,080 million in FY '14-15.

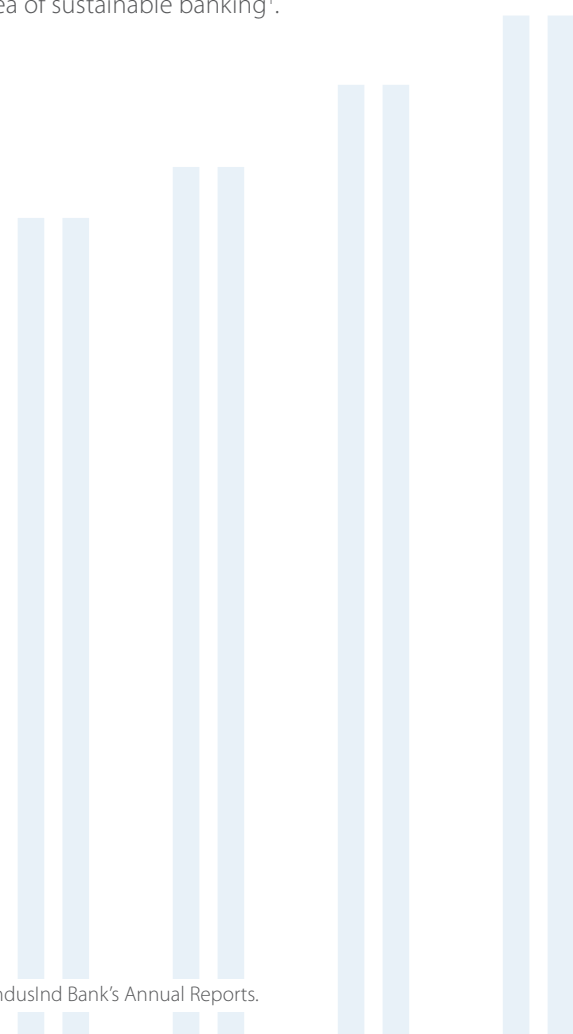
Planning Cycle 3 (2014-2017): Plan vs. Outcome				
Loan Growth	>>	25% - 30%	>>	Loan Book grew at CAGR of 27%
CASA Ratio	>>	>35%	>>	CASA ratio improved from 32.5% to 36.9%
Fee Growth	>>	To exceed Loan Growth	>>	Fee CAGR of 29% exceeded Loan Growth
Branch Network	>>	To Double from 602	>>	Branches double from 602 to 1,200
Customer Base	>>	To Double from 4.5mn	>>	Doubled from 4.5mn to 9.5mn

Planning Cycle 3 was a productive and rewarding period for IndusInd Bank. Apart from achieving our envisioned financial and operational objectives, the Bank successfully proposed, operationalized, and is currently implementing a host of other activities and initiatives described in subsequent sections. Some pertinent examples of these are the launching of a suite of non-vehicle related retail products, tractor and warehouse-financing, and the acquisition of RBS' Indian diamond and jewellery financing business.

This has also been an important period for propagating financial inclusion and supporting priority economic areas. The Bank has supported and invested in agri and agri-allied sectors through agri-infrastructure finance, vehicle finance,

livelihood loans, direct lending, SMEs and MSMEs, microfinance institutions (MFIs) catering to the Base-of-Pyramid (BoP) segment during this period, in collaboration with government-led initiatives like the Aadhaar scheme and Pradhan Mantri Jan Dhan Yojana (PMJDY).

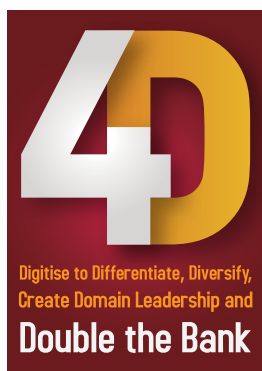
The Bank also forayed into financing of renewable energy projects in wind, solar, power transmission, etc. Further, Bank-wide initiatives like ensuring supply chain sustainability, controlling and monitoring resource use, digitization of back-end and front-end operations, a robust CSR strategy, and importantly, consistent employee engagement have propelled the Bank to become a leader in the area of sustainable banking¹.



¹ Visit www.indusind.com/investor/reports-and-presentation/annual-reports.html to access IndusInd Bank's Annual Reports.

PLANNING CYCLE 4

Planning Cycle 4 (PC4) covering the period of FY 2017-18 to FY 2019-20 is the next step in IndusInd Bank's journey, and the Bank's motto for this period adds on to the 3D model for PC3. The ambition and targets of the Bank for PC4 are represented by the 4D framework - **Digitize to Differentiate, Diversify, and create Domain Leadership and 'Double the Bank'**.



The strategy for Planning Cycle 4 of the Bank is the culmination of a process which begins with analyzing the impact and outcomes of Planning Cycle 3, incorporating the learnings from the same, and building on the achievements and successes during that period. The final strategy and the accompanying business plan for PC4 has been put in place after conducting a macro trend analysis and the impact of the external operating climate including the currency-swap programme (Demonetization) implemented by the Government in November, 2016. The Bank's strategy for this planning cycle is geared towards creating and sustaining livelihoods, especially for the Bottom of Pyramid section of society.

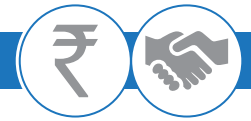
Our core strategy in PC4 remains "Market Share with Profitability", with a focus on creating scale in profitable sub-scale businesses. We will use **Digitization** as a means to **Differentiate** us from competition, **Diversify** into new areas of investment, and **Dominate** in businesses that already have significant scale. The objective is also to **Double the Bank** in terms of clients, loans, and profits.

The broad pillars on which the PC4 strategy is founded on are:

- ◆ Financing Livelihoods
- ◆ Sustainable Banking
- ◆ Finding Customers from Within
- ◆ Reengineering our Businesses

To implement the abovementioned themes, the Bank has identified seven strategic focus areas of activity in business that will contribute to realizing the targets for PC4 and are poised to be key drivers towards the Bank's objectives of increasing Return on Risk Weighted Average (RoRWA) from 2.2% to more than 2.4% resulting in higher profitability with lower capital inlay and lower risk. The subsequent sections provide an in-depth discussion of the abovementioned thematic areas with each strategy illustrated through the Bank's initiatives and progress towards realizing the targets for Planning Cycle 4.



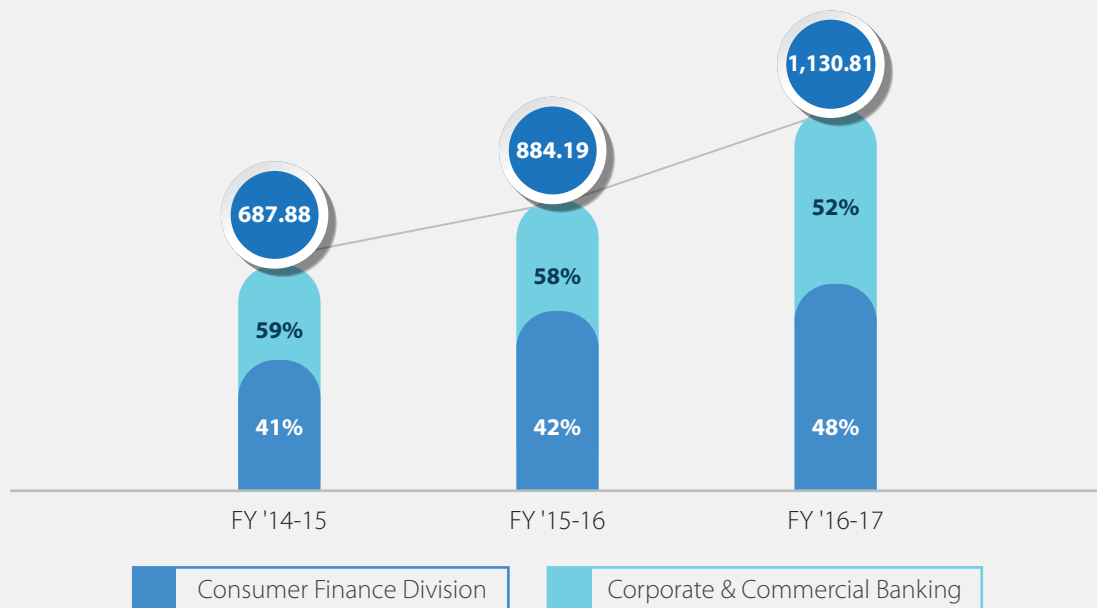


REBALANCING OF LOAN BOOK

At the end of Planning Cycle 3 i.e. FY '16-17, IndusInd Bank had a well-diversified loan book between Corporate & Commercial Banking, and Consumer Finance with the latter contributing nearly 48% to the overall loan book with vehicle

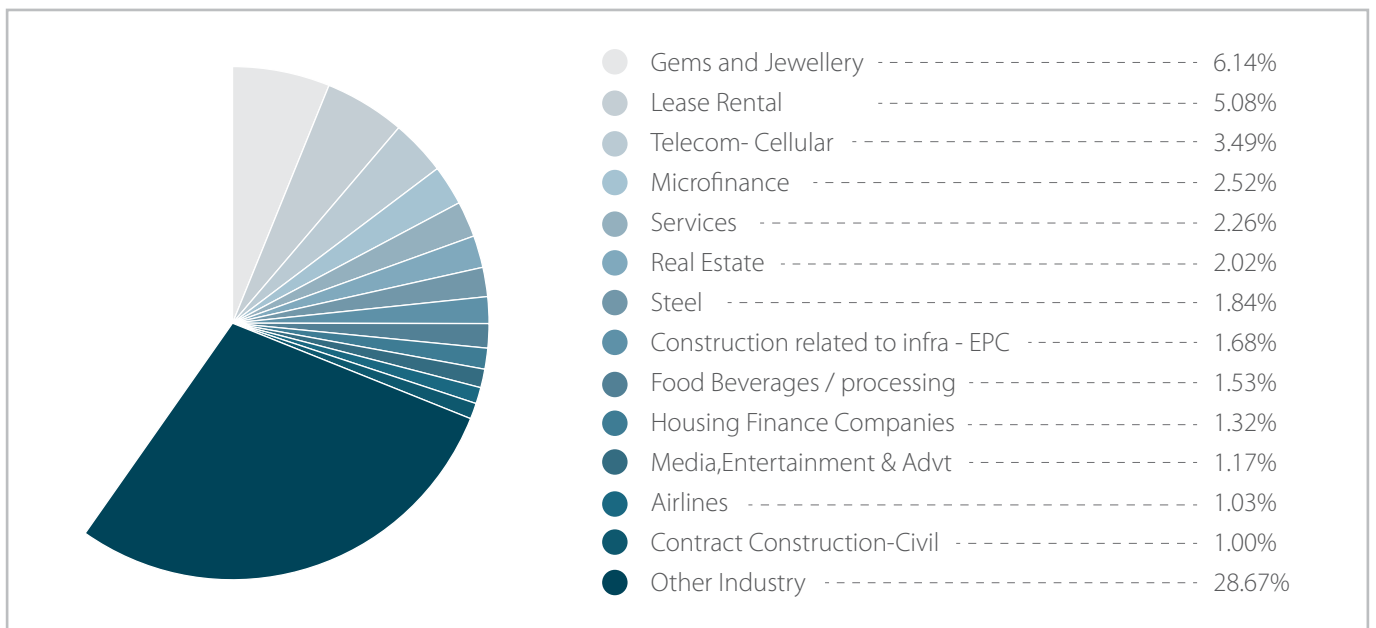
loans including two-wheelers, cars, tractors, etc. and non-vehicle loans for farms and construction, loans against property, etc.

LOAN BOOK (INR BILLION) OVER PLANNING CYCLE 3



Within Corporate Banking, the loan book is divided amongst loans to large, mid-size, and small corporates. The graphic

below represents various industries' share in the Bank's corporate loan book in FY '16-17.



In Planning Cycle 4, the Bank aims to rebalance the loan book with respect to corporate and consumer loans, as well as, within consumer loans between Vehicle and Non-Vehicle loans, eventually moving to a 50:50 split between the larger set and the smaller sub-set of consumer loans by 2020. The rationale for this strategy stems from the fact that consumer loans have higher yields and consume less capital on average thereby providing greater margins. A balanced and targeted loan mix, therefore, is expected to produce higher risk-adjusted returns (RoRWA) for the Bank in upcoming years.

A well-diversified balanced loan book will also contribute to lowering the risk associated with loans. Additionally, diversification requires considerable investment in human and intellectual capital, and an increase in the Bank's relationship capital within the sector as a greater number of industries, business types, and communities are brought under the umbrella of IndusInd Bank.

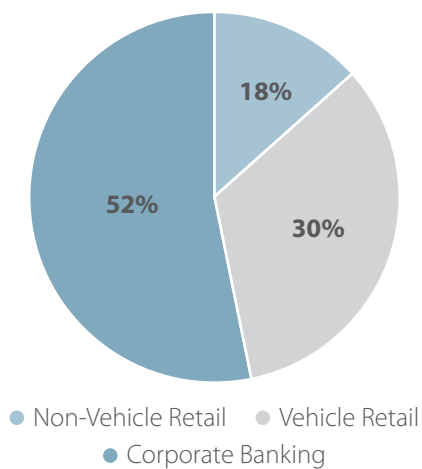
To this end, the Bank has piloted new non-vehicle retail products in PC3 which are expected to drive growth in PC4. These seven products, listed below, in addition to the incumbent retail products of Loan Against Property, Business Banking, and Credit Cards, will help drive the growth of non-vehicle retail products. They are:

- ◆ Personal Loans
- ◆ Loans Against Property
- ◆ Commercial Cards
- ◆ Credit Cards
- ◆ Loans Against Card Receivables
- ◆ Rural Loans
- ◆ Gold Loans
- ◆ Business Loans
- ◆ Loans Against Shares

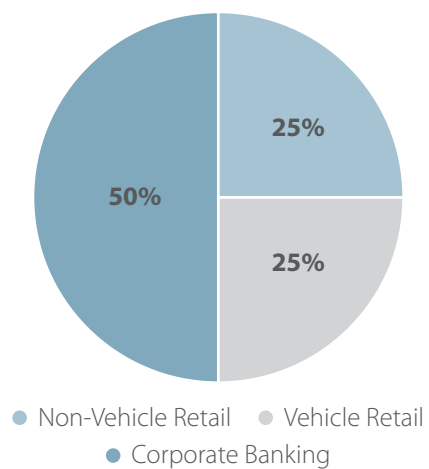
Furthermore, the Bank's push to expand rural banking, as well as, expanding the suite of products and services offered to customers in rural and semi-urban areas is strategized to complement the rebalancing of the loan book. The aforementioned new non-vehicle retail products are expected to be some of the main areas of growth for the Bank within rural banking.

The Indian economy consists of a large number of individual entrepreneurs and small-scale businesses in the urban-peripheral and rural areas which, hitherto, have been denied access to credit, but as IndusInd Bank believes, have high growth potential. Rebalancing of the Bank's loan book in this regard will bring access to credit to such entrepreneurs and small-scale enterprises, necessary for inclusiveness and balanced economic growth.

LOAN MIX - Q4 FY17



LOAN MIX 2020 AMBITION



The Bank's strategy for achieving the desired loan mix over the next few years is led by efforts to improve our presence in rural sectors through a comprehensive rural banking strategy which incorporates the two-pronged approach of financial inclusion and microfinance. Additionally, enhancing client experience on a Bank-wide

basis to gain competitive advantage supported by digitization and internal collaboration will be crucial in adding to the Bank's consumer-centric assets through consumer finance. These strategies which complement and support the rebalancing of the Bank's loan book are detailed in subsequent sections.



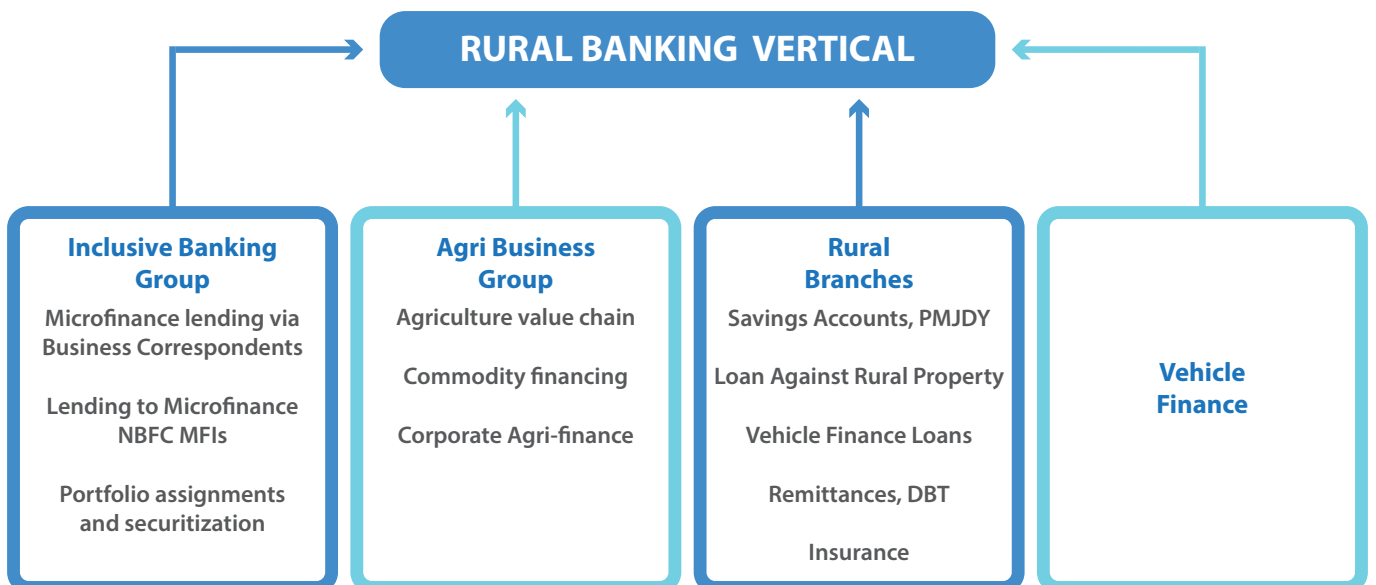
SUSTAINABLE LIVELIHOODS: RURAL BANKING AND MICROFINANCE

Rural India has emerged as a sector with significant untapped market opportunity; rural sector development is now seen as a crucial driver for growth in industry sectors as well as the nation as a whole. Rural banking and microfinance is one of the key initiatives for PC4 wherein the Bank’s strategy is to re-invent the rural banking model and increase IndusInd Bank’s reach and impact on the rural economy in India. Rural banking, and importantly, inclusive banking, are crucial elements for generating livelihoods for the unprivileged and economically disadvantaged sections that can be sustained in the long run.

The new strategy identifies various opportunities present in the rural banking sector across clusters. Opportunities differ across clusters and, therefore, strategy design and implementation in terms of branch-delivery and banking services will be cluster and opportunity-specific. Priority clusters are classified according to opportunities which may be agri-oriented, Government scheme-oriented, agri-allied, remittance-led, or dependent on local or artisanal economies like dairy, poultry, etc. For FY ’17-18, the Bank has identified 59 priority clusters out of more than 600 clusters across India.







The rural banking strategy for Planning Cycle 4 also incorporates elements from other business-oriented focus areas of the Bank, namely, cost reduction and efficiency, enhancing customer experience, and ease-of-banking using technology and partnerships.

Over the next few years, all initiatives and flagship programmes catering to the rural and semi-rural demographic will be consolidated under the overarching rural banking strategy. Subsequently, a cohesive business plan will be implemented to expand the rural banking & microfinance strategy such that it becomes a profit centre for the Bank instead of a cost centre. This vertical will be comprised of products and services offered by the Inclusive Banking Group, the Agri-business Group, and Consumer Finance (vehicle finance) with specific targets and initiatives under each. In FY ’16-17, the Bank added to its rural and semi-urban branch network by adding 90 new branches in 18 states across the country. By 2020, rural banking is expected to contribute more than 10% to the Bank’s profits.





