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# Good Ecology is Good Economics











## CEO's Message



The essence of our commitment towards responsible banking and our mission to be amongst the top three performing new private sector banks in India, is captured in our sustainability strategy. Through our multi-stakeholder centric approach we acknowledge that sustainable growth can only be achieved by ensuring the welfare of society at large along with our employees, customers and shareholders. The challenge is to action these objectives into deeds!

From a societal wellbeing perspective, we have undertaken various initiatives towards enabling financial inclusion by providing access to banking services to the poor and marginalized sections of society through both, 'bank' and 'branchless' delivery models. These include opening and operating branches in under banked, rural and semi urban locations, providing microfinance to the under privileged, providing consumer finance to the under banked segments and much more. Another significant focus area in this respect is the 'green practice' we have adopted to reduce the impact of our operations on the environment. Through the 'Green Banking' project we have introduced solar powered ATMs, thin computing, e-learning and many such initiatives. We have also introduced a specific training module on 'green banking' as part of our formal Branch Manager's training programme to snowball and ensure implementation of these practices at the root level of the Bank.

We acknowledge the support of our shareholders as this has enabled us to outperform ourselves by achieving a Net Profit CAGR of around 116% over the past three years.

Customers define our existence and we have rolled out many theme based initiatives revolving around 'Winning over Customers' and 'Being Responsive to Customer Needs'. We have structured these initiatives in line with present customer needs which require us to walk an extra mile. This helps us to distinguish and establish ourselves as an innovative Bank with total customer centricity, from a regular bank. The three new 'market-first' services launched by us this year (Choice Money in ATMs, 365 Day Banking and Check on Cheque) are the outcome of our efforts towards providing that special experience to our customers. This in fact is effectively conveyed through our tag line

“ Aapne chaha, Humne kiya. ”

As we perceive it, the whole proposition of customer responsiveness is two pronged. One that refers to the external customer and the other refers to our employees who are also internal customers. Serving customers who are external to the organization and serving customers who are internal to the organization are the two bases on which we want to create our sustainable business proposition. While one team of our employees work towards acquiring more customers (external) for the Bank, the others who are the 'enablers' cater to the needs of this team who in turn become their internal customers. To further drive this concept of 'internal customer' responsiveness, we have launched a campaign 'iSolve' which emphasises on the employee aspects of getting it **right the first time, taking ownership, being approachable and cutting through the bureaucracy.**

Our business case for sustainable banking definitely focuses on the core aspect of economic growth, which is of foremost importance to us. But our approach is influenced by our perception of viewing the Bank as a separate entity having an identity of its own, participating and engaging with all the stakeholders and thereby fulfilling every obligation that goes into building a mutually beneficial relationship resulting in Responsible Banking, Richer Shareholders, Delighted Customers, Happier Employees and a Sustainable Society.

We care for every aspect of our ecosystem from environment to people as in society, investors, customers and employees. We wish to enable an ecology defined by values, prosperity and sustainability.

Our First Sustainability Report 'Good Ecology is Good Economics' reiterates this commitment. This Report offers a detailed narration of our sustainability focused efforts and practices with respect to all of our stakeholders.

I wish to conclude with an assurance that these efforts will continue to be unceasing, organization encompassing and designed with an objective of delivering wholesome benefits to all.



Romesh Sobti  
MD & CEO  
June 2011



## Introduction

India is home to a number of civilizations which in history are great examples of Sustainable Ecology. Indian Culture has been built on simple sustainability practices and traditions directed at maintaining eco balance, conservation and acknowledging the power of nature.

In the last few decades, population explosion, resource crunch and globalization has influenced our lifestyle, traditions and practices leading to an ecological imbalance. We, at IndusInd Bank acknowledge the need to take measures towards restoring the ethos. This Report illustrates our commitment to run our business ethically while ensuring a responsible economic growth for the Bank in particular and the society in general because **Good Ecology is Good Economics.**



## Report Profile

This is the first Sustainability Report of IndusInd Bank. This Report covers the period from April 2010 to March 2011 (i.e. FY 2010-11). This exercise will henceforth be annual in nature covering a similar twelve month period.

This Report for FY 2010-11 has been prepared in accordance with GRI G3 Guidelines 2011 version along with the Financial Sector Supplement as a supplementary guideline. The relevant technical protocols have been followed to Report the various indicators.

## Report Scope and Boundary

The process for defining the scope of this Report is based on the guidelines provided by the GRI framework (G3 guidelines).

The Sustainability Report is an exercise taken up by the Bank in line with its commitment to Corporate Social Responsibility and regulatory requirements and covers the pan India operations of the Bank.