INCLUSIVE BANKING HIGHLIGHTS FY '16-17

<p>Reached 2 million households </p>		<p>Disbursal of INR 13,961 million through 0.65 million accounts to poor agricultural borrowers </p>
<p>More than 60% Business Correspondent loans given in 'below average' and 'low' areas of the CRISIL Inclusive Index </p>		<p>Received USD 225 million line of credit sanction for 8 years from OPIC for financial micro-enterprises </p>
<p>BFIL Microcredit+ Initiative, in collaboration with Bharat Financial Inclusion Ltd., allows for diverse product offerings to the customer base </p>		

IndusInd Bank caters to the bottom-of-the-pyramid (BoP) segment of the Indian economy by providing micro-loans to weaker sections of society through the Business Correspondent model, while also engaging in term-lending to microfinance institutions and the securitisation of such assets. Our widespread reach across the BoP segment through inclusive banking has helped these communities in becoming economically self-sufficient.

The Bank has adopted a multi-pronged strategy to reach out to BoP clients through an extensive network of rural branches, as well as, the branch-less approach of the Business Correspondent model. The focus has been on improving outreach and developing various client-centric

products to propagate financial inclusion and livelihood development. In the process, we have reached out to nearly 2 million households through credit products in FY '16-17, with an outstanding portfolio of INR 29.37 billion.

Loans are typically availed by people with limited opportunities primarily from un-banked and underbanked areas. 99.99% of the borrowers are women organized in Joint Liability Groups (JLGs), a majority of them from below average or low ranked districts, according to the CRISIL Inclusiveness Index. Nearly, 44% of the loans are taken for agriculture and agri-allied sectors like livestock, cottage industries, and micro-enterprises like saree trading, tea stalls, repair shops, etc.

A COLLABORATIVE APPROACH TO MICROFINANCE



The Bank believes in a collaborative approach towards microfinance for developing a healthy eco-system of financial products and services. Meaningful financial inclusion requires the engagement of multiple stakeholders, importantly, local economic players, channels, and practitioners with proven intermediation skills but without adequate access to funding and diverse products.

To this end, IndusInd Bank pioneered the launch of the Business Correspondent (BC) Model within which we

partner with microfinance institutions (MFIs) that have built capabilities and systems for reaching out to weaker sections of society through micro-loans, and have created a sustained positive impact on the lives of underprivileged individuals. The Bank's priority while partnering with such entities on conventional loan products is ensuring a high level of transparency and market credentials. Each MFI goes through a rigorous due diligence process where it is assessed on its regulatory operations, governance framework, operating model, control & monitoring systems, and financial performance.

Once the engagement is formalised, the Bank monitors the MFI's performance and quality of customer engagement periodically through operational and financial reports, field monitoring, management & review meetings. Notably, on-field monitoring is conducted in view of 67 risk parameters identified by the Bank's risk control team and each institution is categorized on a risk scale.

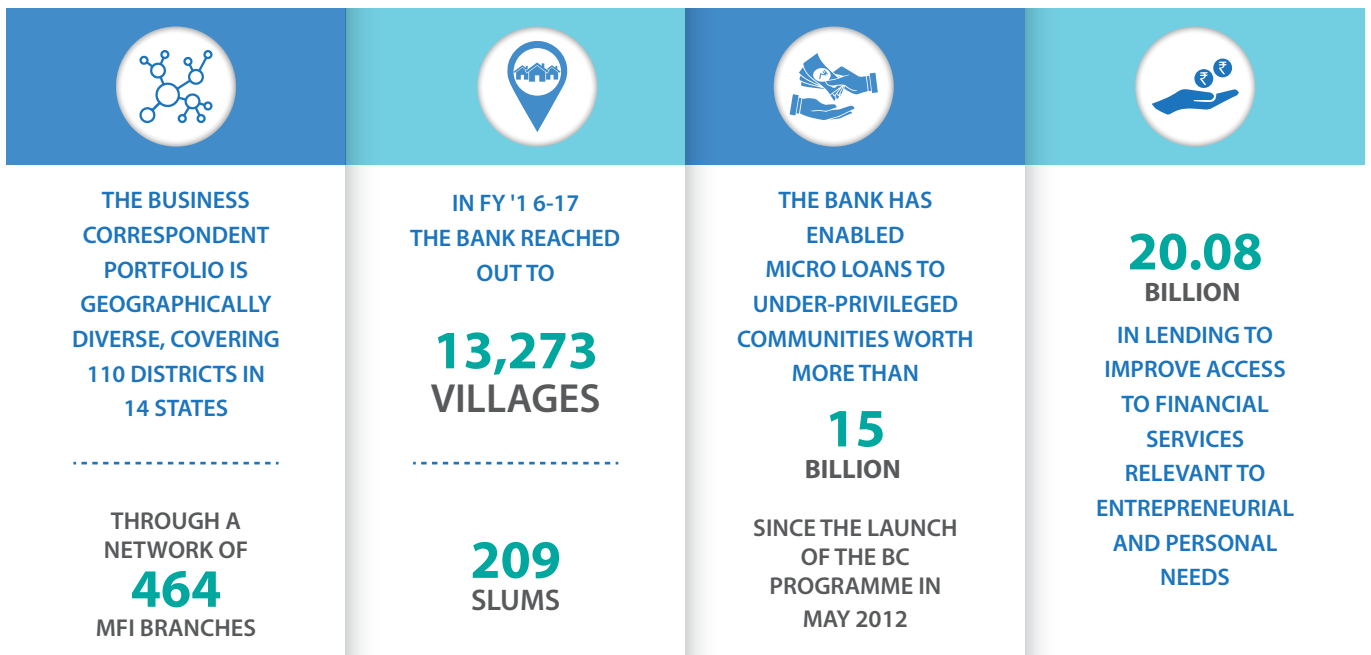
The Bank also engages with the BCs for building capacities and providing training both at the channel and the customer level. The Bank has dedicated on-ground risk staff

monitoring everyday operations of the BCs and issuing recommendations for corrective action. Regular training is conducted for the BC staff regarding IndusInd Bank's processes, products and services, etc.

At the customer level, the Bank goes beyond offering products and has incorporated various CSR activities within the BC model like legal and financial literacy camps, promoting the Swachh Bharat Abhiyan, flood relief activities, etc. to ensure all-encompassing engagement.



SUSTAINABLE LIVELIHOODS FOR MILLIONS



In FY '16-17, the BC model piloted a savings-led approach at 5 branches in Bidar district in Karnataka. IndusInd Bank collaborated with Bharat Financial Inclusion Ltd. to help BoP customers open Basic Savings Bank Deposits accounts providing access to secure savings and other banking products. 31,784 savings accounts and 7,644 RD accounts totaling INR 20.5 million were opened during the year. IndusInd Bank has also established a 7-year funding line of USD 200 million with Asian Development Bank for the BC programme, and a technical assistance grant of USD 1 million.

A SUSTAINED OUTLOOK TOWARDS INCLUSIVENESS

As part of its strategic framework, the Inclusive Banking arm also develops tangible and forward-looking plans integrated within the 3-year Planning Cycles of the Bank. For FY '17-18 onwards, the Government's impetus on restructuring the rural economy and enabling a robust environment for digitisation of financial services has set the context for financial inclusion for the Bank.

While the majority of offerings through inclusive banking are currently credit-led, the Bank's roadmap for Planning Cycle 4 envisages the introduction of vulnerability-reducing products like insurance and pension; remittances; and value-added loans for vehicle purchase, home improvement, MSME businesses, etc. These products enable the weaker sections to enhance livelihoods which will foster future generations.

Technological advancements now enable low-cost and secure data storage & transfer, facilitated by the growing presence of big data analytics. Technology, therefore, has the potential to democratise the four key instruments of financial inclusion – investment, credit, insurance, and payments. The Bank plans to deepen the engagement

with BoP customers over the course of PC4 by further digitizing micro-credit operations in rural and semi-rural areas and building an integrated platform for customers to interact with various Bank divisions and access a diverse range of products.

The Bank is also increasingly incorporating technological architecture constituting the 'India Stack', for example, the Aadhaar Based Payment System (ABPS), within our digital systems to provide a seamless banking experience for BoP customers by making it easier to open accounts quickly without a lot of documentation. ABPS also serves as a unique individual identifier as well as a backend verification tool for the Bank.

Furthermore, the Bank is driving the financial literacy agenda through the BC model recognizing that it is a prerequisite for effective financial inclusion of unbanked and under-banked sections of society. Being literate on matters pertaining to basic banking concepts, credit, savings, financial risks, etc. enables customers to make informed decisions towards economic security.

FINANCING LIVELIHOODS CHUNNIA

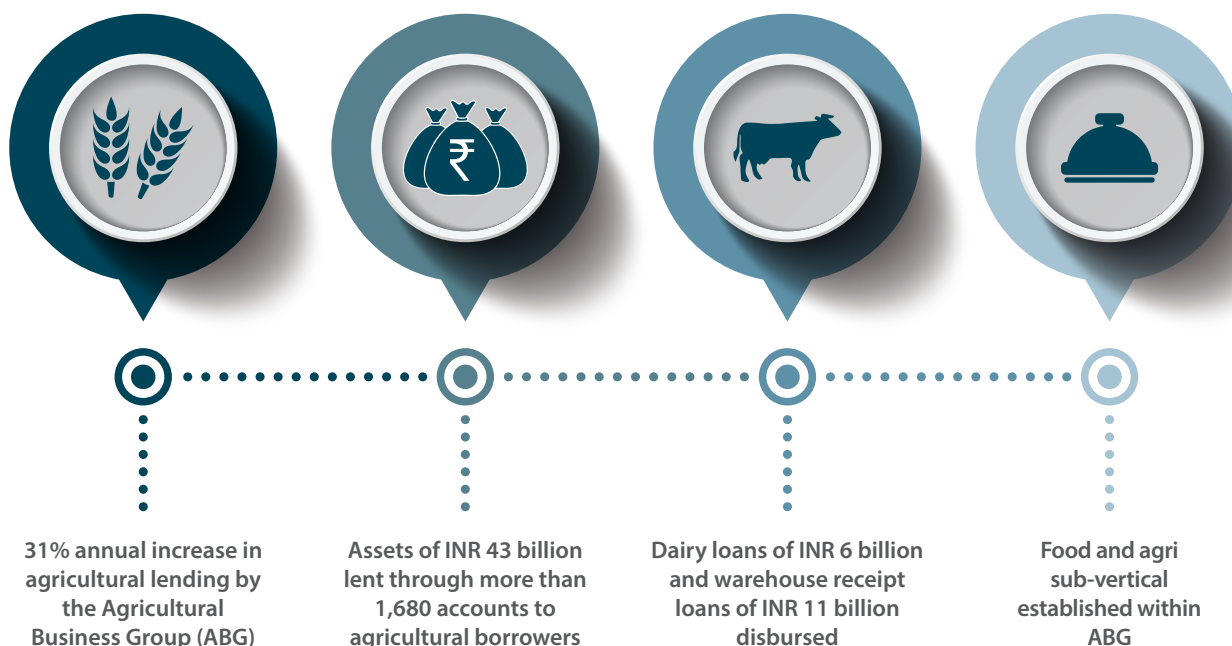
Chunnia is a semi-literate woman living in Shipah village in the Doharighat area of Gorakhpur district in Uttar Pradesh. With her husband working as a small vegetable vendor in Nagaland, it had become increasingly difficult for her to meet household expenditures. Chunnia who has good sewing skills, and being aware of local opportunities, had been thinking of setting up a small training institute. Looking for external financial assistance, Chunnia borrowed money from a local money lender at an astronomical interest rate of about 60% per annum. Forced to look for more viable loan options, she joined a Joint Liability Group on the recommendation of local village women. This led to Chunnia borrowing her first INR 25,000 from IndusInd Bank at a lower and far more affordable interest rate, with transparent door-step to door-step services from the Bank. With the initial loan and subsequent loans she has borrowed from IndusInd, Chunnia has managed to repay the previous high-cost borrowing and has also been able to grow her sewing training business. Because of the increase in income, she is now able to contribute adequately to her household income, which has grown from a mere INR 3,000 to INR 10,000 per month, over the last 4 years and has even accumulated savings of more than INR 100,000.



FOSTERING LIVELIHOODS THROUGH AGRICULTURE



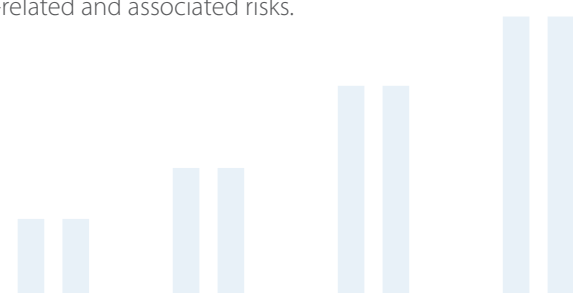
AGRICULTURAL LENDING HIGHLIGHTS FY '16-17



Agriculture is arguably the backbone of the rural economy, and the agricultural sector and agri-allied activities are together the major source of livelihoods in rural and semi-rural regions of the country. IndusInd Bank is committed to increasing our contribution towards sustaining these livelihoods over the next few years. To this end, the Bank has created a variety of financing options to

support growth in the agricultural and agri-allied industries in over 14 states and 59 locations across India. Nearly INR 32.5 billion were directed towards agri and agri-allied activities, compared to INR 24.64 billion in FY '15-16. The Bank's committed team of agri-finance professionals covers all aspects of agricultural value chains through a variety of financing services and products within,

- ◆ **Project Finance:** Lending to farmers, entrepreneurs, and businessmen who own or lease agricultural land and are engaged in commercial crop cultivation and agri-allied activities. For commodity financing, the Bank uses JLGs through intermediate financiers to reach out to farmers wherein each financier is connected to 200-400 farmers. Loans are sought for projects in horticulture, dairy farming, bee-keeping, etc., and commodities like sugarcane, oilseeds, coffee, tea, etc.
- ◆ **Infrastructure Lending:** The Bank provides loans for the construction, refurbishment, and maintenance of warehouses, godowns, cold storage facilities, etc. This enables farmers to develop hygienic and perennial storage facilities, and thus, sustain a steady source of income.
- ◆ **Pledge Finance:** Post-harvest season lending against the pledge of agri-commodities to farmers, exporters, processors, etc. Farmers pledge assets as collateral for a loan while retaining ownership of and enjoying benefits from the assets. The Bank has a relationship network with collateral managers to handle commodity-related and associated risks.



In recent years, the Bank has been able to establish itself as a significant player in the dairy and agri-infrastructure sector. In FY '16-17, INR 6 billion in dairy loans, and loans of more than INR 11 billion were disbursed for warehouse construction and refurbishment and other agri-infrastructure. The Bank is a key player in agricultural lending in Punjab, Haryana, Rajasthan, Maharashtra, Gujarat, and Madhya Pradesh, actively providing loans to weaker sections, persons with disabilities, and small & marginal farmers. In FY '16-17, the Bank improved penetration into new rural and

semi-rural locations in Kerala and plans to cover more geographies during the upcoming Planning Cycle 4.

Looking forward to Planning Cycle 4, the agri-business arm of the Bank is expected to more than double its current book size of INR 43 billion to more than INR 100 billion over the next 3 years. Annual growth of the unit is commensurately expected to improve to 35% from the current 27%. This strategy will have a positive impact on the net receivables of the Bank from agri-business and revenue per employee. To further this goal, ABG has identified various initiatives viz.

- ◆ Launching new products for agri-allied subsectors like fishing, poultry, dairy, and plantations, etc.
- ◆ Increased focus on providing working capital for agri-linked corporate businesses
- ◆ Designing products around agro-segments to reduce dependency on property-backed assets
- ◆ Food and agri-infrastructure logistics have witnessed considerable private equity interest hence the Bank seeks to scale up engagement within this sector.
- ◆ Evaluating lending opportunities in the Government-led Electronic National Agriculture Market (e-NAM)
- ◆ Collaboration with the consumer banking unit with a focus on rural sector customers in order to deliver 47% of ABG's asset book through rural branches by FY '19-20

Strategic expansion into rural markets is particularly pertinent to IndusInd Bank's overall plan for the next few years. The key enablers and drivers in this regard include unification and geographical re-distribution of rural coverage teams; revamping recovery, audit & monitoring mechanisms; introducing zonal credit and technology-led credit delivery; and tie-ups with commodities driven NBFCs.

The retail agri-business team also actively supports the Pradhan Mantri Fasal Bima Yojana launched by the Hon'ble Prime Minister to deal with weather-related risks and uncertainties. In order to avoid hardship to the survivors of deceased customer, the Bank has also been proactively educating all loaned farmers on availing personal accidental insurance as a credit shield.

FINANCING LIVELIHOODS

M/S, D.B. OIL CAKE INDUSTRIES LLP



The Dugad family has been engaged in raw cotton trading and manufacture of cotton cake and oil through their MSME firm M/S D.B. Oil Cake Industries LLP. The mill and extraction unit run by the family has been key to providing employment to local rural youth and the development of the economically backward region of Beed, Maharashtra.



IndusInd Bank has supported the Dugad family's operations with term loans and advanced cash credit to the firm, totalling INR 97.5 million at the end of FY '16-17, allowing the business to expand in scale and thrive with a progressive strategy. Because of this, the business has been able to take advantage of technological advancements with the addition of 3 high-tech expellers in the oil mills, a drying platform, and a ginning & pressing factory, and so harness significant demand for cotton oil & oil cakes. Year-on-year, the firm has shown continuous growth in their business and has also generated remarkable employment in Beed with a present permanent employee strength of 35 and a seasonal employee strength of 100.



KISAN CREDIT CARD

Bank's KCC book stands at INR 7,000 million across 3,700 farmer accounts across geographies. In FY '16-17, the KCC product was made available to 31 new districts across India. More than 60 farmer engagement programmes were also conducted to generate awareness on the benefits of availing KCC. In FY '17-18, the Bank hopes to expand into more states to increase the reach of this product.

Ashok Khode, a small farmer in Khedgaon village in Dindori taluka, does not have to fear power cuts affecting his crops any more since he is now the proud owner of a 5-horsepower solar charged photovoltaic solar pump². Ashok, who banks with IndusInd Bank, is the first of 13

farmers in Nashik district to receive the solar-powered water pump. This has been made possible through IndusInd retail-agri product of Kisan Credit Card (KCC) which offers financing solutions to farmers and other borrowers engaged in agri-allied businesses. This initiative towards small farmers residing in Tamil Nadu, Karnataka, Maharashtra, and Rajasthan to install (PV) solar pumps has facilitated the rejuvenation of existing irrigation structures leading to better agricultural produce & water availability for domestic use. The initiative is based on a needs-assessments and is supported by a subsidy from NABARD which decreases the cost of the pumps by 50%.





Nashik gets first solar powered water pump, farmers can now irrigate field with affordable & uninterrupted power.

Piyush Goyal
@PiyushGoyal




EMPOWERING THE GRASS-ROOT CUSTOMERS THROUGH DIGITAL NETWORKS

Our vision for augmenting our digital reach to the length and breadth of the country is a symbiotic approach that builds on our strategy and renders connectedness to our physical networks.

Convergence of the digital platforms in financial inclusion is adopted by the Bank's innate channels like Tab banking, API banking, real time data transfers etc. to enable the

transformation of the current processes which are manual, paper based, cash mode, risk prone with higher turn-around to become digitized, paperless, cashless on both online and offline digital transactions respectively with quicker turn-around. These are also leveraged by the publicly available technologies such as Immediate Payment Service (IMPS), Unified Payment Interface (UPI) and National Unified USSD Platform (NUUP), eKYC, eSign along with JAM trinity.