(a)The economic section of the Report covers aspects pertaining to the growth strategy of the Bank and the overall impact of the Bank's performance on its stakeholders. This section also elaborates on how the Bank plans to align its strategy to sustainability goals

(b)The environment section provides details on the practices adopted by the Bank towards awareness generation, energy & water conservation, waste management and carbon footprint calculation & reduction

(c)The social section of the Report discusses the community engagement initiatives adopted by the Bank in and around its location of operations

The data presented in the Report is based on results from some formal and some informal monitoring and reporting procedures. This year, the Bank has carved out a Corporate Sustainability Department which will hence forth ensure structured approach to sustainability practices.

## Report Boundary



## Process and Assurance

The exercise of collecting, analyzing and reviewing the data pertaining to this Report involved all business operations/units covering pan India branches and offices. In this process, efforts were made towards educating employees on the reasoning and concepts of sustainability.

This is the first Sustainability Report of IndusInd Bank. We plan to seek external assurance and a 'GRI checked' Sustainability Report for the next financial year.



## Origin

IndusInd Bank derives its name and inspiration from the Indus Valley civilization personifying and reflecting similar aspects of **Spirit of Innovation, Order, Perfection** and **Sustainability** through its sound business practices.

IndusInd Bank, formally inaugurated in April 1994 by Dr. Manmohan Singh, Honourable Prime Minister of India who was then the country's Finance Minister, started with a capital base of INR 1,000 million (USD 32 million at the prevailing exchange rate), of which INR 600 million was raised through private placement from Indian Residents while the balance INR 400 million (USD 13 million) was contributed by Non-Resident Indians (NRI).



## Segments of Business

IndusInd Bank, a new generation Private Sector Bank, has its registered office in Pune with its Corporate office at One Indiabulls Centre, Elphinstone Road, Mumbai. The Bank is listed on the Bombay Stock Exchange (INDUSINDBK) and National Stock Exchange (INDUSINDBK).

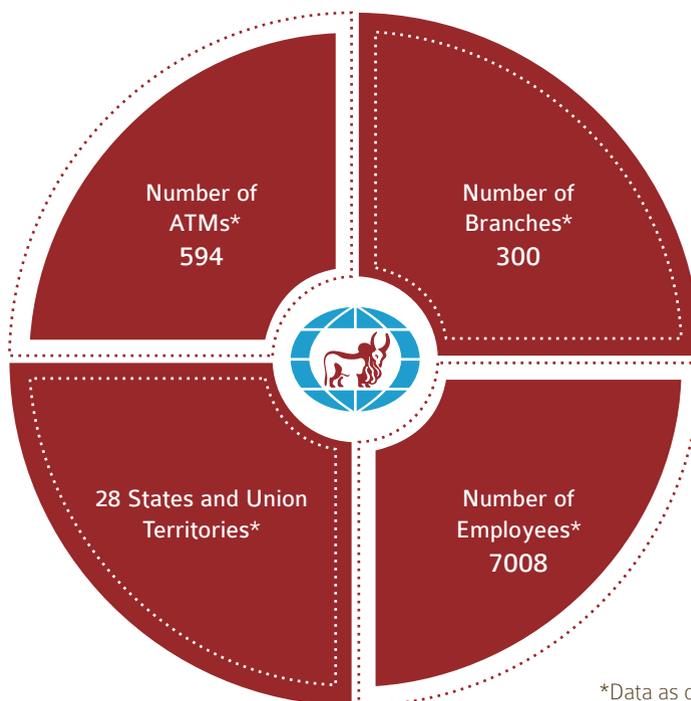
In addition to the above, the Bank has Representative Offices in London and Dubai.

It is a scheduled commercial bank with a universal stance operating in both the Consumer Banking (Retail) and Corporate / Wholesale Banking spaces.

(1) **Consumer Banking** includes lending and accepting deposits from retail customers and providing of other services and products

(2) **Corporate / Wholesale Banking** represents the wide range of Banking and Financial services like commercial banking products including working capital facilities, accepting deposits, lending etc. catering to Corporate clients