²<http://timesofindia.indiatimes.com/city/nashik/dist-gets-first-solar-powered-water%20pump/articleshow/57621017.cms>

The Bank plans to empower the last mile customers in ways to increase its penetration through a variety of financial inclusion initiatives. These services offer numerous advantages:

- ◆ Access to formal financial services – payments, transfers, savings, credit, insurance, securities, etc.
- ◆ Customers can transact locally in irregular, small amounts, enabling them to effectively manage their characteristically uneven income and expenses through the Doorstep Banking programme
- ◆ Additional financial services tailored to customers' needs and financial circumstances are made possible by the payment, transfer, and value storage services embedded in the digital transaction platform itself, and the data generated within
- ◆ Reduced risks of loss, theft, and other financial crimes posed by cash-based transactions, as well as the reduced costs associated with transacting in cash and using informal providers by the customers
- ◆ Increased transparency, security and lower risk of fraud to customers in sectors that have traditionally been cash-intensive, when cash is migrated to electronic channels
- ◆ Economic empowerment by enabling asset accumulation and, for women in particular, increasing their economic participation

POWERING LIVELIHOODS THROUGH CONSUMER FINANCE



The consumer finance arm of the Bank extends funding for a wide range of vehicles and equipment, including commercial vehicles used both for goods and passenger applications, passenger cars, utility vehicles, two-wheelers, and construction equipment such as excavators, loaders, tippers, cranes, etc. Loans are extended for both new and used assets in all these segments. IndusInd's success in the vehicle finance sector is partly due to our focus on customer responsiveness and efforts to reach out to the under-served individuals in this sector particularly those from the rural sector, the economically underprivileged, and women.

The focus during FY '16-17 was optimizing the product mix to maximize yields while maintaining portfolio quality despite the auto industry slowdown. During the year, aggregate disbursements towards consumer finance rose to INR 226 billion growing 11% over the previous year. New loan accounts numbered 1,068,000 in 2016-17 up from 1,030,000 loans boarded in 2015-16.

Loans disbursed towards used vehicles segment was INR 38.4 billion compared to INR 35 billion in FY '15-16. In the new vehicles segment, loans for commercial vehicles grew to the tune of INR 156 billion in FY '16-17. Similarly, loans for two-wheelers grew to INR 32.62 billion. The Bank also continued the tractor funding product, a major initiative towards both Priority Sector Lending and Financial Inclusion; tractor loans grew from INR 8.57 billion to INR 18.13 billion in FY '16-17. The Consumer Finance Division

(CFD) also earned a commission income of INR 366 million through the distribution of various third-party insurance products of Cholamandalam MS General Insurance Ltd., strategic partner of the Bank for bank assurance under the General Insurance segment.

CFD employs a tab-based disbursal for two-wheeler loans that is tied up with the Aadhaar-based validation system to enhance customer experience and facilitate faster, more secure, and legitimized processing of loans. In addition to improving customer experience, this system also improves productivity and reduces the use of resources such as paper. Handheld terminals have also been deployed pan-India to handle CFD's (cashless) collection activity. To further the Bank's agenda of digitization in Planning Cycle 4, CFD will extend tab-based loan sourcing to cover all loan products and partner with online retailers and e-portals for customer leads. In addition to these, workflow automation to reduce TAT will also be implemented.

Consumer finance is expected to contribute significantly to the rural banking strategy through greater penetration into the two-wheeler and tractor segment of rural markets over the next 3 years; the target is loan disbursement of INR 420 billion and a loan book of INR 570 billion by the end of FY '19-20. Increased onus will be placed on the used-vehicle segment. Finally to enhance customer retention, the Bank will subscribe to credit bureau alerts and offer short term funding to customers.

FINANCING LIVELIHOODS

RAJENDRAN AND DHANALAKSHMI

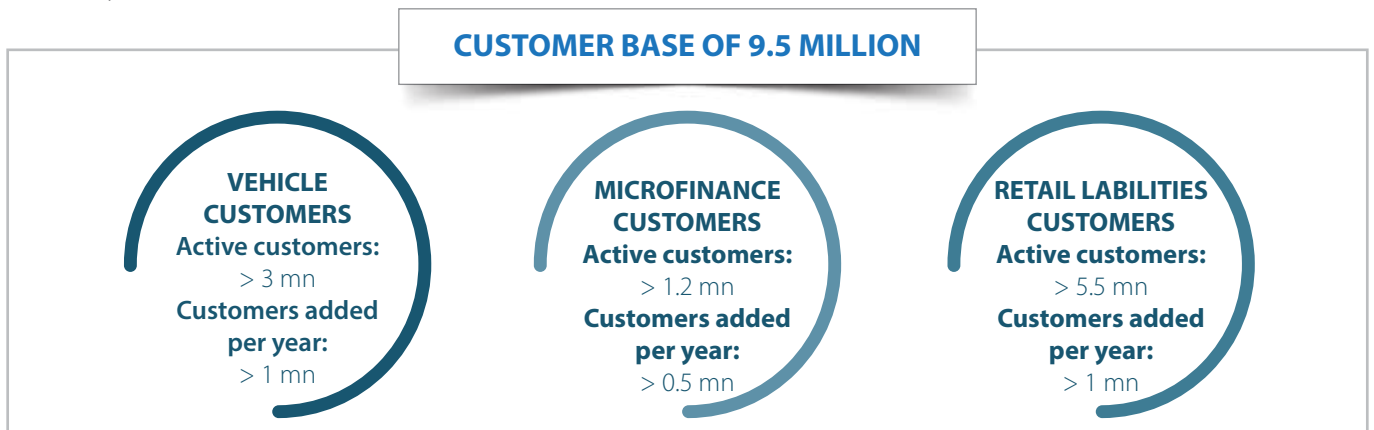
Mr. Rajendran used to work as a driver for a water tanker operator and during one of his visits to IndusInd Bank, applied for a loan for a commercial vehicle with ambitions to own a transport business. Upon arranging the initial margin amount, IndusInd Bank loaned him INR 700,000 17 years ago based purely on Rajendran’s experience, and despite him not owning property for collateral or significant loan history. Based on our relationship, the Bank funded him for his next vehicle in 2004 and an additional 6 vehicles after Rajendran proved to be a committed and exemplary customer with prompt repayment of loan dues. Rajendran now co-owns a transport business near Chennai with his wife Dhanalakshmi. The husband and wife run a successful business and now own property worth INR 30 million and have plans for expanding the business by availing our Loans Against Property, thus continuing their long-standing relationship with IndusInd Bank.

INTERNAL COLLABORATION AND CROSS SELL



The Bank’s customer base has increased to 9.5mn over the course of Planning Cycle 3. However, until now products and services offered to customers engaged with one business unit (BU) have been distinct from those offered to customers associated with another BU and inter-unit linkages have historically been low.

The Consumer Finance Division, for example, mainly markets vehicle-based products to CFD customers and does not engage with customers of other units like Retail Liabilities or Microfinance.



Looking forward to Planning Cycle 4, the Bank has developed an organization-wide strategy for cross-selling products and services of different business verticals to a single customer. This strategy is expected to reduce the costs and risks associated with acquiring new customers, while simultaneously, capitalizing on the business potential within the Bank’s diverse customer base. Additionally, improving the internal product holding per customers will ensure higher client-retention and, hence, higher profitability for the Bank.

The benefits of the cross-sell strategy is also expected to benefit our customer base in terms of them receiving targeted offers and products which are relevant to their needs. This not only serves as a convenience mechanism, but also reduces uncertainty and the risk associated with

engaging with multiple financial services providers for the average consumer.

Additionally, the impact of access to a multitude of relevant and needs-based products to customers, especially in the rural sector is complimentary to the efforts of IndusInd Bank to create sustainable livelihoods and improve financial inclusion through our strategy of taking banking to previously unbanked rural areas.

The products that are cross-sold are chosen based on information on customer attributes, propensity of the customer to choose said products, as well as, associated risks. Key products in this regard include vehicle loans, Loans against Property (LAP), Kisan Credit Cards (KCC), Personal Loans, Savings Accounts, micro-insurance, remittances, etc.

However, investing in innovative marketing and internal knowledge platforms to propagate cross-sell requires the various verticals within the Bank to communicate effectively. The target in upcoming years, therefore, is to scale up

ENABLING THE CROSS-SELL STRATEGY

In the highly competitive Indian retail banking space, growing businesses like IndusInd Bank need digital-led identification and targeted marketing solutions capable of sifting through large amounts of transactional and interaction data from various touch-points.

The Decision Sciences Unit (DSU) is the digital analytics arm of the Bank involved in conducting customer behaviour analysis, as well as, creating models for enabling cross-sell on a Bank-wide basis. These models are created with data inputs obtained from various BUs like Current Accounts, Savings Accounts, Loan against Property (LAP), Business Banking Group, Credit Card, Personal Loan, etc.

The inputs are reflective of a large number of customer attributes ranging from balance, channel activation, product holding, transaction pattern, to external product holdings. External data repositories like national Government bureaus, social media, etc. are included within the attributes universe in order to conduct a comprehensive identity and legal authentication of customers, thus reducing the risk associated with new business

Based on their customer attributes and segmentation within the customer base, these models also calculate existing customers' propensity to engage with additional IndusInd products & services. Through these models, the Bank can engage in real-time targeted marketing and ensure customers connecting with us receive only relevant

DRIVING CROSS SELL THROUGH CONSUMER FINANCE

IndusInd Bank has a large reservoir of more than 3 million customers engaged with the consumer finance arm by way of funding appropriated for a wide range of commercial vehicles, farming, and construction equipment including funding for tractors. Therefore, there is a large market for cross-selling products & services from other Bank verticals to these customers.

Additionally, given the Bank's ongoing strategy of expanding rural and semi-urban banking, there exists immense scope for cross-selling products to customers already engaged with the Bank through microfinance institutions and other micro-lending initiatives. The promotion of new products

inter-BU cross-sell numbers to six times the current rate by fostering internal collaboration and knowledge-exchange between the various business verticals.

communication and offers that address their unique needs. This helps improve the productivity and efficiency of our business, without compromising on customer experience.

The insights obtained from the data analytics team are streamed to the front line sales force of Relationship Managers who, in keeping with the 'One Bank One Team' policy, are enabled with comprehensive product knowledge of various BUs and the right digital tools, to propagate cross-sell.

In addition to proprietary in-house initiatives, IndusInd Bank has also partnered with leading providers of cloud commerce & predictive analytics-based campaign management tools to strengthen our online presence. This allows the Bank to leverage cutting-edge technology delivery and cross-marketing platforms without worrying about capital costs, operations & talent management.

IndusInd Bank's common front-office platform, Talisma, which combines financial and non-financial data from multiple back-office systems offers a 360° view of customers. Talisma's solution to managing customer relationships and data inputs provides valuable insights for effective and targeted communication with customers like emails (e.g. Private Banking details to high net worth customers). Talisma, therefore, works well as an internal collaboration tool within the organization and has led to a 50% increase in up-sell and cross-sell opportunities.

amongst existing CFD customers, therefore, not only benefits the Bank but also drives development of rural livelihoods by facilitating opportunities for growth of micro-industries and integrating rural economies into the banking system.



CFD collaborates with various business units for cross-selling products like CASA accounts, LAP, business loans, KCC cards to tractor loan customers, two-wheeler loans to microfinance customers, etc. The Consumer Finance Liability

customer base also offers significant opportunities for sourcing of CFD loan products.

ENRICHING CLIENT EXPERIENCE

Banking in India is currently undergoing a paradigm shift with businesses, especially in the service sector, increasingly adopting a client-centric approach. Beyond product benefits and features, customers now gravitate towards institutions that offer a complete all-encompassing experience and which foster long-term relationships with them and the communities in which they live and work. Account opening & maintenance, complaint resolution, speed of transaction, transparency, and ease of doing business through all banking channels have become critical factors in the decision-making process of customers, and form part of the overall client experience.

Consequently, for IndusInd Bank to stand out and differentiate ourselves in the service market, it is important for us to pursue a customer-oriented strategy going forward. Striving to provide the best-in-class banking experience to our clients has always been part of IndusInd's core

philosophy, and one which has led to significant growth in the previous three Planning Cycles. The Bank believes, therefore, enhancing client experience is the logical next step in our mission to sustain long-term growth and create value for stakeholders.

Enhancing client experience also has a direct impact on customer retention. The value of retaining customers makes perfect business sense when one considers that a customer retained for life is more cost effective, provides more business with less service outlay, and contributes to new customer acquisition by offering positive referrals. Additionally, customer relationship management tools provide important data which allow the Bank to target relevant customer groups and develop specific products. Fostering strong relationships, therefore, with appropriate client engagement leads to increased customer loyalty.

PUSHING THE BOUNDARIES OF CLIENT EXPERIENCE

The action plan of the Bank includes improving understanding of client needs, matching the right capabilities with the right clients, enhancing personalisation through engagement & communication, and enriching key customer journeys in conjunction with the PC4 themes of Internal Collaboration & Cross-Sell, and Digitization. While it may be difficult to measure the impact of each initiative to enhance customer experience in isolation, the financial benefits of the overall strategy will be quite tangible.

It is expected that this strategy will result in customer base expansion & deeper product penetration, more client coverage and better retention, improved sales productivity through digital-led frontline services, and higher upsell and cross-sell potential over the course of Planning Cycle 4. The estimate is that effective delivery of this strategy will yield a cumulative CASA impact in excess of INR 90 billion and a Net Interest Income & Fee impact of more than INR 4 billion by FY '19-20.

As we develop the roadmap for a Bank-wide client experience transformation, some initial critical organization

-level indicators have been identified to measure success in strategy. These include the percentage of financially active accounts, customer attrition, and brand recall, among others. Additionally, a customer survey will be launched with the objective of understanding the relative importance of customer journeys and key hurdles across them.

'Client-centric' processes help the Bank in building a customer journey narrative that runs seamlessly across organizational functions. The focus, therefore, is also to align the Bank's operations along key customer experiences and create a common KRA and incentive plans that cut across various functions. To this end, the Bank has initiated the integration of systems across business segments to create one holistic view of customers.

Since functions involving enhancement of client experience requiring a specialized skillset, the Bank has sourced two-thirds of the human talent from outside the organization in the form of new hires, thus generating additional employment which is likely to grow in the future.

CUSTOMER ENGAGEMENT: A KEY DIFFERENTIATOR



Customers are at the core of the business of a bank, and therefore, adequate and effective customer engagement is essential to business growth and value generated by such an organization. At IndusInd Bank, enhancing client communication, and addressing their needs & expectations forms the basis of all frontline and product-oriented decision making.

Customer engagement is driven by various interconnecting activities like, client coverage, client communication including relationship-building & complaints redressal, channel activation & sticky services, campaigning, etc. The Bank uses a combination of these activities implemented through our Relationship Managers (RMs) and Client

Engagement Managers, online marketing, branch and non-branch service channels, and customer feedback & surveys.

The key to customer engagement is, foremost, making the right offer to the customer by assessing their needs. Currently, the Bank relies on RMs, 'Feet-on-the-Street' executives, and front office interviews, to better understand customers' needs and offer them the best suited products. The Bank has, in the process, identified 'Frontline Sales Enablement' as a main focus area where improvement will result in effective matching of customers to the products according to their requirements. To do this, the Bank will be implementing a two-pronged approach,

- ◆ Leveraging sophisticated data analytical and modelling techniques to predict and identify the best offers for existing, as well as, potential customers. The data analytics function of the Bank is actively engaged in producing actionable insights based on a reservoir of customer data which provide intelligence for product development in both digital and conventional channels.
- ◆ Using the Bank's flagship Client Engagement Manager model for customer profiling and needs assessment.

The two approaches operate within a feedback loop, wherein initial data collected through the model is streamed back to the data analytics unit which then provides recommendations that can be utilised for effective customer

communication by the Client Engagement Managers. Customer insights from both approaches are fed into the Bank's Frontline Sales to pitch customised products and offers to clients.

CHATBOTS

The bank has conducted proof of concepts with ChatBots for user cases where we foresee significant enhancement in customer experience. The project includes a Conversational Banking app which will host 24x7 virtual agents to provide human-like and consistent customer experience to all users at scale. The state-of-the-art cognitive Virtual Assistant will also incorporate Speech-to-Text and Text-to-Speech functionality to allow for voice input/output.

EXPANDING CUSTOMER OUTREACH



In order to expand the Bank's network and provide financial services access to a larger customer base, 200 new branches have been opened in FY '16-17 in different locations with an additional 250 planned in the current fiscal year. The ATM network also grew to include 236 new ATMs for a total of 2,036 across India.

Furthermore, in the digital age, financial services organizations like banks, faced with ever-increasing competition, need to have a strong presence on several other communication and engagement channels. The push towards digitization over the next few years not only has the

potential to streamline business and increase process efficiency, but also contribute to enhancing customer experience in terms of greater accessibility to and security in day-to-day banking activities. The Bank's theme of 'responsive innovation' is designed to do just that, an example of which is the 'Fingerprint Banking' launched on the IndusMobile app enabling customers to do seamless and secure transactions. 'Tab Banking' is another digital-led initiative launched by the Bank in FY '16-17 which makes it convenient for customers to open accounts instantly without the need for paper documentation by either party.

Buoyed by our success of our digital offerings so far, the Bank launched an Easy Credit portal to facilitate real-time application and fulfilment of pre-approved personal loans to existing customers. The pre-approved offering has also been extended to credit card for the CASA base clients, and in the next few years will be expanded to include stand-alone

customers. The Bank is currently developing a process to expand the suite of pre-approved loan products to auto- and business loans. Use of the 'pre-approved' strategy has demonstrated a high rate of return which can be attributed to low cost of client acquisition, higher yield, and improved customer loyalty and satisfaction.

OPTIMISING OUTREACH

Customer engagement on new features, products & services for existing and new Bank customers is conducted through all communication touchpoints like e-mail, SMS, mobile notifications, net banners, etc. including social media platforms like Facebook and Twitter. Engagement covers the entire client lifecycle from acquisition, activation across channels, cross-sell, portfolio management, dormant user activation, and lastly win-back.

To ensure higher response rates via Mailers, the Bank deploys methods like Split Testing, Send Time Optimisation and use of specific keywords in the subject line which have demonstrated higher response rate. Additionally, we regularly review communication responses and maintain strict business logic for identifying the target base and sending the relevant products and offers.

The objective is to reduce the overall cost-of-acquisition by employing either complete self-fulfilment systems in digital channels, like Indus Connect or Indus Forex, or reducing the documentation & meetings requirements with RMs.

CUSTOMER SATISFACTION



We are 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 programmes. Through these channels, the Bank manages the plethora of services for branches and contact centres, as well as, product-related services, customer complaints & grievances, ATM servicing, and competition monitoring.

An example of the Bank's quick responsiveness to changing client needs is the efforts taken for the duration of the Demonetization period imposed by the Government in FY '16-17. The Bank amplified service delivery efforts for ensuring a consistent level of customer satisfaction and problem-solving for clients. Targeted communication to our customer base via e-mails, SMS, and direct-to-client communication through the RMs regularly delivered pertinent information and alerts on Demonetization directives and regulations, as well as, immediate query resolution. At the Branch level, separate queues and banking

hours were created for customers with Demonetization-related banking needs.

The Bank conducts monthly transactional surveys called 'Voice of Customer' conducted through net-banking portals, ATMs, and e-mails to gauge customer engagement & experience with day-to-day transactions. Survey feedback provides information on customer experience within the time period of 48 hours to ensure greater recall. In FY '16-17, for customer satisfaction & experience, the Bank logged a steady average of 66% positive score for net banking and 88% for ATM transactions. Furthermore, the Bank's effective facilitation of hassle-free banking during the Demonetization period reflected positively in the transactional surveys conducted thereafter.

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, as well, as a way to identify process and product improvement opportunities. Survey findings show customer loyalty has been maintained above 60%. The Bank also undertakes regular customer service monitoring and assessment at the branch level through random branch audits.

The Bank has also continued its journey with radian6, an ORM (Online Reputation Management) tool which helps in listening to what the customers are saying on various online platforms. This tool helps the Bank to remain informed about news articles and other mentions in the media on a real time basis. The Bank has also started a Social Media Command Centre to respond to customer queries, feedback, or complaints received via a variety of digital forums, social media channels, news portals etc. with less than 15 minutes of TAT for customer grievances.

IndusInd Bank is one of the 12 banks in India to have scored 'high' on the assessment conducted by the Banking Codes and Standards Bureau of India (BCSBI) which promotes good banking practices, increasing transparency, achieving higher operating standards, and ensuring a cordial banker-customer relationship³.



Your feedback can help us go from good to great.

Share your experience on our account opening process to help improve our service.

FOCUS ON PRODUCTIVITY



Over the years, IndusInd Bank has witnessed consistent linearity between revenues and costs. In a rapidly changing banking industry, evolving consumer preferences, and high growth in digital banking services, the Bank deems it important to disrupt this linearity between cost and revenue. The objective is to mitigate probable business risk, while simultaneously, capitalizing on cost-saving and revenue-boosting innovation opportunities. To this end, 12 specific initiatives have been identified to enhance efficiency and productivity of internal processes, workflows, and service delivery. These initiatives are expected to contribute 5% to incremental profits-before-tax and decrease the cost-to-income ratio by 2% by 2020 and largely focus on branch banking, channel optimisation & organizational design.

An important initiative in this regard is the reduction of average branch size by 48% in future branches of the Bank supported by digital delivery. It is estimated that this will lower branch operation costs by one-third and increase process efficiency. A smaller branch size will also lead to a reduction in manpower costs, as well as, the water and

carbon footprint of the Bank. It is expected that this initiative will reduce electricity consumption by 74 MWh per branch per year resulting in an emission reduction of 61 metric tonnes per branch per year.

The Bank is also moving away from the current modular structure of branch banking by clustering together new branches based on region-wise opportunity, contributing to lower material costs while ensuring wider, more comprehensive banking coverage.

Digitization is an important growth strategy for IndusInd Bank in Planning Cycle 4. Standardizing, centralising and digitizing workflows coupled with digital delivery of products and services is a step towards improving the productivity of processes and of the Bank's employees. Additionally, increasing usage of cloud computing, artificial intelligence and business intelligence services by the Bank are expected to expand our reach & market penetration with prudent use of resources like building material, electricity, water, paper, etc.

An early adopter of digital-led banking is the Consumer Finance unit of the Bank which uses handheld tab-devices for processing of all consumer loans, which has led to marked increases in employee productivity (revenue per employee), shorter TAT on loan products, faster conversion of cash to electronic clearing systems, as well as, savings on paper use. For corporate clients, IndusDirect, the Bank's integrated electronic payments platform, offers corporate clients innovative electronic payment and portfolio

management systems facilitated by the relevant departments of the Bank.

These digitization initiatives not only have a positive impact on Bank-wide process, product and employee efficiency, but also, contribute to improving the Bank's relationships with various sets of clients and promoting financial and environmental sustainability.

EMPLOYEE TALENT MANAGEMENT



IndusInd Bank's employees are crucial to all functions of the organization and a key element in value creation. Therefore, the Bank encourages employees to develop & enhance capabilities, and take charge of their own careers. This is facilitated through regular employee engagement and training, skill development and awareness-generation workshops, as well as, rigorous feedback and vigilance mechanisms. We believe that investing in our people not only leads to engaged and higher performing employees, but also results in more satisfied customers and improved business performance.

Identification of high-potential employees is based on employees' previous performance, role and individual criticality, competencies (functional & behavioural) and feedback on strengths and improvement areas. This talent pool, with requisite levels of performance and potential is then nurtured and developed through HR's Individual Development Plans, coaching & leadership development programmes, and role enhancement efforts. Employee skill mapping also helps in building a productive talent pipe-line and potential successors for key supervisory and tactical roles across the Bank

While these training programmes offer an insight into the Bank's structure, systems, processes, and overall business direction, they also contribute significantly to each employee's personal growth & development, and consequently their business performance. Other productivity goals for employees are financial performance including profitability, meeting business development goals like customer on-boarding, project development, compliance, etc.

Furthermore, the Bank's annual performance appraisal being executed with the objective of linking rewards to performance. This appraisal is used as a platform by business line managers to mentor employees, and develop performance plans to enable achievement of future efficiency and productivity targets of the Bank.

PRODUCTIVITY THROUGH INNOVATION



Today, IndusInd Bank's brand is synonymous with innovation which translates to sophisticated financial products, serving under-developed but high-potential niche industries, and promoting sustainable banking in sync with changing socio-economic and environmental landscapes, which is reflected in consistent revenue growth and profits. Keeping up with the innovation curve helps the Bank capitalize on productivity benefits accruing from early entry and adoption, and proactive responsiveness to market changes.

collaboration. The Innovation Centre is a centralized platform, an 'Idea Lab', designed to incubate ideas and convert them into directly-applicable and focused solutions. The centre operates like a think-tank, facilitating dialogue and coordination between multiple departments to deliver customized and efficient client-centric and technology-enabled products. The inputs for the Centre even extend to internal processes and systems selected to improve upon their efficiency.

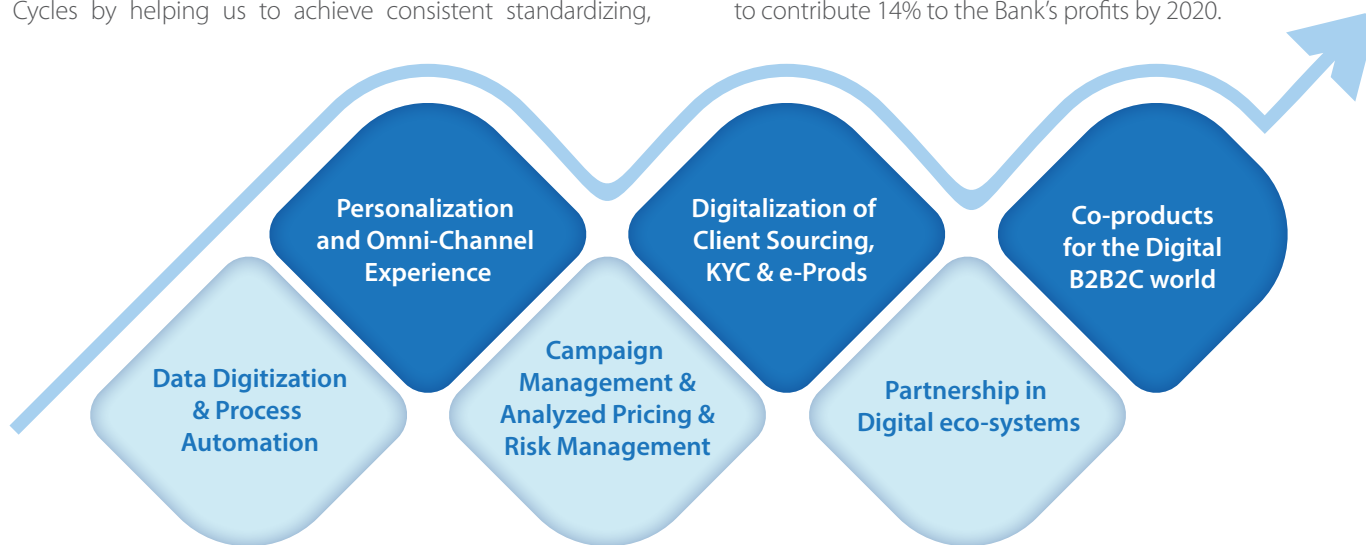
While IndusInd Bank has always facilitated exchange of ideas, in FY '16-17, an 'Innovation Centre' was launched in an effort to formalize ideation, and incentivize innovation and

IndusInd Bank has launched several external benchmark-based short-term lending products and trade products addressing niche market needs via the Innovation Centre.



Digitization has a profound impact on how the banking industry conducts business. Digitization has been a critical enabler over the course of IndusInd Bank's preceding Planning Cycles by helping us to achieve consistent standardizing,

centralizing, and digitizing of workflows. This has laid the groundwork for and provided the initial impetus for the digital strategy for Planning Cycle 4. Digital-led banking is expected to contribute 14% to the Bank's profits by 2020.



One of the key objectives is to transition to a more efficient way of doing business at both our client-facing and back-office sides by making use of various technologies,

operational and organizational mechanisms. The strategy has been conceptualized as moving from a –

- ◆ **Push- to Pull-based Customer Approach** to gain more clients using digital marketing and self-service mechanisms
- ◆ **Distribution to Partnership-based Business** to accrue more revenue through the B2B2C model
- ◆ **In-house to Outsourced Back-office** to incur less costs by revamping the operational and risk management structure

This strategy has been designed to help IndusInd Bank gain competitive advantage and capitalize on market trends by increasing productivity & efficiency in workflow, enhancing market penetration & profitability, reducing costs, and ensuring best-in-class client experience. To this end, the Bank's monitoring, evaluation, management, and decision-making processes have been upgraded to incorporate digital-led initiatives and technological innovations, making digitization the crosslink between other thematic areas of PC4.

digital channels, increased cross-sell penetration, and reduced expenses, and frauds etc.

IndusInd Bank is focused on making digital-led success tangible and measurable. This may be reflected in the growth of digital transactions, reduced Turn-Around-Time (TAT) for client on-boarding or for loans through various

A Digital Steering Committee has been set up to drive the digital agenda across various business & support units, and channel inter-BU collaboration to deliver on key digital KPIs. Separate teams have been set up for online sales, product & channel management, campaigns, project delivery, and IT support to ensure that strategy's induction is synchronous across the Bank. Creating strategy-specific skills and developing capabilities is pertinent for success, and therefore, the following approach has been implemented for resource training and restructuring on a Bank-wide basis.

- ◆ **Hiring the Right Skill Sets:** Critical digital skill-sets have been identified which is the precursor to hiring matching skilled resources.
- ◆ **Retaining the Right Skills:** Resources critical to implementation and support of the digital strategy will be retained with appropriate interventions.
- ◆ **Training for the Right Skills:** The existing resource pool is being trained for skillsets required for excelling in the digital domain.
- ◆ **Creating Optimum-sized Project Teams:** New and existing resources have been deployed for creating the optimum bandwidth for various digital projects throughout the Bank.



ENABLING THE DIGITAL STRATEGY

IndusInd Bank's Digital Strategy for PC4 has been shaped by prevailing and forecasted industry trends. There also exists significant opportunities for extracting incremental growth from existing business capital by piloting market-alternate lending models and tapping into supply chain solutions. Additionally, with 'mobile wallets' driving digital transactions,

cross-channel banking and a 'partner Wallet' approach has been identified as the efficient way of achieving the end objective of increasing transaction volumes. The Bank has adopted a multi-pronged approach to delivering our digital agenda –

- ◆ Fostering partnerships with the financial services sector (FinTech), payment banks and other business correspondent institutions
- ◆ Introducing online portal facilities for personal finance & management services
- ◆ Extending small loans through consumer finance, partner microfinance institutions, and on payments and deposits.
- ◆ Engaging with Government-mandated national payment regulations and frameworks and facilitating supply-chain solutions for corporates.
- ◆ Incorporating biometric and mobile-based interactions across channels with innovative features that differentiate the Bank in the market.

The Bank's plan-of-action is enabled through the combination of **Digital Analytics** for higher business productivity & operational efficiency; **Digital Innovations**

and Marketing for brand-building & client responsiveness; and **Digital Partnerships** for capitalizing on new business avenues around core business segments.

DECISION SCIENCES AND ANALYTICS

The decision sciences & digital analytics function of the Bank enables the implementation of our 'One Bank' policy by providing analytics support to each BU and creating proprietary cross-sell models thereby facilitating collaboration. Created using customer attributes data obtained from various BUs, the models calculate the propensity of existing customers to engage with additional

IndusInd products & services, and provide insights for (customized) product offerings relevant to a client's needs. DSU is also responsible for designing 360^o client perspectives which act as inputs to field teams of RMs and CEMs for taking targeted engagement actions. Digital analytics, therefore, acts as an enabling link between the bank's strategies of cross-sell and enhancing client experience.

NEXT BEST OFFER MODEL

The Next Best Offer model is a prescriptive and advanced statistical model designed by DSU which predicts the next-best product that can be pitched to a customer of IndusInd Bank. This model takes into consideration 500+ client attributes which include life stage, banking relationship, internal and external product holdings, channel activation, etc. The propensity-to-buy of customers by segment is arbitrated based on the revenue which the Bank is expected to make. Based on recommendations, either direct leads are given to the client campaign team or to the field force to connect with clients and make relevant proposals.

ATTRITION MODEL

The Attrition Model is a critical phase in the management of the life cycle of the Bank's clients. This model helps in predicting which customers are likely to attrite in the near future. Based on the propensity to attrite and engagement with the Bank, relevant actions are taken either directly by the client campaign team or by the Relationship Managers.



The Bank's strong digital analytics foundation is critical for enhancing the risk capabilities of the Bank. Big Data is analysed to manage fraud in real time and build a robust anti-money laundering system. Additionally, cognitive data-mining for credit-priced risk and investment risk also

DIGITAL INNOVATIONS AND MARKETING

Digital-led innovation and marketing has been the cornerstone of our strategy in previous years and the Bank aims to continue with its commitment to continuously innovate in the digital domain in order to differentiate ourselves from the competition.

To give further impetus to the Bank's strategy to go 'Fully Digital', we have continued with digitizing our businesses by making a large portion of our products and banking services available online. This makes the transaction process faster and more convenient for all customers. In line with the Government's push towards creating a digital-led economy, the Bank has laid special emphasis on promoting the digital agenda across payments, deposits, lending and sourcing of new clients.

The Bank also strives to generate value by identifying opportunities in an evolving technological climate and designing innovative products and services for its customers. This ensures a high level of efficiency, growth, and customer satisfaction, at the same time, reducing the resources, both human and natural, that the Bank requires. Some key initiatives within the digital space are enumerated below.

Tab Banking

IndusInd Bank introduced a tablet-based account opening system in February 2017 wherein accounts can be opened and become fully operational within 2 minutes reducing the TAT for servicing and channel activation. The tab-based application assisted captures all details required for account opening and supports biometric scan, Aadhaar-based e-KYC, profile-based product selection, choice account number selection, and initial account funding via UPI.

IndusMobile

IndusMobile has become the Bank's preferred mobile channel of choice. This App allows customers to check account balances, transfer funds, make payments, and use QuickPay on-the-go through their phones. The app also allows customers to withdraw money at ATMs without their cards using a 'Cash on Mobile' service. The '**Fingerprint Banking**' service on the App makes banking easier for

ensures that the Bank's risk appetite is maintained. Data analysis also serves as a direct driver of growth and revenue by improving sales force productivity for mobile and tab-based sales management.

customers, while simultaneously ensuring privacy and security. Another new feature called '**Shake-N-Pay**' enables customers to transfer funds to other IndusInd Bank accounts by waving their mobile handset. These services are in line with the Bank's theme of 'responsive innovation'. The number of mobile banking transactions through this App has grown exponentially and now stands at 2.5 million with a monthly value of INR 38.80 billion. The App offers a comprehensive suite of 100+ services and is now rated 4.4 on Google Play Store, making it the best-in-class among Indian Banks.

Indus Freedom

For increasing penetration around branch catchments, the Bank launched a first-of-its-kind transaction-friendly Current Account called Indus Freedom wherein customers get the 'No Minimum Average Balance' advantage. This initiative is targeted towards "Shop Next Door" entities which are run by individuals or proprietors.

Easy Credit Portal

This Personal Loan and Credit Card portal caters to existing account holders displaying prudent credit behaviour. The portal facilitates real-time digital fulfillment of pre-approved loans where the loan amount is credited to the customer's savings account in less than 30 seconds. This initiative contributed 24% to the Personal Loan business for the fiscal year. The offerings have now been extended to include pre-approved credit cards on the common channel to our customers which requires zero physical documentation, minimal manual interaction, and card delivery within 2 days.

Centralized KYC (C-KYC)

The RBI has issued guidelines on operationalizing C-KYC for new individual accounts opened on or after July 15, 2016. The intent is to assign a unique KYC (Know Your Customer) ID to every customer. To fulfill regulatory requirements, the Bank has already gone live with C-KYC.

Demonetization-related Initiatives

During the Demonetization period in 2016, the Bank responded quickly by tuning the relevant IT systems to comply with RBI and Government of India directives. The measures implemented included the development of a

module for recording the exchange of SBNs (effective immediately from November 10, 2016), and one for computing the permitted weekly cash withdrawals. Finacle, the Bank's Core Banking Solution, was customized to handle restricted cash withdrawals to the Agricultural Produce Market Committee (APMC) and farmers. Additionally, re-calibration for new bank notes was carried out in more than 2,000 ATMs.

Video Branch

The Video Branch service of the Bank allows customers to

initiate video chats through a mobile application or web interface with the Video Contact Centre or their Relationship or Branch Manager. In FY '16-17, 279,762 transactions were handled by the video branch desk which included financial service transactions like Fixed & Recurring Deposits, NEFT/RTGS, Internal Money Transfer, Credit Card Bill Payment, payment towards overdraft, Part Payment of Gold, and DD Request, etc. Inbound volumes for the video branch have grown by 18% for banking services and by 40% for card services from FY '15-16 to FY '16-17.

DIGITAL PARTNERSHIPS

The Bank is increasingly foraying into the API (Application Programming Interface) economy by initiating integrated digital payment solutions across the industry spectrum with various payment banks, merchant aggregators, mobile wallet providers, leading financial portals, as well as,

Government-led digital payment systems. The purpose and strategy around these partnerships is to acquire and diversify the Bank's customer base in a non-linear Business-to-Business-to-Customer (B2B2C) model.

Bharat Bill Payment Systems (BBPS)

BBPS is an integrated bill payment system developed by the National Payment Corporation of India (NPCI) offering accessibility & convenience, and enhances consumer trust. Incorporation of BBPS into the Bank's payment interface is expected to be fully realized by 2020.

Forex Online Portal

IndusForex.com, a portal for foreign exchange needs of Indian customers, allows the purchase multi-currency foreign exchange cards and reloading anytime, anywhere in 8 different currencies. The portal can also be used to transfer funds internationally in 16 currencies. The entire process is completely paperless. IndusInd is the first Bank to introduce Aadhaar-based e-KYC on Travel Cards at zero margin.

NPCI's Unified Payment Interface (UPI)

UPI is a unique payment solution which enables a recipient to initiate a payment request from a smartphone. The Bank participated in the launch of the interface and went live with UPI Platform and PSP App on December 17, 2016 under the brand name, **IndusPay**.

Trade Receivables Discounting System (TReDS)

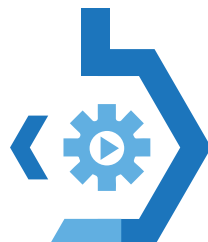
TReDS is an RBI-approved digital platform which allows auctioning of trade receivables, set up to provide affordable working capital to MSMEs. The Bank will launch the Supply Chain Finance (SCF) online platform in collaboration with TReDS to enable straight-through funding and processing of transactions in supply chains of small businesses.



IndusInd Bank is at the forefront of adopting the latest technology-based innovations in the industry to drive our business agenda forward and generate stakeholder value evidenced by the slew of new digital banking products and services introduced in preceding sections. The Bank has a

strong Information Technology (IT) architecture to make the roll-out of these products as seamless as possible while maintaining a high level of efficiency and functional productivity. IT integrity is built upon the following 9 pillars of transformation:

Automation - Automating each task and process within workflows and service management to achieve operational excellence.



Cloud Computing - Offering 'cloud as-a-service' to cater to digital and traditional workloads and keep up with demand. The end objective is the achievement of self-provisioning of IT services for business users.



Capacity - Achieving optimal resource capacity in terms of applications, servers, network, and people to support business growth and maintain user experience within acceptable costs.



Convergence - Transforming traditional enterprise infrastructure from hard-wired to software-defined, and proprietary to open, which together will simplify, automate, and optimize our infrastructure to serve our businesses better.



Database - Enhancing IT operations by achieving high application availability, data security, and automating monitoring processes while reducing the cost of databases.



Service Management & Processes - Imbibing 'Excellence in Service' as part of our culture to ensure delivery and improvement of IT services. The objective is to define and implement processes for quality and replicability.



Analytics & Cognitive Enterprise - Adopting analytics based metrics to improve performance, effectiveness, efficiency, and internal controls within IT, as well as, driving decision-making through data-based insights.



Middleware - Integrating applications and infrastructure in a cohesive manner to deliver end user services across diverse platforms.



Security - Focusing on cyber security to keep the ramparts secured while continuing to drive the digital agenda.



Some key initiatives on the technological front include cloud adoption where new workloads, as well as a number of existing process flows are being migrated to cloud storage after conducting a cost-benefit analysis, and ensuring security controls and measures. The Bank is also evaluating artificial intelligence (AI) and machine learning for its applicability in getting insight from the vast amounts of data residing in several systems across the organization. The impact of this 'Digital Brain' that we have set up will be

reflected in a single centralized Bank-wide repository of knowledge and data, lower TAT on customer queries, and savings in contact centre and branch support team costs. The Bank has also employed the API Management tool to enable the Bank's external software partners to connect their applications to the Bank's services without extensive coding. Our API management platform has seen a 25-30% monthly growth with respect to the number of transactions processed.