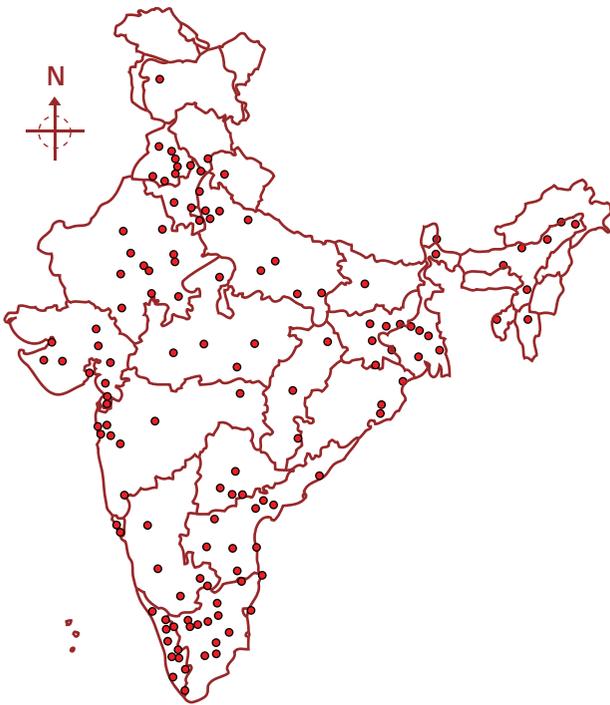


Since 2008, the Bank has been posting steady growth and improved performance quarter on quarter. The Bank aims to expand through increased branch network, diversified business mix, greater customer centricity, enhanced operational efficiencies and intensified brand building exercises.

### Key Business Highlights

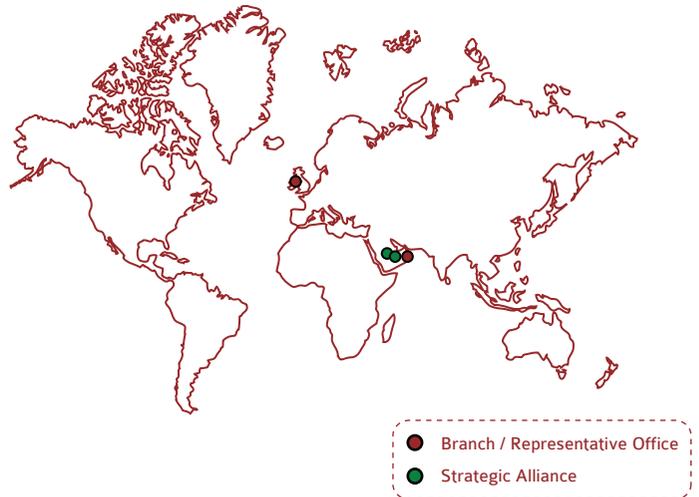
- ❑ Total business crossed INR 60531 crores
- ❑ Net worth moved to INR 3825 crores
- ❑ Net Profit up by 64.80% to INR 577.32 crores
- ❑ Net Interest Income up by 55.29% to INR 1376.49 crores
- ❑ Core Fee Income up by 45.61% to INR 629.43 crores
- ❑ Capital Adequacy Ratio (Basel II) at 15.89%
- ❑ Return on Assets at 1.55% as against 1.16%
- ❑ Net NPA at 0.28% as on March 31, 2011 as compared to 0.50% the previous year
- ❑ Provisioning Coverage Ratio against NPAs at 72.61% as against 60.14%
- ❑ Network increased to 300 branches and 594 ATMs spread over 212 geographical locations of the country
- ❑ Earning Per Share (Basic) increased to INR 13.16 from INR 9.01
- ❑ Dividend Declared INR 2 per share, up from INR 1.80 per share last year

Distribution Expansion to Drive Growth

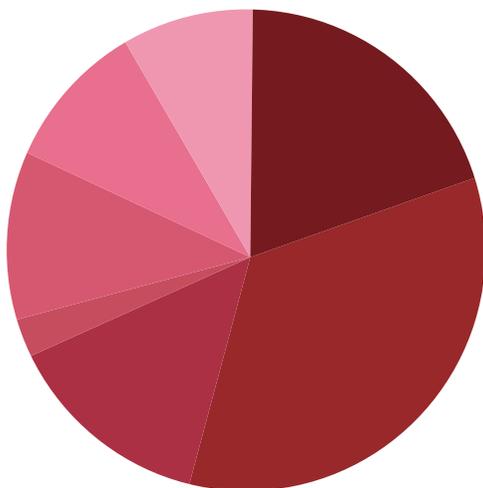


Strengthening Distribution Infrastructure

As at end	FY08	FY09	FY10	FY11
Branch Network	180	180	210	300
ATMs	336	356	497	594

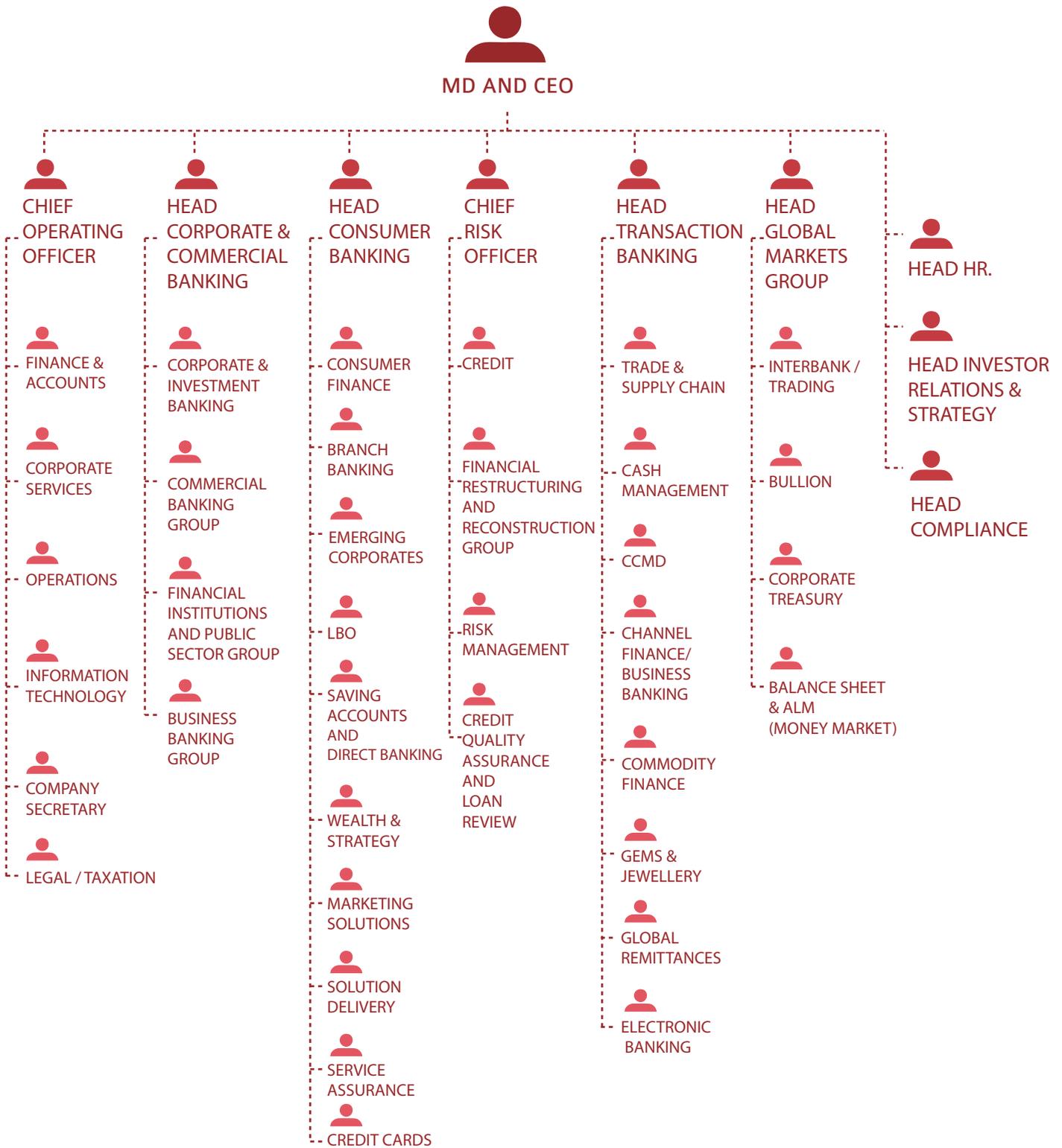


Share Holding Pattern



- FII 34.8%
- GDR issue 13.9%
- NRIs / Director / Others 2.6%
- Private Corporates 11.2%
- Individuals 9.7%
- MFs / Banks / Insurance Co 8.3%
- Promoters 19.5%

Organization\*



\*There have been no significant changes in the organization operational structure in FY 2010-11. In case of such changes we ensure to keep our stakeholders updated.

## Awards and Accolades FY 2010 - 11



The Bank has been widely recognized for its innovative business operations, Best-in-class services and Best Practices by respected forums and institutions.