SECURITY, RISK AND EFFICIENCY

At IndusInd Bank, we believe in maintaining the highest level of data security and process efficiency at all levels within the Bank. We impose strict restrictions on sharing of personally identifiable information, and movement of any information

requires explicit approvals from the concerned business heads accompanied by reasoning for the same.

The various digital tools used by the Bank for maintaining security and efficiency are,

- ◆ **Rogue App Monitoring Service** - A service similar to anti-phishing, to help detect malicious or fraudulent mobile apps in App Stores that masquerade as the Bank's mobile app has been implemented.
- ◆ **SAS-ALM** - The SAS-Assets and Liabilities Management (ALM) system where data from all source systems is extracted into the SAS system went live on December 20, 2016. The system has been configured to generate cash flows for all booked deals after which analytics are run in order to generate the required reports. The frameworks and reports are built to meet regulatory requirements including BASEL-III Liquidity Standards, liquidity risk, and interest rate risk analysis.
- ◆ **Multi-Vendor Solution (MVS)** - The MVS software, implemented in December 2016, enables ATMs to recognize customers and provide personalized banking systems, targeted offers, and a service mesh including non-banking services.
- ◆ **Vendor Management System** - The Bank has implemented the Vendor Management System (VMS) which conducts end-to-end vendor lifecycle management including centralized on-boarding, online vendor evaluation, performance monitoring, contract management, visibility on financial spends versus service delivery, blacklisting of vendor, etc.
- ◆ **Insider Trader Application** - This application helps the Bank and our staff to comply with SEBI directives for insider trading related to the sale and purchase of its shares. Online requests can be placed by the staff which are subsequently sent to Compliance for approval. This facilitates the Compliance team to consolidate and report relative details to SEBI in a quick, automated manner thereby improving compliance and process efficiency.

All servers of the Bank are housed in data centres in the coastal cities of Mumbai and Chennai. We have therefore developed a Business Continuity Plan which lays out backup strategies, archiving, and data recovery in cases of accidents, natural disasters, climate irregularities, or disturbances.

switch-back process to the DR systems in case of accidents or unforeseen disaster events. DR drills are conducted for six interdependent systems for all critical applications on a periodic basis. The drills are audited by an External Auditor and to date, have successfully demonstrated their disaster recovery capabilities.

In FY '16-17, the Bank also rolled out a Disaster Recovery (DR) management tool which automates the switch-over and



**NURTURING
CHANGE**

SUSTAINABILITY AT THE BANK

SUSTAINABLE DEVELOPMENT GOALS COVERED IN THIS CHAPTER



At IndusInd Bank, we strive to achieve prosperity in business and create sustainable value for all stakeholders. To accomplish this, over the years the Bank has consistently moved towards embedding sustainability into our engagements and processes. As the socio-economic and environmental context within which we operate evolves, so does the impact of our financial engagements as a bank. Financial investment is intertwined with and has a multiplier effect on, not only financial capital and economic growth, but also on the capital of the Bank invested within society, relationships, and the environment.

At the business level, IndusInd Bank addresses sustainability in finance by diverting capital towards high growth potential areas such as renewable energy, infrastructure development,

education, healthcare, rural development, etc. Our goal of achieving the twin targets of enhancing customer satisfaction and client experience also ensures continued market presence and brand equity over the long term.

At the company level, a Corporate Social Responsibility (CSR) policy and an Environment Policy have been formalised to channelize resources towards programmes and initiatives for social and environmental development both within and outside the Bank.

Additionally, our commitment towards maintaining regulatory compliance, good governance, and a strong risk management framework are the final cogs in the well-oiled machinery of sustainable banking.

BANKING FOR A SUSTAINABLE FUTURE



As IndusInd Bank grows into a high-street brand, there exists tremendous opportunity to positively contribute to India's national transformation. The Bank's approach to fostering sustainable economic development, centres around serving the unbanked and under-banked sections of society, while

focusing on sectors on the cusp of a break-through and those offering great potential as drivers of growth for the economy and long-term sustainable development - sectors such as renewable energy, national infrastructure, healthcare, and education.

POWERING RENEWABLE ENERGY

As one of the world's fastest growing economies, India's energy requirements are increasing exponentially. India has demonstrated its commitment to meeting the growing need for power albeit responsibly and sustainably, through policies like the Comprehensive Policy on Decentralized Energy Generation Projects based on New and Renewable Energy (Non-conventional) Sources (2016), the submission of its Intended Nationally Determined Contributions (INDC) at the COP 22, and by ratifying the Paris Agreement on climate change.

India is moving towards its target of 9% of renewable energy generation capacity through wind and solar, and ensuring access to clean & affordable sources of energy. Supporting government initiatives through private partnerships is strongly prioritized in IndusInd's strategic planning.

To this end, as part of the Renewable Energy Global Investors Meet and Expo (RE-Invest), a GoI initiative to invest in renewable energy sources and infrastructure, IndusInd Bank signed the Green Energy Commitment with the Secretary of the Ministry of New and Renewable Energy (MNRE), GoI in March 2015.

A dedicated Project Finance unit of the Bank which specializes in investment projects in wind & solar energy, roads, and power transmissions, is undertaking the provision of long-term financial assistance to the renewable energy sector which is expected to increase green energy capacity in the country by 2000 MW by 2019. As of March 2017, the Bank has already financed renewable energy projects that have cumulatively added 2095.10 MW to the existing capacity across 10 states in India, thereby exceeding our commitment to MNRE's RE-Invest.

INFRASTRUCTURE FINANCING

Infrastructure is a key component for economic growth as it has a direct bearing on a country's GDP and other high impact parameters, from trade relations to facilitating development in heretofore inaccessible regions. Improved national public infrastructure, therefore, promotes physical and virtual access to an increasingly interconnected world.

India, as one of the fastest growing economies, will need investments of \$454.83 billion USD over the next five years. More than 70% of this investment will be diverted towards power-generation infrastructure, roads and urban infrastructure segments like affordable housing.

IndusInd recognizes the pivotal role private financing can play in building the fibre of the nation. The Bank has therefore, evolved capacities for financing products to support infrastructure growth. Comprehensive solutions encompassing the lifecycle of an infrastructure project,

including underwriting and advisory solutions, have been developed for key corporate entities. In FY '16-17, the Bank financed INR 1.5 billion of working capital and INR 1 billion of term loans towards affordable housing finance.

AFFORDABLE HEALTHCARE

Despite advancements in medical sciences and in the pharma sector, access to quality and affordable healthcare remains beyond the reach of a large portion of India's population, and disproportionately affects the underprivileged. Inadequate healthcare facilities is a barrier to the development of human capital of a country. There is a strong correlation between access to high quality, timely healthcare and productivity in an economy, which has tertiary impacts on macro-economic indicators, such as GDP per capita and overall growth.

IndusInd, recognizing this disparity between supply and demand for affordable healthcare, also understands the unique financing requirements of the sector. After conducting rigorous research on the industry sector, cash flow analysis, and existing models of financing, IndusInd's healthcare team has launched products which address these challenges. The Bank is in the process of building on these

offerings by leveraging our investments with guarantees from international multilateral agencies. IndusInd has also established export credit offerings that enable healthcare facilities in India to access sophisticated technology from overseas.

The Bank views healthcare as a sector with significant growth potential, especially in sub-sectors like healthcare delivery, diagnostics, medical tourism, telemedicine, etc. Investment in this sector is classified under Infrastructure Lending by the RBI demonstrating the sector's importance. The focus categories within the healthcare strategy are tertiary care hospitals (single-and multi-speciality), secondary care hospitals, diagnostic chains, nursing homes, medical training institutes, etc. The products on offer by the Bank include term loans, working capital loans, financing for imported machinery, etc. with a threshold transaction size.

EDUCATION

In FY '16-17, the Bank also made significant inroads into the education sector providing working capital and project funding. It is expected that this sector will develop further

over the coming years providing opportunities for financing focused on social development.

SUPPORTING LIVELIHOODS IN PRIORITY SECTORS

In FY '16-17, The Bank achieved the RBI-prescribed target for Priority Sector Lending (PSL) aggregated at INR 36,764.32 billion at the end of March 2017, representing 41.29% of Adjusted Net Bank Credit (ANBC) of the previous year.

During the year, the Bank financed over 1,360,353 agriculturists and the aggregate advanced to agriculture stood at INR 117.2 billion representing 13.15% of ANBC at the end of March 2017. Agriculture finance was directed towards

commodities like sugarcane, oilseeds, milk, rubber, etc. as well as agri- and agri-allied projects in dairy farming, aquaculture, bee-keeping, etc.

The Bank's finance to 'Weaker Sections' increased to INR 52,759 million and stood at INR 77,368.2 million representing 8.69% of ANBC at the end of March 2017. The tractor finance initiative logged loans disbursements to the tune of INR 11.18 billion in FY '16-17, up from INR 8.57 billion in FY '15-16.

PROMOTING FOOD SECURITY AND SUSTAINABLE AGRICULTURE

Agriculture plays a vital role in the Indian economy with nearly 60% of households dependent on agri-business or allied activities for their livelihood. Besides the quantifiable role food security and sustainable agriculture play in the

overall GDP, developing robustness within the agri-business supply chain is crucial for equitable socio-economic development.

In keeping with our developmental agenda, IndusInd Bank has prioritized developing the value chain of agri-businesses, from the field to the market over the next few years. To this end, we have developed diverse and specialized skillsets within the organization which range from understanding grass-roots issues like weather-susceptibility of crops, to sophisticated knowledge of commodities markets.

Engaging with an entire supply chain has been critical in making a meaningful impact. Due to the highly complex nature of the sector, disruption at any point of the value chain reverberates throughout the system. For instance, inadequate infrastructure for a cold-supply chain makes it difficult to transport perishables to markets in saleable conditions resulting in dairy farmers incurring heavy losses. The resultant scarcity and inflated prices of such

commodities makes these products disproportionately inaccessible to underprivileged and marginalized sections of society. Furthermore, the impacts of climate change including drought and irregular monsoons are expected to impact both crop production and access to water for irrigation.

The Bank's financial solutions have been designed to address these challenges. Whether it is improving access to quality farm equipment through tractor financing, supporting agri-infrastructure in the form of warehouses or sustainable irrigation systems, or financing rural roads and public access infrastructure through the Bank's infrastructure investments, IndusInd is projected to expand agri-business by 2.5 times over the next three years.

CORPORATE SOCIAL RESPONSIBILITY

The Bank has been intuitive and responsive to rapidly changing socio-environmental conditions by adopting innovative strategies which give equal charge to natural capital, social & relationship capital, and human capital. The Bank has a strong Corporate Social Responsibility (CSR) policy, and a CSR committee comprising of board members, the MD & CEO, Mr. Romesh Sobti, headed by Ms. Kanchan Chitale. The CSR committee reviews, sanctions, and recommends CSR projects.

The Board develops a Bank-wide sustainability strategy in collaboration with other committees working on socio-economic issues like the Human Resources Committee, the Vigilance Committee, the Finance Committee, etc. The Bank exercises the precautionary principle through ERM (Enterprise Risk Management) and ORM (Operations Risk Management) which safeguard the Bank against environmental and social concerns.

OUR CSR STRATEGY

The Bank's CSR mission statement is to create value for all stakeholders and emerge as a 'Best-in-Class' bank committed to sustainable growth and development. The aim is to grow the Bank's business consistently and responsibly, benefitting customers and employees, the natural environment, and the community at large. We are guided by the principles outlined in the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGSEE) and the UN Global Compact.

The Bank's CSR strategy identifies key focus areas and provides a clear methodology for project selection, implementation, and evaluation while taking into consideration the opinions of stakeholders on the same. It also ensures that each project has significant socio-



environmental impact and that the projects are considered vital by internal and external stakeholders.

A robust on-boarding process is undertaken by the Bank on proposed CSR projects which includes rigorous screening of the Implementing Agencies (IAs) with details on project costs, feasibility, scalability, and impact submitted for a comprehensive evaluation. Post approval and empanelment, the Bank monitors the projects through regular updates by the IAs.

The Bank spent more than INR 338 million on various social and environmental initiatives during FY '16-17. Major initiatives include river rejuvenation and dam restoration, programs on education and legal literacy, renewable energy installations and energy conservation initiatives.

ENVIRONMENTAL STEWARDSHIP

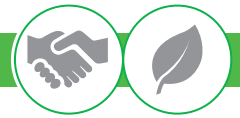
Environmental stewardship has been an integral part of IndusInd Bank's journey since 2008. Over the last several years, the Bank has worked consistently to mitigate and reduce the impact of our business and activities on the

- ◆ Supply Chain Sustainability & Ethical Procurement
- ◆ Material Conservation, Waste Management & Recycling
- ◆ Managing the Carbon Footprint

natural environment. The environmental policy of the Bank, lays out guidelines and targets in key areas of environmental sustainability within which the Bank has undertaken and implemented crucial programmes and activities.

- ◆ Energy Efficiency & Conservation
- ◆ Climate Change Mitigation
- ◆ Water Conservation

SUPPLY CHAIN SUSTAINABILITY & GREEN PROCUREMENT



The Bank engages with a diverse supplier base which provides goods, services and IT and non-IT support. A robust vendor and supplier on-boarding and selection criteria, governed by the Bank's Outsourcing and Procurement Policies respectively, underline the importance given to environmental concerns regarding upstream supply chain processes, health & safety of employees, equal opportunity, as well as adherence to standardized environmental norms.

Our endeavour is to empanel vendors who follow the best environmental practices. This ties into the Bank's stance on

- ◆ Building capacities for and prioritizing local suppliers and contractors
- ◆ A commitment to procure raw materials at a fair price from local suppliers
- ◆ Ensuring supplier organizations have their own Supplier Code or related policy
- ◆ Ensuring supplier organizations have disclosed steps taken to procure goods from local & small producers, including communities
- ◆ Ensuring supplier organizations have environmental and energy management systems
- ◆ Assessing whether supplier organizations disclose their sustainability performance

IndusInd Bank has also conducted a comprehensive sustainability assessment of high-volume suppliers, who make up a significant portion of our IT and equipment spends. More than 75% of responding suppliers have reported that they measure their organization's carbon footprint, as well as, the amount of solid (including hazardous) and water waste generated by their facilities. A

'green procurement' and creating a sustainable value chain. The various attributes assessed under the green procurement process includes indirect carbon emissions accruing from the sourcing of products and services, materials conservation, waste management, water discharge, and environmental management.

The Procurement Policy incorporates mechanisms which address environmental concerns associated with product sourcing and transportation. The policies and efforts towards product, supplier, and vendor selection include:

large part of the Bank's procurement is OEM vendors who have adopted sustainable practices in their product life cycle. By sourcing from this pool of suppliers the Bank's overall emissions can be impacted by more than 8%. The Bank continues to engage with suppliers on matters of mitigation of carbon emissions and waste reduction.

PAPER PROCUREMENT

The ability to document processes, promote products, communicate internally, store information, bill customers, etc. is at the core of our business operations. The Bank recognizes that providing these services and operations requires the use of large amounts of paper and the significant economic and environmental concerns associated with dependence on paper.

Keeping this in mind, IndusInd Bank has made an effort to green its paper procurement practices. The Bank purchases Forest Stewardship Council (FSC) certified A4 printing paper for our offices and branches. Additionally, we have replaced four of our products made from traditional virgin-fibre paper, with paper made from 70% sugarcane waste (bagasse). This transition to recycled products is expected to reduce our annual GHG emissions by 25 MT of CO₂e.

ENERGY EFFICIENCY AND CONSERVATION



Energy, represented by electricity and fuel consumption, is the most substantial source of resource consumption by IndusInd Bank. While the cost of energy use accounts for less than 5% of our total operational expenses, it accounts for nearly 90% to our total greenhouse gas (GHG) emissions. In FY '16-17, we utilized 76,279.47 MWh of energy, most of which is attributed to purchased electricity at our offices, branches, and ATMs.

A single unit of electricity consumed on-site represents about 1kg of CO₂ emissions produced at source. To address this, the Bank has developed strategies and taken steps to implement practices related to energy efficiency and conservation, and source electricity from renewable energy sources for operations.

MANAGING ELECTRICITY USE AND CONSERVATION

The Bank has invested in technological solutions to aid in our efforts to conserve electricity and increase efficiency. We have expanded various programmes and energy-saving efforts conceptualized in previous years. The various initiatives include the installation of timers at signages,

replacement of trulights with LEDs in signages, and the deployment of virtual servers and thin clients. The electricity reduction initiatives have led to savings of 10,425.61 MWh of electricity in FY '16-17, and in the process avoided 8549.43 metric tonnes of GHG emissions.

Energy Reduction Initiative	Scale	Electricity Saved (MWh)	Emissions Reduced (MTCO ₂)
Timers installed at 1,050 signages	Pan-India	2,079.00	1,704.78
Deployment of 322 thin clients	Pan-India	96.00	79.15
1,248 servers virtualized	Data centres	8,250.61	6,765.50

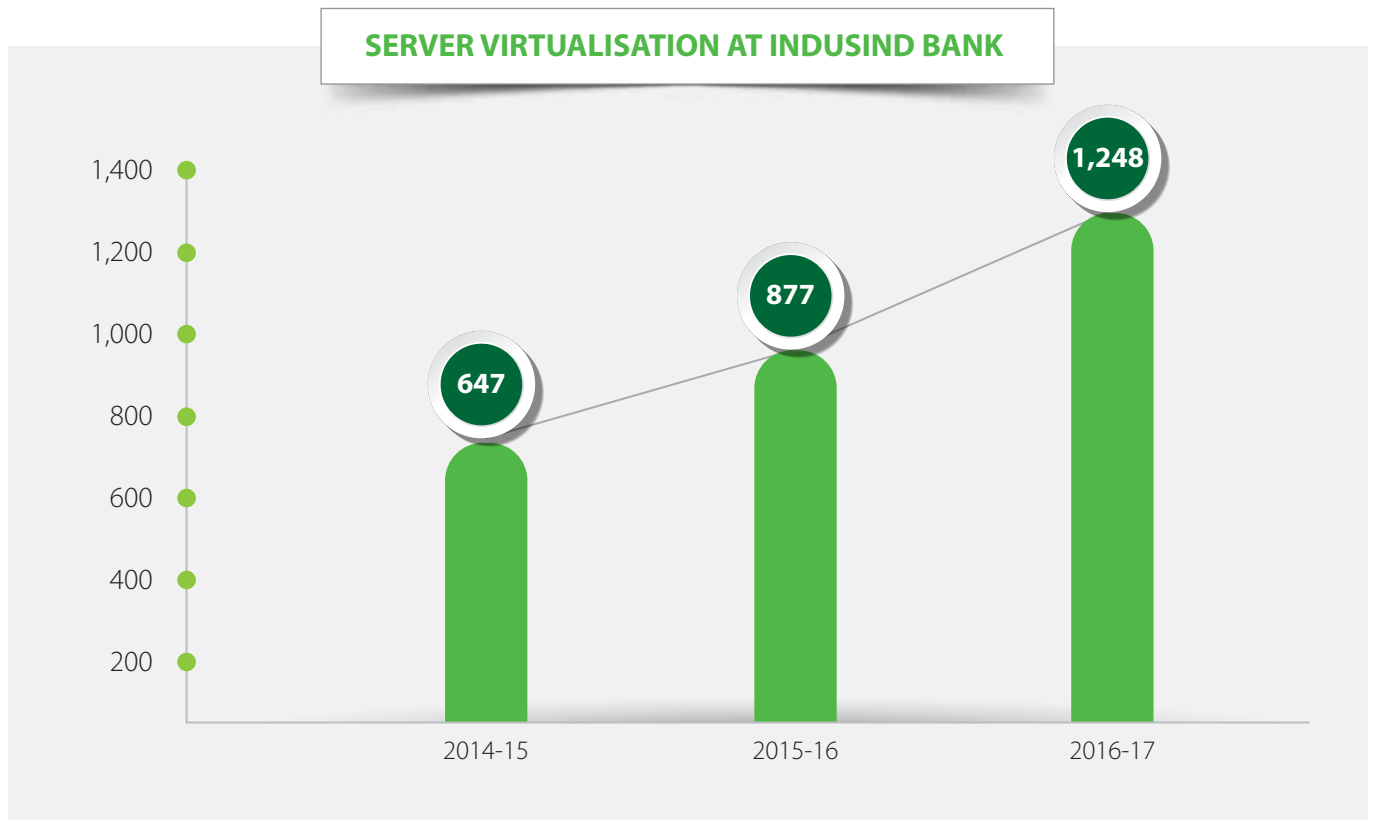
*All figures are annual

Information Technology, which is the back-bone of every modern enterprise, needs to develop and transform its operations to be able to sustain and perform in a sustainable manner.