- **Most Improved Bank Performance of the Year**

Winner - Bloomberg UTV Financial Leadership Awards 2011 <sup>1</sup>



1. Award received by MD & CEO Mr. Sobti from Hon. Finance Minister, Shri. Pranab Mukherjee



2. Award received by COO Mr. Abraham from Dr. APJ Abdul Kalam

- **Best Use of Technology in Training and e-Learning Initiatives**

Winner - IBA Banking Technology Awards 2010

- **Best use of Technology in Risk Management in Private Banks Category**

Runner up - IBA Banking Technology Awards 2010

- **Excellence in Business Process Management and Workflow in Australia and Asia Region**

Silver Winner - Global Awards by Workflow Management Coalition and BPM.com USA

- **Talisma User Awards for Enterprise Adoption**

of CRM - 2010

- **Ranked 2nd in the Fastest Growing Bank (mid-size) Category**

Published in "India's Best Banks" reported by Business World and PWC

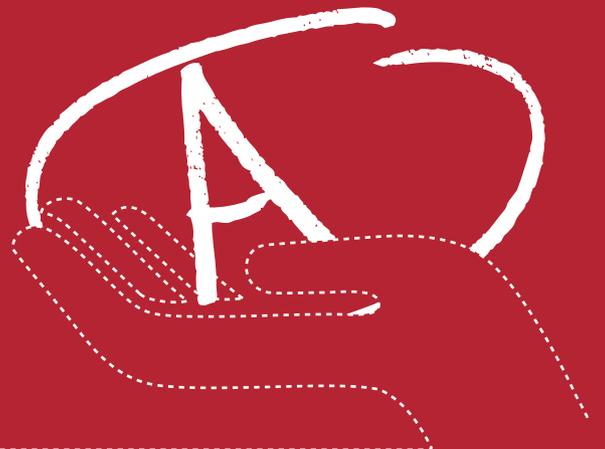
- **Excellence Award as the 2nd Best New Generation Bank in Kerala**

For the second consecutive year awarded by the State Forum of Bankers' Clubs, Kerala

## Application Level - IndusInd Bank Sustainability Report 2010-11

We have self-declared our  
reporting to be Application Level A

All core questions of the Financial Sector  
Supplement have been answered



### Commitment to Stakeholders and Engagement

Managing and being cognizant of stakeholder expectations is fundamental to our business. Various initiatives have been taken to enable two way communications with stakeholders to get their insights and feedback. This helps us plan our future direction and motivates us to be transparent. Adding value to stakeholders is not only incidental to our mission but also integral to our existence.

The Bank’s identified stakeholders are Customers, Shareholders, Employees, Government & Regulatory Bodies, Suppliers, Society and NGOs.

Stakeholder	Description	Channels of Engagement
<b>Customers</b>	The Bank is committed to meet and strives to exceed customer expectations through timely, error-free and courteous service. The Bank shall continually improve the effectiveness of the work processes through training, customer feedback and review of systems	<ul style="list-style-type: none"> <li>• Personal Interaction</li> <li>• Customer Publications and Presentations</li> <li>• Customer Service Committees</li> <li>• Customer Satisfaction Surveys</li> <li>• Customer Outbound Meets (concerts, events)</li> <li>• Road Shows</li> </ul>
<b>Shareholders</b>	The Bank is committed to building a sustainable business thereby creating a long-term shareholder value	<ul style="list-style-type: none"> <li>• Analysts, Investor Presentation and Meetings</li> <li>• Quarterly Earnings Announcements and Press Releases</li> <li>• Webcast and Conference Calls</li> <li>• Annual Meet</li> <li>• SMS Push Messages on Key Developments</li> </ul>

Stakeholder	Description	Channels of Engagement
<b>Employees</b>	The Bank is committed to providing a non-discriminatory, healthy work environment with attractive growth opportunities and focused skill development	<ul style="list-style-type: none"> <li>• Town Hall Meetings</li> <li>• Training and Skill development sessions</li> <li>• Bank's Intranet portal</li> <li>• Webcasts</li> <li>• Newsletters</li> <li>• Help desk</li> <li>• Volunteering</li> <li>• Listening Post (Redressal)</li> <li>• My Idea (Idea Junction)</li> <li>• E-Interface</li> <li>• E-Chat Room - Internal social networking platform</li> <li>• iSolve - Internal responsiveness campaign</li> </ul>
<b>Regulatory Bodies and Government</b>	The Bank is committed to abide and comply by all regulations and laws as ideally required by Financial Institutions	<ul style="list-style-type: none"> <li>• Promotion of national sustainability programs / initiatives</li> <li>• QIDs with RBI</li> <li>• Meeting with Regulators &amp; Government Bodies</li> <li>• Submission of periodic performance reports</li> <li>• Meetings, conferences and collaborations</li> </ul>
<b>Suppliers and Vendors</b>	The Bank is committed to upholding sustainable procurement practices and ensuring that suppliers and vendors are aware and adhere to compliance standards as required	<ul style="list-style-type: none"> <li>• Supplier audits and site visits</li> <li>• Collaboration with suppliers to identify opportunities to reduce environmental impacts and minimize transportation-related emissions</li> <li>• SLAs and Reviews</li> </ul>
<b>Society</b>	The Bank is committed to conduct business operations in a socially & environmentally responsible manner and provide financial products & services to support the economic growth and stability	<ul style="list-style-type: none"> <li>• Community Investment</li> <li>• Sponsoring of community development programmes</li> <li>• Employee volunteering</li> <li>• Green Initiatives</li> <li>• Sustainability Reporting</li> </ul>

## Ecology Snippet

Neem tree is native to tropical regions where it is popular for its medicinal properties.

All parts of the tree (seeds, leaves, flowers and bark) are used in the preparation of different medicines. Neem also finds its usage in industries ranging from pest control to preparation of cosmetics.

### The Neem Flower

Apart from having special medicinal properties these flowers are also of immense cultural significance in the Indian Context. They are used in the preparation of varied festive delicacies in many parts of the country.

Modelled on a similar philosophy of a 'Neem Tree', the Bank aims to ensure that each of its products and services offer wholesome benefits and advantages to its customers and in turn generate greater value for its shareholders and contributes to moulding a sustainable society.

### Folk Tales - Neem Tree

This tale is set in the background of the story of **Samudramanathana (the churning of the ocean)**. It is believed that '**Amrita (nectar of immortality)**' was sprinkled by '**Indra (the celestial king)**' on the earth, which gave rise to the Neem tree, thereby bestowing upon it numerous properties of great value to mankind.

## Outcome of our 'Multi Stakeholder' engagement model



Neem Flower

### IndusInd Bank

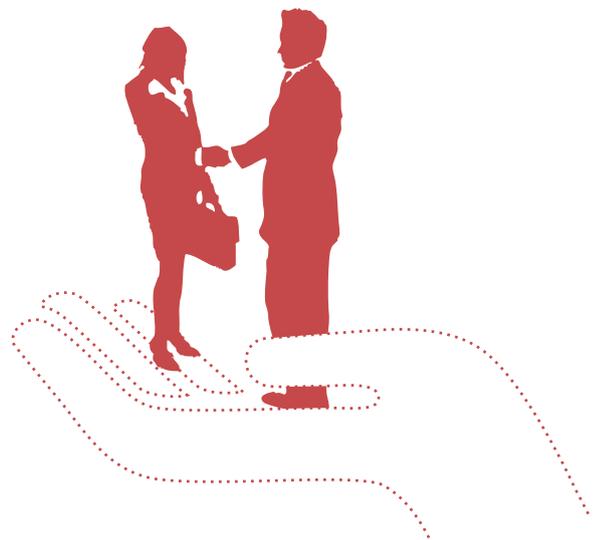
- 1 Delighted Shareholders
- 2 Prosperous Customers
- 3 Happier Employees
- 4 Satisfied Regulators
- 5 Sustainable Society

## Materiality Determination

Committed to addressing a broad range of sustainability issues, we recognize the importance of setting clear priorities to focus our efforts and plan our strategy. In this regard, we have taken various steps to understand each sustainability aspect from a perspective of its relation and interest to our stakeholders. Our priorities reflect issues and key concerns for us as a Bank and our stakeholders. These priorities have been developed based on the inputs received from a wide range of internal and external stakeholders. This framework from now on will serve as a reference while framing our sustainability policy, defining our sustainability goals as well as for our Annual Sustainability Report.

The identification of material areas of interest to stakeholders has been done as a collaborative effort, after multiple interactions with the leaders of the Bank who have been engaging with stakeholders on different sustainability issues at periodic intervals. This engagement has been done through multiple channels:

1. **Personal Interaction**
2. **Mail Communication**
3. **Conducting Surveys**
4. **External Consultants**