The Bank has developed a Green IT roadmap to optimize our Data Centre operations and reduce our carbon footprint. Currently in Phase 2, the green IT transformation is designed to bring a 20% reduction in power consumption, while simultaneously, optimising space requirements in our Data

Centre and Disaster Recovery Centre. To date, this has led to, not only, higher energy efficiency in operations, but also, significantly reduced energy related costs.

Within the Green IT initiative, the Bank has been proactively migrating from physical to virtual servers and has virtualized 1,248 servers on 86 physical servers as of 31st March 2017. This has resulted in savings of 8,250.61 MWh of electricity, and avoidance of 6,765.50 MT of GHG emissions annually.

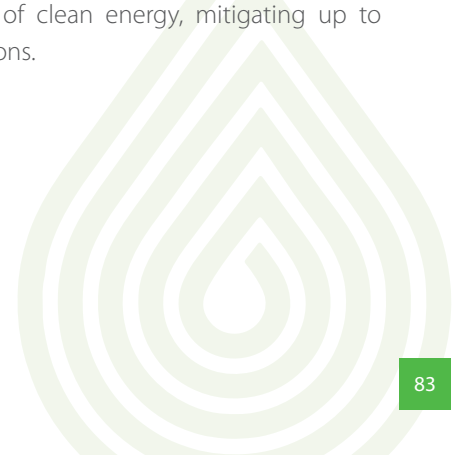


BANKING ON SOLAR

Nine years ago, the Bank installed the first Solar ATM in Mumbai, becoming a pioneer in the financial sector. Today, the Bank has expanded its network of solar ATMs by adding a new fleet of Solar grid-tied ATMs, leading to annual grid-electricity savings of 190.8 MWh.

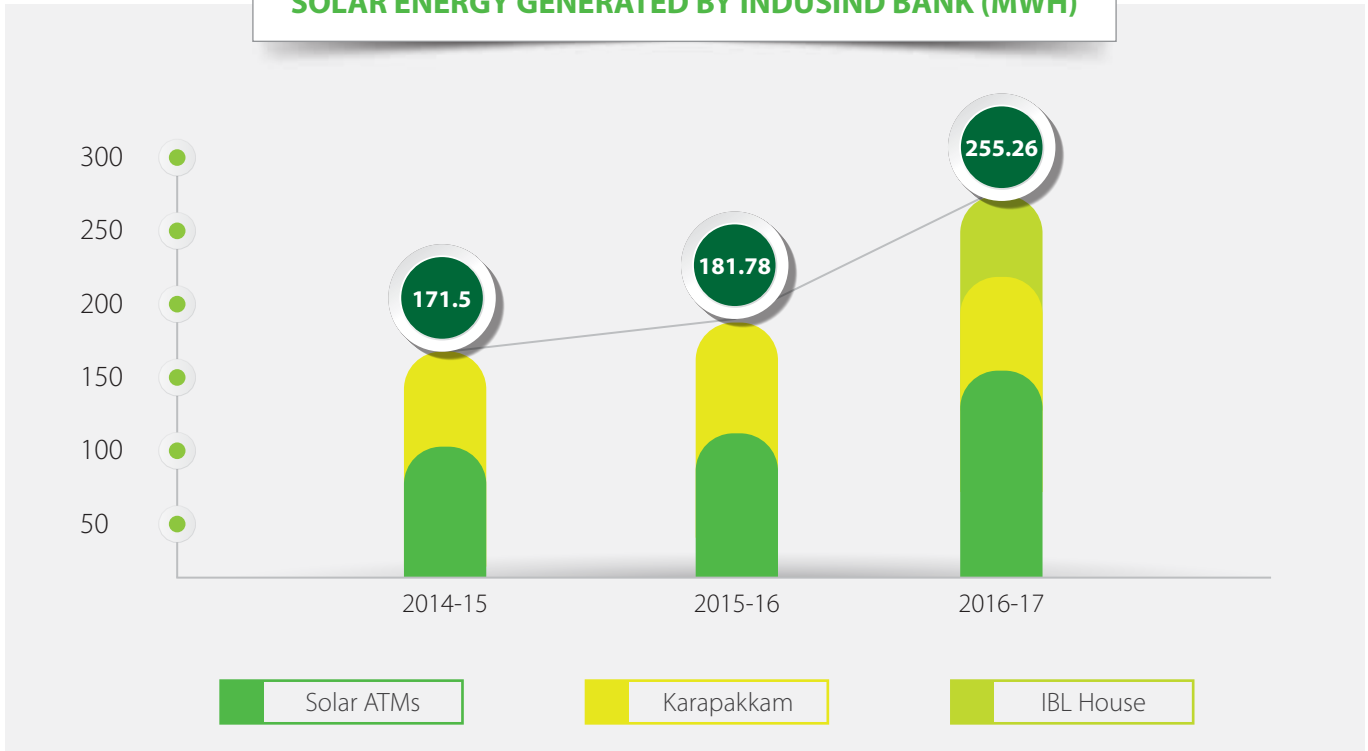
Furthermore, the Karapakkam facility of the Bank generates electricity using grid-integrated rooftop solar panels, first

installed in 2013. IBL House, one of the Bank's corporate offices in Mumbai, has also been refurbished to house rooftop solar systems to generate clean, low-carbon energy in the coming years. In FY '16-17, together, these facilities generated 64.46 MWh of clean energy, mitigating up to 52.85 MT of GHG emissions.



Solar Initiative	Scale	Electricity Saved (MWh)	Emissions Reduced (MTCO ₂)
Solar energy generated at Karapakkam facility	Regional Office	49.46	40.55
Solar ATMs	Pan-India	190.80	156.45
Solar energy generated at IBL House	Regional Office	15.00	12.30

SOLAR ENERGY GENERATED BY INDUSIND BANK (MWH)



GREENING OUR TRANSPORT

The Bank’s business travel contributes to about 40% of the Bank’s Scope 3 GHG emissions. Environmental impacts associated with transportation are particularly acute in terms of GHG emissions, air pollution from particulate matter, and water pollution. To ensure that our environmental impact from travel is mitigated, the Bank consistently endeavours to reduce the frequency and need for travel, while simultaneously considering alternative low-carbon modes of transport.

Our employees are encouraged to use a voice, video and data-enabled communication system called ‘Lync’ to engage with colleagues across the country. We have also installed state-of-the-art video-conferencing facilities at several corporate and regional offices in order to minimize the need for air travel for senior executives and directors.

Additionally, the Bank's robust technology and digital-led platforms (mobile banking, net banking) allow customers to complete transactions remotely thereby reducing their need to travel to physical branch locations. IndusInd Bank's innovative Video Banking facility also allows clients to

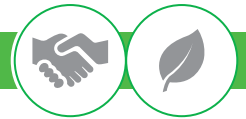
engage with banking services locally from their homes and workplaces. A total of 6,642 financial transactions and 157 thousand calls have been handled via video banking in this financial year.

CREATING SUSTAINABLE SPACES

The Bank has embarked on a journey to green its facilities especially through the use of sustainable materials, technology, and design. Subsequent to achieving LEED Gold rating for our Gurgaon branch, another facility in Mumbai, IBL House, achieved the LEED Platinum rating. The facility is spread over 19,685 sq. feet and is designed to generate solar energy, uses environmentally-benign and regionally

procured materials, and has an efficient water management system equipped with rainwater harvesting and water-efficient fixtures. The facility's total connected lighting power is 15% below ASHRAE standards, designed to save 165,540 kWh of electricity through efficient lighting, HVAC, and solar installations.

MATERIALS CONSERVATION, WASTE MANAGEMENT & RECYCLING



Even though the service sector is less material-intensive compared to the manufacturing sector, resource conservation and waste management have been a key component of IndusInd's environmental strategy. Our efforts in this area largely focus on two major sources of

resource consumption: use of electronics and paper. The Bank has adopted strategies to mitigate the negative environmental impact of these including materials conservation through efficient use of technology and waste management.

PAPER CONSUMPTION

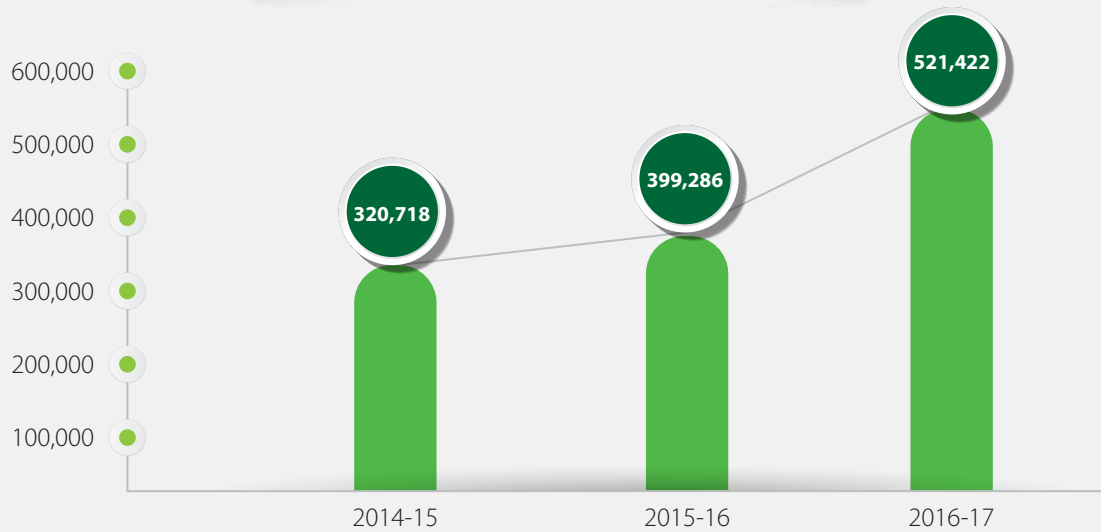
Paper is a highly consumed commodity at IndusInd Bank and is used to carry out day-to-day internal and client-oriented operations. In FY '16-17, the Bank used 1,085 MT of paper. To contain paper use, the Bank implements a paperless procurement acquisition process called iProcure. Furthermore, the option of choosing e-statement registration by customers and a robust online and mobile-banking system have significantly reduced downstream paper usage. The Bank also uses IT interventions like paperless fax, document imaging and processing, and use of hand-held terminals to reduce paper consumption.

The Bank's paper consumption increased in FY '16-17 compared to the 854 MT of paper used in FY '15-16 due to the increase in chequebook issuance during the Demonetization period (December 2016 - February 2017), and increase in the number of accounts opened during the year compared to the preceding year.

Annual e-statement registrations for FY '16-17 were 521,422 compared to 399,286 for FY '15-16, a growth of 31%. Along with e-statements, the Bank promotes several other e-facilities to customers to reduce paper consumption, which includes online (net banking) and mobile transactions.



ANNUAL E-STATEMENT REGISTRATIONS



RECYCLING PAPER

The Bank continues its partnership with ITC Ltd. on an initiative first launched in FY 2012-13, the 'Wealth-Out-of-Waste' (WOW) programme which is a waste paper collection drive. The programme enables the reuse and recycling of paper.

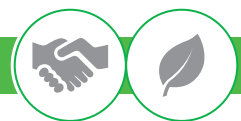
This initiative diverts waste paper away from landfills which in turn results in reduced GHG emissions while simultaneously providing for raw materials for other products. In FY '16-17, the Bank channelized 4,162 kg of A4 paper for recycling through this programme.

MANAGING HAZARDOUS WASTE

In accordance with the Government's 'E-Waste Managements and Handling Rules' the Bank has assumed responsibility for the sustainable management and disposal

of our e-waste. During FY '16-17, 24,046 kg of e-waste was collected and recycled through authorized government vendors.

CARBON EMISSIONS: MEASURING, MONITORING AND REPORTING



IndusInd Bank considers climate change to be the most pertinent issue of our times and recognizes that unmitigated environmental change poses significant risks for businesses, including those in the financial sector. These include financial risk arising from increasing costs of energy, regulatory risk, as well as, security risk and physical risks caused by natural disasters intensified by climate change. Climate change-related risks are now important issues in value-creation for investors, therefore, efforts to map and measure our carbon footprint have a relevant role to play in the Bank's business and communication to stakeholders.

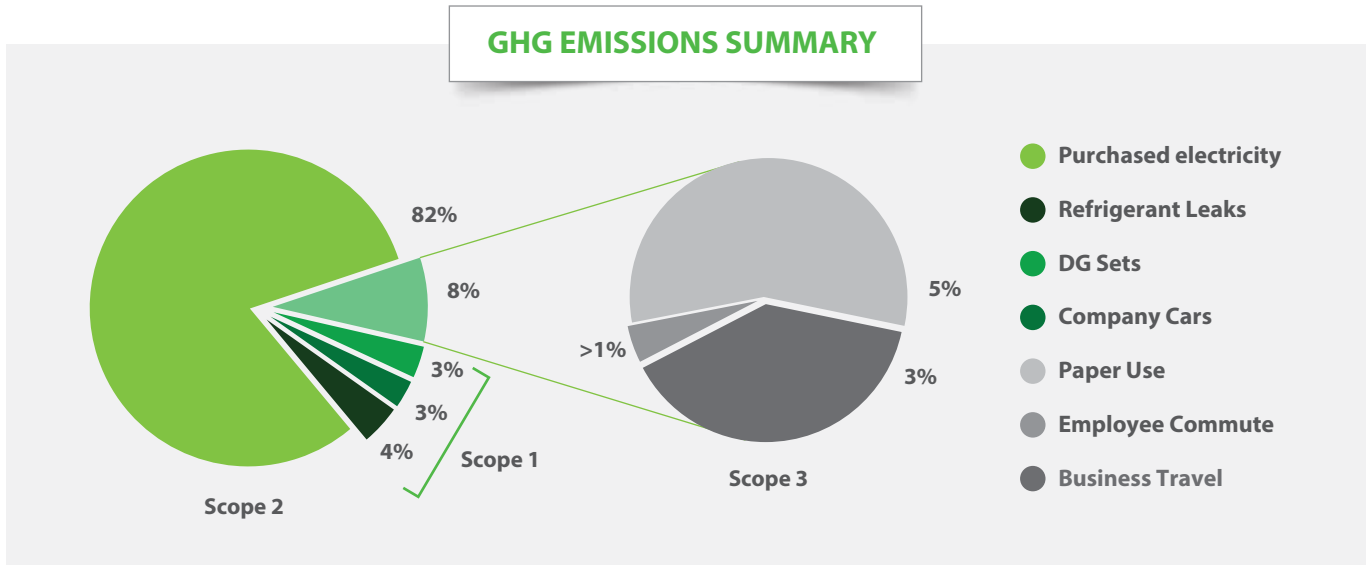
Corporate GHG inventories are critical management tools and FY '16-17 is the 8th consecutive year for which the Bank has measured our GHG emissions and reported the same through the Carbon Disclosure Project (CDP). This year's assessment has been completed in accordance with ISO 14064-1:2006 Standard. The following section provides a summary of our carbon footprint for FY '16-17; a detailed report on the same can be accessed from the CDP website under 'Company & City Responses'.

GHG ACCOUNTING & INVENTORIZIZATION

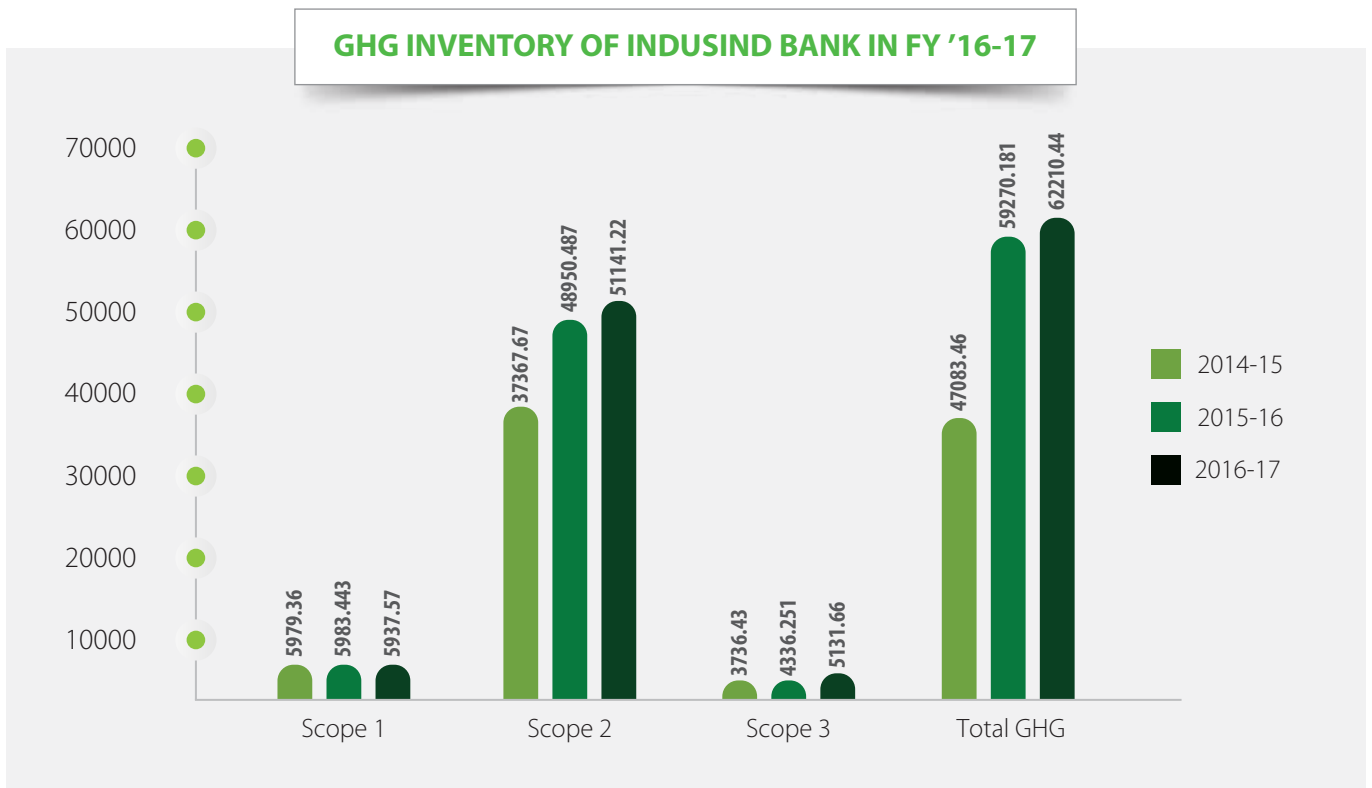
The Bank's 7th GHG inventory includes all our business activities and operations in India. The GHG inventory includes the major greenhouse gases reported in metric tonnes of CO₂ equivalents (MTCO₂e). Overall GHG emissions for IndusInd Bank for FY '16-17 are estimated to be

62,210.44 MT of CO₂e for Scope 1, 2, and 3 of emissions source. The largest contributor to the carbon footprint was purchased electricity (for offices, branches and off-site ATMs) which accounted for 82% of the total GHG inventory.