Key Stakeholders Key Aspects	Self	Customers	Shareholders	Employees	Regulatory Bodies and Government	Suppliers and Vendors	Society and NGO
Economic Growth	HI	MI	HI	HI	NDR	LI	NDR
Impact of operations on Environment & Society	MI	NDR	MI	MI	MI	MI	HI
Community Investments	LI	NA	MI	LI	LI	NA	HI
Hiring Policies	HI	MI	NDR	HI	NDR	NA	NDR
Resource optimization and Consumption	MI	NDR	MI	MI	NDR	HI	HI
Bio-diversity	LI	LI	LI	NDR	NDR	LI	HI
Human Rights	LI	LI	LI	MI	NDR	HI	HI
Engaging Locally Based Suppliers	LI	NA	LI	NDR	MI	HI	MI
Social and Environmental Screening of Business Lines	MI	MI	MI	MI	HI	NA	HI
Fair Design and Sale of products	HI	HI	MI	NDR	HI	NA	HI
Monitoring Customer Implementation of agreed compliance	MI	HI	LI	MI	MI	NA	MI
Attrition	HI	HI	LI	HI	NDR	NA	NDR
People Development	HI	MI	LI	HI	NDR	NA	NDR
Compliance	HI	HI	HI	HI	HI	NA	HI
<b>HI- High Importance</b>		<b>LI- Low Importance</b>		<b>NDR- Not Directly Related</b>			
<b>MI-Medium Importance</b>		<b>NA- Not Applicable</b>					

### Approach to Materiality Analysis and Prioritisation

We have tracked key aspects which encompass the major sustainability related activities/policies of the Bank. The aspects have been prioritised based on their relation with every individual stakeholder. For a regulator, like RBI or the government the aspects related to compliance, fair design of products & policies and screening of business lines would be of core interest. These would also be of significant interest to us and our customers, while the same will not be applicable to our suppliers. Similarly our economic growth would be of high importance to our share holders along with our environment & social policies which would assist them in making responsible investment decisions. Attrition and people development are employee related aspects and therefore will be of high interest to employees and ourselves.

Supplier Empanelment policies of preferring locally based suppliers is of primary interest to suppliers and vendors but is not on the topmost priority to us as we consider aspects pertaining to costs first. Also, most of our procurement happens at the corporate office level.

Through the process of defining materiality, we have identified the key sustainability focus areas as: **Attrition, Awareness & Understanding of Bank's sustainability initiatives** by the employees and suppliers, developing an inclusive workforce with a **Balanced Male to Female Ratio** and **Engaging with Customers on Social and Environmental issues**.



## Ecology Snippet – BUZZ....

Bees as pollinators strongly influence ecological relationships, maintain biodiversity and vegetation growth amongst others. Bees give us a lot more than just delicious honey. Bees and most flowering plants have developed a complex interdependence on each other over the past millions of years. Bees are pollinators - they enable plants to produce fruits and nuts that we enjoy, by carrying pollen from one flower to the next.

Nature's 'Most Perfect Society' **the Bees** offer incredible management insights on how organizations can work most effectively and productively.

### 6Cs on Management from the Bees

- Common Goal
- Commitment
- Confidence
- Contribution
- Collaboration
- Communication



**BUZZ....**

'If the bee disappeared off the surface of the earth, man would have only four years of life left' - Albert Einstien

# Corporate Governance

**We at IndusInd have over the years been able to imbibe and absorb the 6Cs into our business culture through the framework of Corporate Governance.**

We believe that consistent implementation of good Corporate Governance practices is a key contributor to sustaining and developing the business of the Bank. The Bank operates under the direction of the Bank's Board of Directors. The Bank's CEO also serves as the Managing Director. The Board believes that this would provide a single vision for the Bank and result in an efficient and effective organizational structure. The management structure and systems which have been evolved, allow sufficient freedom to the Board and the Management to make decisions and take actions in pursuit of the growth objectives of the Bank, whilst remaining within the framework of effective accountability and regulatory compliances.

We are inclined to operate on commercial principles but are at the same time committed to remain accountable, transparent and responsive to our stakeholders. We acknowledge the need to uphold the integrity of every transaction we enter into. In this context a **Code of Conduct** for Directors and Senior Management has been adopted. This code attempts to set forth the guiding principles on which the Bank shall operate and conduct its daily business with its multitude of stakeholders, government & regulatory agencies, media and everyone else with whom it is connected. It also defines and provides guidelines on 'conflict of interest' situations that might arise.

## Composition of Board of Directors

Name	Nature of Directorship	Occupation
Mr. R.Seshasayee	Part-time Chairman	Executive Vice Chairman of Ashok Leyland Ltd.
Mr. Romesh Sobti	Whole-time Director	Managing Director & CEO
Mr. T. Anantha Narayanan	Independent, Non-executive	Retired as Executive Director (Finance) of Ashok Leyland Ltd.
Dr. T.T. Ram Mohan	Independent, Non-executive	Professor-Finance & Accounting, IIM Ahmedabad
Mr. Premchand Godha	Independent, Non-executive	Industrialist
Mr. Ajay Hinduja	Non-executive	Industrialist. Director, IndusInd International Holdings Ltd, Mauritius, a promoter company
Mr. S.C. Tripathi	Independent, Non-executive	I.A.S (Retd.), Advocate
Mr. Ashok Kini	Independent, Non-executive	Retired as Managing Director of State Bank of India
Mr. Y.M. Kale	Alternate Director to Mr. Ajay Hinduja	Service

### Committees of the Board

To maintain highest standards of good Corporate Governance, the Directors have formed various Committees of the Board. IndusInd's board has twelve committees.