GHG EMISSIONS SUMMARY



GHG INVENTORY OF INDUSIND BANK IN FY '16-17

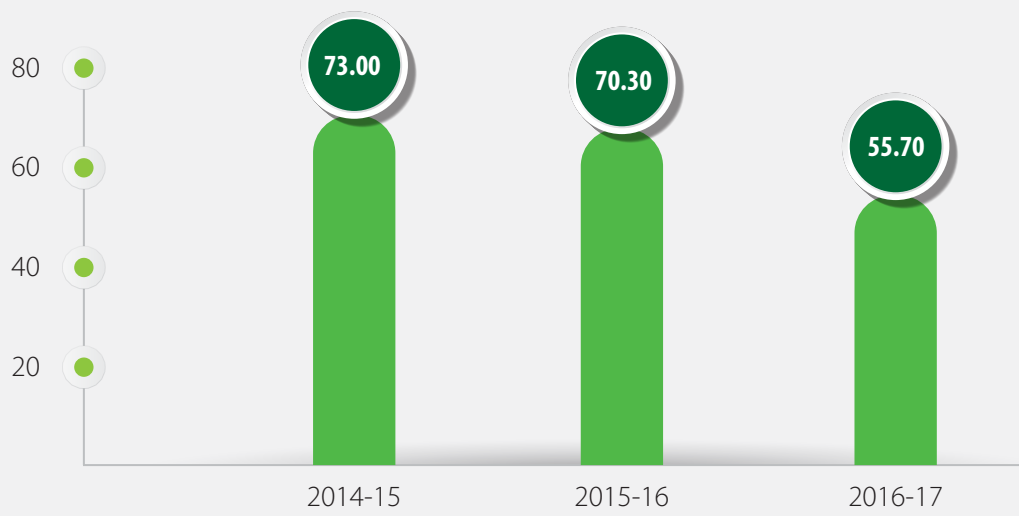


There have been no additions to our inventory in FY '16-17. The Bank has obtained external assurance for the GHG inventory in accordance with ISAE 3410 from KPMG.

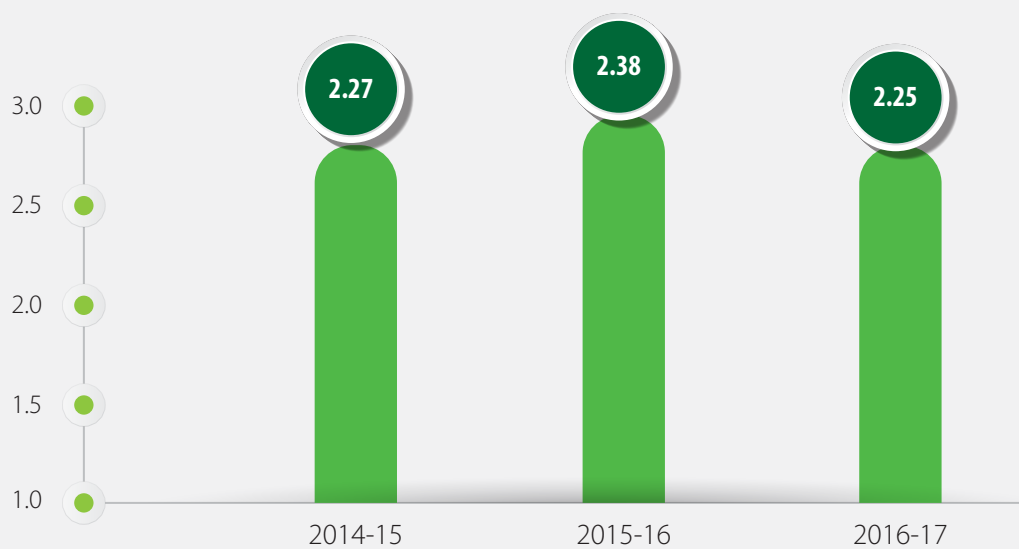
This year, the Bank's emissions intensity has decreased as a result of our on-going emission mitigation activities despite

the increase in both our employee base and our branch numbers. The Bank's emissions intensity per revenue (in INR million) decreased from 70.3 to 55.7 in 2016-17 – a reflection of our commitment to sustainability and combating climate change. Per capita emissions intensity also reduced from 2.38 in FY '15-16 to 2.25 in FY '16-17.

PER REVENUE EMISSIONS INTENSITY (IN INR MILLION)



PER CAPITA EMISSIONS INTENSITY (MT CO₂e)



MITIGATION STRATEGY & REPORTING



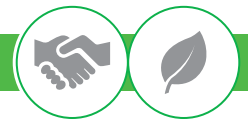
IndusInd Bank has consistently endeavoured to reduce our environmental impact, while simultaneously incorporating sustainability into the Bank's psyche of business and day-to-day operations. Our environment policy and the CSR strategy drive our commitment to be low-carbon and address the issues surrounding climate change by enhancing efforts towards resource efficiency & conservation.

We believe transparency is an integral part of sustainability and therefore ensure that the CSR activities and their impacts are reported through several channels including sustainability reports and annual reports. IndusInd Bank is also, importantly, a signatory to the Carbon Disclosure Project (CDP) whereby we publish our carbon footprint data voluntarily with the results available in the public domain.

The Bank has been a leader in CDP nationally for the fourth consecutive year, and a frontrunner in the financial sector. In 2017, the Bank was featured in the CDP India 'Rising Stars' list and has been the only financial services organisation to be recognised.

Over Planning Cycle 4, the Bank expects to continue its renewed focus on the issues of sustainability and climate change mitigation. By endeavouring to monitor and minimise our environmental impact, the Bank hopes not only to identify potential climate change risks at early stages, but also explore new avenues of growth with opportunities in renewable energy investments. Our focus on using technological solutions to address environmental issues will ensure that the Bank continues to generate value for all stakeholders while also meeting our environmental obligations.

LIVELIHOODS & WATER SECURITY



Water conservation has been a central theme to IndusInd's activities in FY '16-17. During the past year, the Bank sought to address the issues of water scarcity, drought, and unequal access to water in the state of Maharashtra. The Bank supported the Government of Maharashtra's (GoM) flagship programme, Jalyukt Shivar Abhiyan, to make Maharashtra a drought-free state by 2019. The project involves deepening and widening of streams, construction of cement and earthen check-dams, improving nullas, and digging of farm ponds with the target of making 5,000 villages free of water scarcity.

Under this initiative, IndusInd Bank undertook a river rejuvenation project by refurbishment of the Ghigewadi

Dam on River Vasana in Koregaon Taluka of the Satara District of Maharashtra. It is critical to ensure water availability in rural districts reeling under extended periods of drought, and subsequently, improve water storage and augment existing water resources.

The Koregaon Taluka in Satara is one such district falling in the rain shadow region of the Western Ghats. It receives low rainfall at an average of 846mm resulting in a drought period lasting a few years. Most marginalized farmers in the region do not have large land holdings, and therefore, efforts to augment water supply and raise the ground water level would lead to higher agricultural productivity, livelihood development, and afforestation in the surrounding areas.



The Satara District in Maharashtra falls under the rain shadow region and therefore witnesses consistent demand for water and huge dependency on water tankers. These check-dams that were originally built during the Peshwa regime, were refurbished and de-silted in collaboration with the District Administration and have contributed to the revival of the river and improve the ground water level. The farmers now are hopeful that they can harvest around the year.

- Adwait Hebbar, Head- Corporate Services

The original Ghigewadi stone dam near Ghigewadi village was built over a century ago by the British but lay in total disrepair. The refurbished dam now stands at a height of 3.10 metres, with a length and width of 65.00 metres and 1.70 metres respectively. The dam is supported on either sides with concrete 'flank walls' measuring 12.25 metres in length and 5.06 metres in height. The final step in construction was building of the 'Energy Dissipation Basin' at the base of the dam to reduce force of overflow and prevent soil erosion.

The Ghigewadi Dam now has a water storage capacity of 97.50 million litres benefiting a land area of 110 hectares.. The dam is also expected to solve the water problems of nearby Ghigewadi, Pimpode, Wagholi, and Dahigaon villages. The surrounding area also benefits from the rise in the groundwater table. The project has benefitted close to 100,000 individuals of the local community.

IndusInd partnered with the Centre for Environmental Research and Education (CERE) and the Satara District Administration to supervise day to day work at the site. Other stakeholders in the collaborative effort included the Forestry Department, Irrigation Department, Public Works Department, registered contractors, and the local community. Regular monitoring and evaluation visits were conducted to monitor progress and ensure that the project yielded maximum benefits to both the local community and the environment.

This initiative by IndusInd Bank will ensure not only a direct impact on the improvement of the economy of the villages and create sustained livelihoods for the rural farmers, but will also help in negating our water footprint to a large extent.

Rejuvenated Ghigewadi Dam After Project Completion





"It is widely known that drinking water reserves will halve by 2040. The farm economy of India is witnessing a downturn, plagued with water shortages, crop loss and drop in productivity. Quality of water is dropping and with increasing urbanisation water security in our cities is also severely compromised.

Most of India's rivers originate in our forests and water security must recognise the need to protect the forests. It is no more a case of a free natural resource that is available for indiscriminate exploitation. Water and Forests as with other similar resources must be seen as part of National Infrastructure contributed to us by nature. Mismanaging this would be the equivalent of mismanaging man built infrastructure except in the case of natural resources rebuilding lost infrastructure can be an expensive and sometimes irretrievable affair.

Our recent project, the small format Ghigewadi Dam at Satara as part of Jalyukt Shivar Abhiyaan, Government of Maharashtra is a manifestation of this vision of sustainable resource management."

IndusInd Bank is poised to contribute to this national mission to foster water security, availability and judicious water use."

- Paul Abraham, Chief Operating Officer



INDUSIND BANK & AFFORESTATION

IndusInd Bank has partnered with CERE, as well as, Satpuda Foundation, an organization that is committed to protecting wildlife and forests across the Satpuda landscape in promoting ecological development among rural and urban communities in the region for the Bank's afforestation initiatives. Afforestation projects help in mitigating GHG emissions and reduce localized climate change impacts while conserving regional biodiversity. In FY '16-17, about 35,000 trees were planted through CERE and Satpuda Foundation, supported by the Bank. Trees of about 30 species have been planted in the buffer-zone villages of Pench, Navegaon, Nagzira, Satpuda, Tadoba, and Kanha tiger reserves in central India and Mumbai metropolitan regions.



Tree Plantation with Mumbai Police Department



Tree plantation with Satpuda Foundation

SOCIAL DEVELOPMENT AND COMMUNITY OUTREACH



Community and societal development have been an integral part of IndusInd Bank's strategy focused on social sustainability. The social relevance and sustainability of a flourishing business enterprise is enhanced by its relationship with external stakeholders, importantly, local communities and society at large. IndusInd Bank extends this relationship towards all sections of society including children, the underprivileged, the differently-abled, as well

as, marginalized women. During FY '16-17, the Bank reached out to around 2 million households from the Base-of-Pyramid (BoP) segment both through direct financial and community participation channels, as well as, indirect channels. We value our external stakeholders and the community at large, and our vision for Planning Cycle 4 is to continue building capabilities and relationships with the society at large.

LEGAL AND FINANCIAL LITERACY PROGRAMME FOR WOMEN

The Bank has partnered with Samhita, our business correspondent, to carry out a legal literacy programme for marginalized women in Bhopal, Damoh, Gwalior, Vidisha and Sagar districts of Madhya Pradesh. The aim of this programme is to educate women on legal matters around the issues of domestic violence and gender discrimination. Under this programme, local counselling centres have been established in areas where women have no access to legal aid and other services.

The training programme informs women of their rights, entitlements, and various laws that protect them; so far over 25,000 women have been trained on these issues. The impact of the initiative is monitored regularly to assess efficiency and identify any gaps therein. There has been an increase in reporting of cases of domestic violence including

sexual violence since the inception of the programme.

Additionally, the Bank has supported the Pradhan Mantri Jan Dhan Yojana (PMJDY) and has been instrumental in propagating financial literacy with the help of external authorities. This initiative is part of the Bank's Inclusive Banking agenda which adopts a collaborative approach with suitable intermediaries and institutions for financial inclusion. The target segment is women and the programme is part of a larger push towards micro-credit by the Bank. Member interactions range from a frequency of weekly to monthly and are forums for facilitating collection and discussions on social issues. These programmes are instrumental in creating and sustaining livelihoods, particularly for women by promoting equal opportunity and access to resources.



COMMUNITY DEVELOPMENT

LAXMI'S JOURNEY

Married with three children, and the sole breadwinner of the family, Laxmi, was routinely abused by her unemployed, alcoholic husband. As part of Samhita's microfinance group, she attended a Legal Rights Awareness Training programme with other members. The information and knowledge she gained as part of the training left a strong impression on her and, so, she decided to take a stand against domestic abuse. Laxmi realized that she was not dependent on her husband and the law was on her side. Post another domestic violence incidence, Laxmi contacted Samhita and the local police seeking immediate help and support. Regular counselling sessions conducted by Samhita for Laxmi and her husband, have led to a positive change in their relationship with no further incidents of abuse. Laxmi is a confident woman today; she is active in her local community and a torchbearer for women's rights and safety issues.

BUILDING LIVELIHOODS THROUGH EDUCATION

At IndusInd Bank, we believe in empowering the youth and supporting them to be change-makers of the future. The Bank supports deserving meritorious students of Ashoka University through the Young India Fellowship Programme, renowned for introducing young entrepreneurs in the social development sector. The Young India Fellows engaged with the social sector have graduated on to represent grass-root organizations in education & development, arts & culture, agricultural value-chain companies, among others.

The Bank continues to collaborate with SUPPORT, an NGO in Mumbai providing vocational skills to drug rehabilitated children. Following the vocational training, SUPPORT facilitates their recruitment into private industrial units which initiates their integration into mainstream society. The vocation covers skills like screen printing, welding, carpentry, housekeeping, electrical work, etc.

COMMUNITY DEVELOPMENT NALANDAWAY FOUNDATION

The Bank has partnered with Nalandaway Foundation to support educations through the Arts for marginalized school students in Coimbatore. Besides improving their quality of education, the project also identifies budding artists and helps them in building a career. To date, this programme has benefitted more than 2,000 children. Art experiences offer children the opportunity to think and feel as they explore, solve problems, express, and interpret the world around them. Akbar Ali, from the Kuniamuthur Government Higher Secondary School is a differently-abled child who was very happy and gained self-confidence after participating in the Art Lab organized by Nalandaway where he used his toes to complete the craft activity. Another Art Lab session organized at the Chennai Middle School, Tondiarpet where the children narrated the 'Villu Pattu' story through song. The song was about protecting the 5 elements of nature – air, water, land, sky, and fire.



PREVENTIVE HEALTHCARE

The Bank also pledged support for the treatment of children afflicted with cancer, in partnership with the Bhagwan Mahaveer Cancer Hospital and Research Centre (BMCHRC) in

Jaipur. The project supports treatment for children aged 14 and below suffering from curable blood cancers.

SHARE2CARE

The practice of volunteering and charitable giving is prevalent within the Bank and we continue to encourage employees to contribute to the cause of their choice. To this end, the Bank's payroll giving scheme, Share2Care, allows our employees to contribute to NGOs who work for social and environmental causes, leveraging their resources and

expertise to bring about positive change. In the past year, employees have raised funds for SUPPORT, Nalandaway Foundation, Samarthanam, Aaranyak, HelpAge India and Prayas and their contributions have made a huge difference in the areas of Education, Children, Empowerment of Women, Differently Aabled, Nature Conservation and Elderly Care.

Prayas

HelpAge India

Samarthanam

Nalandaway Foundation

Aaranyak

Support

BIODIVERSITY CONSERVATION

AARANYAK

Aaranyak is a biodiversity conservation and research organization in North East India. The Elephant Research Conservation Division (ERDC) of Aaranyak maps the distribution and population patterns of elephants, and creates awareness on crucial conservation issues among the local communities. ERDC works in Manas National Park (MNP), the Chirang Ripu Elephant Reserve, Golaghat district and Dehing Patkai Elephant Reserve in Assam and North Bengal. Dr. Bibhuti Prasad Lakhar from Aaranyak has been recognised as IUCN's Heritage Hero for his conservation efforts in MNP and contributing to the removal of the national park's 'in-danger' status. The organization's restoration work has been recognised as good practice by the Ministry of Rural Development, Government of India. Aaranyak also collaborates with local forest conservation NGOs in Kachugaon Forest Division of the Manas Tiger Reserve to enable community-led GPS patrolling of high-risk areas.

A major focus area of the organization is providing alternative livelihood opportunities to women groups in the fringe areas around Manas Tiger Reserve so as to reduce their dependency on forest resources. Currently, the organization is working with 116 women SHGs from 53 fringe villages through skills- and capacity-building training programmes in livestock & dairy farming, weaving, mushroom farming, etc. More than 1200 women have benefited from Aaranyak's training programmes to date.



SPORTS FOR INCLUSION

One of the key focus areas of IndusInd Bank's CSR policy is promoting community development and inclusiveness using Sports as the connecting medium. To this end, the Bank collaborates with organizations dedicated to enhancing social development, and providing equal access & opportunity to all sections of society through sports.



The Bank has partnered with GoSports Foundation in the Para Champions Programme in an effort to make a visible difference in the life of para-athletes. By promoting their inspiring stories in the public domain, we hope to inspire many others while bridging social barriers and building social acceptance. In FY '16-17, the Bank supported 18 para-athletes with equipment, nutrition, training, fitness, and mental conditioning needs. 3 para-athletes, Devendra Jhajharia, Deepa Malik and Varun Singh Bhati won Gold, Silver and Bronze medals respectively for the country in the 2016 Rio Paralympics.





The Bank has also adopted the Indian Blind Cricket Team, as principal sponsors with the Cricket Association for the Blind in India (CABI) - a sports Initiative of Samarthanam. The Bank provided the cricket team with support for their coaching, training, nutrition and fitness needs. The team clinched their second T20 Blind Cricket World Cup held in Bengaluru, from January 29 - February 12, 2017. The team defeated Pakistan in an exciting final attended by many employees of the Bank.



CREATING A CULTURE OF SUSTAINABILITY



Sustainability is increasingly becoming a part of our culture at IndusInd Bank. Employee engagement and awareness remains as the cornerstone of achieving an all-encompassing culture of sustainability within the Bank. Employees are the key drivers of growth and, consequently, any efforts to incorporate sustainable practices. Therefore,

the Bank believes in creating and nurturing a workforce that is environmentally conscious and sensitizing them on the Bank's sustainability goals & policies. Conducting programmes based on environmental issues and sustainability helps employees identify with the Bank's agenda on the same.

OUR GREEN CHAMPIONS PROGRAMME



IndusInd Bank's flagship employee engagement programme, the Green Champions (GC) programme, under the 'Hum aur Hariyali' initiative is designed to increase awareness about social and environmental issues among

employees while also encouraging them to become sustainability leaders and change-makers in their workplaces and communities. The GC programme was conceptualised with the following objectives in mind,

- ◆ To integrate the concept of sustainability into employee culture at IndusInd Bank
- ◆ To build leadership skills and capacities amongst employees to empower them to take sound decisions and affect positive change in society

- ◆ To create opportunities for the GCs to carry out local action
- ◆ To reduce IndusInd Bank's energy and resource consumption by creating awareness among employees on energy & resource efficiency

Over the years, our employee-volunteers have played a pivotal role in creating awareness and sensitivity towards social and environmental issues within the Bank and in their communities. The Green Champions receive intensive training and support through bi-annual training meets, the most recent of which was held in January 2017 in Alibaug

near Mumbai. During these meets the GCs learn about important environmental and social issues, get the opportunity to meet experts and leaders from the field and develop important skill sets such as workshops on film-making, gardening and campaign-building.



Throughout the year, the GCs engaged their peers through the 'Watt a Waste' campaign for energy conservation. During this year, the GCs also took on the '12 Acts of Leadership' completed over the course of 12 weeks. The GCs volunteered a cumulative 310 man-hours as part of the 12 Acts.

The various activities undertaken by our Green Champions and Green Commandos included clothes and food donation drives for the underprivileged, distribution of saplings in their community, volunteer work at children's homes, nature walk, screening of films on environmental issues, paper and e-waste recycling drives, to name a few.

12 ACTS OF LEADERSHIP



My Idea



Share2Care



E-Learning



Collection Drive



Screen a Film



Volunteer



Plant Adoption



Start a Petition



Give a Presentation



Train your GComms



Newsletter Activity



Nature Walk





An online system to track, manage, and evaluate the performance of GCs has also been implemented this year. Within this system, the GCs are required to maintain and submit qualitative and quantitative reports of their activities throughout the year to the CSR department. They are then evaluated on criteria ranging from number of campaigns implemented, timely reporting, and their engagement with the next generation of champions called Green Commandos.

The Green Commandos Programme is an offshoot of the Green Champions initiative. The Bank has over 1500 Green Commandos who have pledged support to the Bank's sustainability journey. Training meets for Green Commandos were conducted in Mumbai, Delhi, Chennai, and Pune where they were educated on imminent social and environmental issues. These Green Commandos have been engaged in activities ranging from volunteering at NGOs to creating awareness campaigns on saving electricity, water, and paper.



CAMPAIGNS AT THE BANK

ENERGY CAMPAIGN

Last year through the Green Champions programme, the Bank introduced an energy campaign designed around creating awareness among employees around energy wastage and its conservation, and in turn, spread awareness in their local communities and our customers. The campaign dubbed 'Watt a Waste' was very successful with Green Champions and Green Commandos promoting it in their workplaces across the country through posters and activities.

Employees were encouraged to identify sources of electricity waste within the Bank as well as in their local neighbourhoods, and implement solutions that used either behaviour change or technology. The GCs came up with innovative solutions to reduce electricity consumption like turning of air-conditioners in ATMs with low footfalls, Car Free Days, switching to LED lighting, etc. which were implemented by the team with full support of the Bank.



LIGHTING UP COMMUNITIES

As a part of the Watt-A-Waste Campaign some of our GCs also took on the incredible responsibility of organising LED distribution programmes for under-privileged communities in both rural and urban India. In Mumbai, Sajid Hodekar and Surabhi Chopra raised funds to distribute 250 LED bulbs to 125 families in Dhodhani, a small village in Panvel Taluka, Maharashtra. Sajid and Surabhi garnered the support of 12

other GCs and Green Commandos and headed to the village to personally distribute the bulbs with the support of the local panchayat. The team also helped raise awareness about the benefits of energy efficiency and conservation. Another GC, Mohammed Hasim Shaikh also organised a LED distribution drive at the 'Little Sisters of the Poor', a home for the elderly in Mumbai.



GLOSSARY

ABG	Agricultural Business Group	KYC	Know Your Customer
ABPS	Aadhaar Based Payment Systems	LCR	Liquidity Coverage Ratio
ALCO	Asset-Liabilities Management Committee	LEED	Leadership in Energy and Environment
AML	Anti-Money Laundering	MCX	Multi Commodity Exchange of India Ltd.
ANBC	Adjusted Net Bank Credit	MD	Managing Director
API	Application Programming Interface	MFI	Microfinance institution
APMC	Agricultural Produce Market Committee	MNRE	Ministry of New and Renewable Energy
ASHRAE	American Society of Heating, Refrigerating and Air-Conditioning Engineers	MSME	Micro and Small scale Manufacturing Enterprises
BC	Business Correspondent	MVS	Multi-Vendor Solutions
BCP	Business Continuity Plan	MWh	Megawatt hour
BCSBI	Banking Codes & Standards Bureau of India	NABARD	National Bank for Agriculture and Rural Development
BFIL	Bharat Financial Inclusion Ltd.	NBFC	Non-Banking Financial Company
BMCHRC	Bhagwan Mahaveer Cancer Hospital and Research Centre	NCDEX	National Commodity & Derivatives Exchange Limited
BoP	Bottom-of-Pyramid	NGO	Non-Governmental Organization
CABI	Cricket Association for the Blind in India	NMCE	National Multi-Commodity Exchange
CAGR	Compound Annual Growth Rate	NPA	Non-Performing Asset
CCBG	Corporate and Commercial Banking Group	NPCI	National Payments Corporation of India
CDP	Carbon Disclosure Project	NVGSEE	National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business
CEO	Chief Executive Officer	OEM	Original Equipment Manufacturer
CET	Core Executive Team	OPIC	Overseas Private Investment Corporation
CFD	Consumer Finance Division	ORM	Online Reputation Management
CGMO	Corporate Global Market Operations	ORMC	Operational Risk Management Committee
COP	Conference of Parties	PMJDY	Pradhan Mantri Jan Dhan Yojana
CRAR	Capital to Risk-Weighted Asset Ratio	POSH	Prevention of Sexual Harassment
CRMC	Credit Risk Management Committee	PSL	Priority Sector Lending
CSR	Corporate Social Responsibility	PV	Photovoltaic
DR	Disaster Recovery	RBI	Reserve Bank of India
EDM	Electronic Direct Mailer	RD	Recurring Deposit
e-NAM	Electronic National Agriculture Market	RoA	Return on Assets
ERM	Enterprise Risk Management	RoE	Return on Equity
ESMS	Environment and Social Management System	RoRWA	Return on Risk-Weighted Asset
FSC	Forest Stewardship Council	SBN	Specified Bank Note
GBO	Global Banking Operations	SCF	Supply Chain Finance
GC	Green Champions	SDG	Sustainable Development Goal
GDP	Gross Domestic Product	SEBI	Securities and Exchange Board of India
GHG	Greenhouse Gas	SOP	Standard Operating Procedure
GoI	Government of India	TAT	Turn-Around-Time
GRI	Global Reporting Initiative	TIV	Total Industry Volume
GST	Goods and Services Tax	TReDS	Trade Receivables Discounting System
HVAC	Heating, Ventilation and Air Conditioning	UAT	User Acceptance Test
IBA	Indian Banks' Association	UCIC	Unique Customer Identification Code
IBG	Inclusive Banking Group	UPI	Unified Payments Interface
IIRC	International Integrated Reporting Council	VaR	Value at Risk
INDC	Intended Nationally Determined Contribution	VMS	Vendor Management System
JLG	Joint Liability Group	WACR	Weighted Average Credit Rating
KCC	Kisan Credit Cards	WOW	Wealth-out-of-Waste

GRI CONTENT INDEX

The report should be read in conjunction with IndusInd Bank's Annual Report 2016-17, Sustainability Report 2015-16 and the Bank's response to Carbon Disclosure Project.

General Standard Disclosures	Disclosures	Location in the Report	Page Number	NVG Principle
Section: Strategy & Analysis				
G4-1	CEO Letter		5	
G4-2	Key Impacts, Risks, and Opportunities	Stakeholder Engagement	31 - 33 ; Annual Report 2016-17, page 88-92; Carbon Disclosure Project Response 2016-17 www.cdp.net	
Section: Organizational Profile				
G4-3	Organisation name	About this Report	8	
G4-4	Primary brands, products, and services	About IndusInd Bank	16	
G4-5	Headquarters location	-	Back Cover	
G4-6	Areas of the organisation's operations	About IndusInd Bank	16	
G4-7	Nature of ownership and legal form	-	Annual Report 2016-17, Directors' Report, page 15-28	
G4-8	Markets served	-	Annual Report 2016-17, Directors' Report, page 15-28	
G4-9	Scale of the organisation	About IndusInd Bank	16	
G4-10	Total number of employees by type	Workforce by the Numbers	25-27	
G4-11	Collective bargaining agreements	None		Principle 3
G4-12	Supply chain description	Our Supply Chain; Supply Chain Sustainability & Green Procurement	36; 81	
G4-13	Organisational changes during the reporting period	Scope and Boundary of Reporting	8	
G4-14	Precautionary principle	Our CSR Strategy	80	
G4-15	External charters, principles, or other initiatives	Membership and Associations	36	Principle 7
G4-16	Membership associations	Membership and Associations	36	Principle 7
Section: Identified Material Aspects and Boundaries				
G4-17	Entities included in financial statements	-	Annual Report 2016-17, Annexure I to the Directors' Report, page 29	
G4-18	Process for defining report boundaries and content	Scope and Boundary of Reporting	8	
G4-19	Material aspects included in the report	Materiality Matrix	47	
G4-20	Descriptions of material aspect boundaries within the organisation	Materiality Matrix	47	
G4-21	Descriptions of material aspect boundaries outside the organisation	Materiality Matrix	47	
G4-22	Restatements	None		
G4-23	Changes from previous reports in terms of scope and/or boundaries	Scope and Boundary of Reporting	8	
Section: Stakeholder Engagement				
G4-24	Stakeholder groups	Stakeholder Engagement	32-33	Principle 4
G4-25	How stakeholders were identified	Stakeholder Engagement	32-33	Principle 4
G4-26	Approach to stakeholder engagement	Stakeholder Engagement	32-33	Principle 4
G4-27	Topics raised during stakeholder engagement	Stakeholder Engagement	32-33	Principle 4

General Standard Disclosures	Disclosures	Location in the Report	Page Number	NVG Principle
Section: Report Profile				
G4-28	Reporting period	Reporting Period and Cycle	8	Principle 1
G4-29	Date of most recent report	Reporting Period and Cycle	8	
G4-30	Reporting cycle	Reporting Period and Cycle	8	
G4-31	Report contact	-	Back Cover	
G4-32	In accordance option, GRI Index, and report assurance	Reporting Principle	8	
G4-33	Policy regarding report assurance	Reporting Principle	8	
Section: Governance				
G4-34	Governance structure of the organisation	Corporate Governance	17-20; Annual Report 2016-17, Committees of the Board, page 114-122	
G4-35	Process for delegating authority for sustainability topics from the Board to senior executives and other employees	Corporate Social Responsibility	80; Annual Report 2016-17, Committees of the Board, CSR Committee, page 117; Annexure V to the Director's Report, page 53	
G4-36	High-level accountability for sustainability topics	Corporate Social Responsibility	80; Annual Report 2016-17, Committees of the Board, CSR Committee, page 117; Annexure V to the Director's Report, page 53	
G4-37	Processes for consultation between stakeholders and the Board on sustainability topics	Stakeholder Engagement; Our CSR Strategy	32-33; 80	Principle 4
G4-38	Composition of the Board and its committees	Senior Management	19-20; Annual Report 2016-17, Committees of the Board, page 114-122	Principle 1
G4-39	Whether the chair of the Board is also an executive officer	-	Annual Report 2016-17, Directors, page 19	
G4-40	Nomination and selection processes for the Board and its committees	-	Annual Report 2016-17, Directors, page 19	
G4-41	Board conflicts of interest	-	Annual Report 2016-17, Related party transactions, page 25, 126	
G4-42	Board and executive roles in the organisation mission statements, strategies, policies, and goals related to sustainability impacts	Corporate Social Responsibility, Our CSR Strategy	80	
G4-43	Board knowledge of sustainability topics	Committee meetings, Board notes, and other related communication		
G4-44	Board performance with respect to governance, socio-economic, and environmental topics		Annual Report 2016-17, Performance evaluation of the Board, page 21; Annual evaluation of the performance of the Board, Committees of the Board, and of individual directors, page 123	
G4-45	Board role in the identification and management of socio-economic and environmental impacts, risks, and opportunities	Stakeholder Engagement; Corporate Social Responsibility, Our CSR Strategy	32-33; 80; Annual Report 2016-17, Committees of the Board, page 114-122	
G4-46	Board role in reviewing risk management processes for socio-economic, and environmental topics	-	Annual Report 2016-17, Risk Management, page 21; Annexure V to the Directors' Report, page 53; Risk Management Committee, page 120	
G4-47	Frequency of the Board's review of sustainability impacts, risks, and opportunities	Meetings held by the Committees of the Board	Annual Report 2016-17, Annexure V to the Directors' Report, page 53; Operational Risk Management, page 90	
G4-48	Highest committee or position that formally reviews and approves the organisation's sustainability report	Chief Operating Officer		
G4-49	Process for communicating critical concerns to the Board	Ethics, Integrity & Compliance; Stakeholder Reporting	21-25; 35	Principle 1


General Standard Disclosures	Disclosures	Location in the Report	Page Number	NVG Principle
G4-50	Nature and total number of critical concerns that were communicated to the Board	Vigilance	24-25	Principle 1
G4-51	Remuneration policies for the Board and senior executives	-	Annual Report 2016-17, Policy on Remuneration to Non-Executive Directors, page 24; Nomination and Remuneration Committee, page 119; Disclosure on Remuneration, page 198	
G4-52	Process for determining remuneration	-	Annual Report 2016-17, Policy on Remuneration to Non-Executive Directors, page 24; Nomination and Remuneration Committee, page 119; Disclosure on Remuneration, page 198	
G4-53	Stakeholders' views on remuneration	-	Annual Report 2016-17, Policy on Remuneration to Non-Executive Directors, page 24; Nomination and Remuneration Committee, page 119; Disclosure on Remuneration, page 198	
G4-54	Ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees	-	Annual Report 2016-17, Annexure III to the Directors' Report, page 33-35	
G4-55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees	-	Annual Report 2016-17, Annexure III to the Directors' Report, page 33-35	
Section: Ethics and Integrity				
G4-56	Code of Conduct	Policies and Guidelines	21-22	Principle 1
G4-57	Helplines or advice lines for employees	Ensuring Human Rights	29-30	Principle 3
G4-58	Mechanisms for reporting concerns about unethical or unlawful behaviour	Ethics, Integrity & Compliance; Stakeholder Reporting; Our Supply Chain; Customer Engagement: A Key Differentiator; Customer Satisfaction	23-25; 35; 36; 67-68	Principle 1, Principle 3

Specific Disclosures	Indicators	Location in the Report	Page Number	NVG Principle
Category: Economic				
G4-DMA		IndusInd Bank in FY '16-17; Our Value Creation Process; Sustainability at the Bank	11-12; 40-47; 78-101	
G4-EC1	Economic value	IndusInd Bank in FY '16-17; About IndusInd Bank	11-12; 16	
G4-EC2	Climate change risks	Environmental and Social Management System; Environmental Stewardship	46; 81-92; CDP response 2016-17, www.cdp.net	
G4-EC4	Financial assistance from the government	None		
G4-EC6	Proportion of senior management hired from the local community	100%. Significant locations of operations is pan-India and senior management is hired from India		
G4-EC7	Infrastructure investments	Powering Renewable Energy; Infrastructure Financing; Affordable Healthcare	78-79	Principle 2, Principle 8
G4-EC8	Indirect economic impacts	Sustainable Livelihoods: Rural Banking and Microfinance; Banking for a Sustainable Future; Legal and Financial Literacy Programme for Women	55-63; 78-80; 92-93	Principle 2, Principle 4, Principle 8
G4-EC9	Local suppliers	Supply Chain Sustainability & Green Procurement; Significant operational locations are pan-India, and most of our suppliers are based out of India	81-82	
Category: Environmental				
G4-DMA		Sustainability at the Bank	78-101	
G4-EN1	Materials by weight or volume	Materials Conservation, Waste Management & Recycling	85-86	Principle 6
G4-EN2	Recycled input materials	Materials Conservation, Waste Management & Recycling	86	Principle 2; Principle 6
G4-EN3	Energy consumption (Scope 1+2)	Energy Efficiency and Conservation	82	Principle 6
G4-EN6	Energy reductions	Energy Efficiency and Conservation	82-85	Principle 6
G4-EN7	Energy reductions in products & services	Energy Efficiency and Conservation	82-85	Principle 2
G4-EN15	GHG emissions (Scope 1)	GHG Accounting and Inventorization	87	Principle 6
G4-EN16	GHG emissions (Scope 2)	GHG Accounting and Inventorization	87	Principle 6
G4-EN17	GHG emissions (Scope 3)	GHG Accounting and Inventorization	87	Principle 6
G4-EN18	GHG emissions intensity	GHG Accounting and Inventorization	88	Principle 6
G4-EN19	Reduction of GHG emissions	GHG Accounting and Inventorization	87	Principle 6
G4-EN25	Hazardous waste	Materials Conservation, Waste Management & Recycling	86	Principle 6
G4-EN27	Mitigation of environmental impacts of products & services	Environmental Stewardship	81-92	Principle 2
G4-EN29	Environmental fines and sanctions	None		
G4-EN30	Environmental impacts from product distribution and employee travel	Carbon Emissions, Measuring, Monitoring, and Reporting	86-89	Principle 6
G4-EN31	Environmental investments	Powering Renewable Energy; Energy Efficiency and Conservation	78; 82-85; Annual Report 2016-17, Annexure VI to the Directors' Report, page 65-67	Principle 6
G4-EN32	New suppliers screened using environmental criteria	Environmental and Social Management System; Supply Chain Sustainability & Green Procurement	46; 81-82	Principle 2
G4-EN33	Supply chain environmental impacts	Supply Chain Sustainability & Green Procurement	81-82	Principle 2

Specific Disclosures	Indicators	Location in the Report	Page Number	NVG Principle
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Sub-category: Labour Practices and Decent Work				
G4-DMA		Human Resources: Profile and Strategy; Our Supply Chain	25-30; 36	
G4-LA1	Number and rate of new employee hires and turnover	Workforce by the Numbers	25-27	
G4-LA2	Benefits provided to full time employees	Employee Benefits and Welfare	28	Principle 3
G4-LA3	Parental leave	Maternity leave is granted as per policy		
G4-LA4	Notice periods regarding operational changes	Notice period is 10 days		
G4-LA5	Workforce represented in health and safety committees	None		Principle 3
G4-LA8	Health and safety topics covered in agreements with trade unions	Bank employees are not covered under trade unions		Principle 3
G4-LA9	Average hours of training for employees	Employee Training and Education	28-29	Principle 3
G4-LA10	Programmes for skills management & managing career endings	Employee Benefits and Welfare; Employee Talent Management, Productivity through Innovation	28-29; 69	Principle 3
G4-LA11	Employees receiving performance and career development reviews	Employee Benefits and Welfare; Employee Talent Management	28; 69	Principle 3
G4-LA12	Composition of governance bodies and employees	-	Annual Report 2016-17, Committees of the Board, page 114-122	
G4-LA13	Ratio of basic salary and remuneration of women to men	Equal Opportunity Employment	29	Principle 3
G4-LA14	New suppliers screened using labour practices criteria	Our Supply Chain	36	Principle 5
Category: Social				
Sub-category: Human Rights				
G4-DMA		General Disclosures	16-37	
G4-HR1	Investment agreements and contracts that include human rights clauses or underwent screening	Our Supply Chain	36	Principle 5
G4-HR2	Employee training on human rights	Employee Training and Education; Ensuring Human Rights; Stakeholder Reporting	28-30; 35	Principle 3
G4-HR3	Incidents of discrimination	Reporting Unlawful or Unethical Behaviour	25	
G4-HR5	Significant risk of child labour in operations and suppliers	Our Supply Chain	36	Principle 3, Principle 5
G4-HR6	Significant risk of forced or compulsory labour in operations and suppliers	Our Supply Chain	36	Principle 3, Principle 5
G4-HR7	Security personnel trained in the organisation's human rights policies	None		Principle 3
G4-HR8	Incidents of violations involving rights of indigenous peoples	None		Principle 5
G4-HR9	Operations that have been subject to human rights assessments	Our Supply Chain	36	Principle 5
G4-HR11	Human rights impacts in the supply chain	None		Principle 5
G4-HR12	Grievances about human rights impacts	None		Principle 5

Specific Disclosures	Indicators	Location in the Report	Page Number	NVG Principle
Category: Social				
Sub-category: Society				
G4-DMA		Ethics, Integrity & Compliance; Social Development and Community Outreach	21-30; 92-101	
G4-SO1	Local community engagement, impact assessments and development programmes	Social Development and Community Outreach	92-97	
G4-SO3	Risks related to corruption	Vigilance	24-25	Principle 1
G4-SO4	Communications and training on anti-corruption	Vigilance; Employee Training and Education	24-25; 28-29	Principle 1
G4-SO5	Confirmed incidents of corruption	Anti-Corruption Activities	25	Principle 1
G4-SO6	Political contributions	None		
G4-SO7	Anti-competetive behaviour	None		
G4-SO8	Fines for non-compliance with laws	Managing Compliance Risk	24	
Category: Social				
Sub-category: Product Responsibility				
G4-DMA		General Disclosures; Creating Livelihoods: Strategies and Outcomes	16-37; 50-75	
G4-PR4	Non-compliance with regulations concerning product and service labelling	None		Principle 9
G4-PR5	Surveys measuring customer satisfaction	Customer Satisfaction	67	Principle 9
G4-PR6	Sale of banned or disputed products	None		Principle 9
G4-PR7	Non-compliance with regulations concerning marketing communications	None		Principle 9
G4-PR8	Complaints regarding breach of customer privacy and losses of customer data	None		Principle 9
G4-PR9	Fines for non-compliance with laws and regulations concerning products and services	None		

Material Topic	G4 Disclosure
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