Each committee monitors the activities falling within their terms of reference. The Committees meet regularly to achieve their specific objectives. The roles of each of these committees are described below.



### Committee of Directors (Primarily Credit Sanctions)

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

### Audit Committee of the Board

The role of the Audit Committee includes, **inter alia**:

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

The specialised functions of the Audit Committee include:

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

### **Nomination Committee**

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

### **Stakeholders Relations Committee**

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

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

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

### **Customer Service Committee**

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

### **Risk Management Committee**

The Committee examines risk policies and procedures developed by the Bank and monitors adherence to various risk parameters and prudential limits by the various operating departments.



### **Finance Committee**

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

### **Compensation Committee**

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

### **Vigilance Committee**

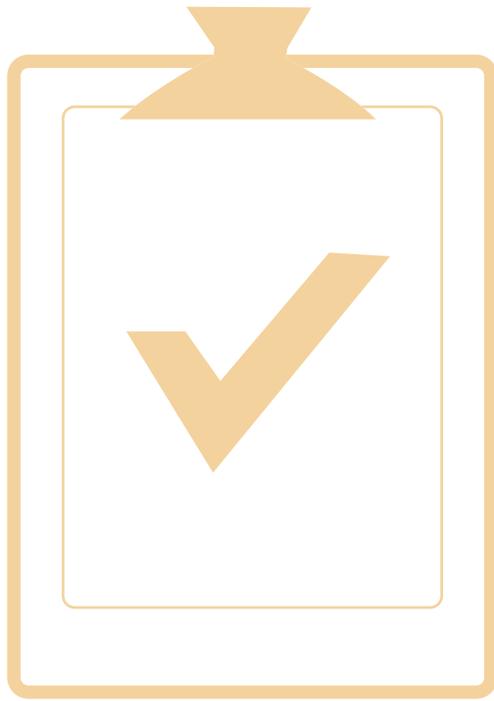
The Committee conducts overview of cases of lapses of vigilance nature on the part of employees of the Bank.

### **Information Technology Committee**

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

### **Human Resources (HR) Committee**

The HR Committee was constituted on May 10, 2010.  
The Committee reviews the Bank's HR function.



## Compliance Function

With the paradigm of risk management gaining impetus over the years, there has been a shift in the roles and responsibilities of the compliance unit from solely a **control** group to an active participant, supporting and monitoring risk management functions at a bank.

We at IndusInd are committed to promoting and upholding highest standards of corporate culture by not only observing what is legally binding but also including broader standards of integrity and ethical conduct in our business.



**IndusInd Bank's commitment to Compliance arises not only from regulatory requirements, but also its determination to build good governance into the business model. The scope of this governance covers every aspect of our day-to-day work lives – whether in assessing and disbursing credit, managing operations, dealing with customers, financial reporting and in general, our work ethics.**

**-Romesh Sobti, Managing Director**



We have a dedicated Compliance Function that facilitates management of Compliance Risk and has defined policies to ensure adherence to statutory guidelines. The function independently examines and monitors compliance aspects at various stages. In addition to this, the Compliance Function is a part of the Operational Risk Management Committee and vets new products, processes and changes proposed to the existing ones.



In order to articulate fair compliance metrics we have enabled a MIS system of on-line Compliance Certification for Branch Managers and various Functional / Business Unit Heads. This facilitates quick reporting of default incidents and initiation of corrective actions.

- Fines paid for Non compliance by IndusInd Bank for FY 2010-11 - None
- Actions initiated against IndusInd Bank for non compliance by regulatory bodies for FY 2010-11 - None
- None of the products offered as part of IndusInd Bank's portfolio are banned in any markets nor have any been subjected to questions by stakeholder /public

We have taken several steps towards enhancing processes and controls to ensure better compliance at the execution stage and for early detection of any deviations. In case of any defaults in compliance, besides suitable remedial measures, appropriate punitive action is taken.



### Case Study: Compliance on-site visits

With a view to assess the compliance levels directly, the Compliance Function undertakes several on-site test studies at Branches and other Functional Units. During these studies, sample checks are done in areas considered important from a compliance perspective like meeting Know Your Customer (KYC) requirements, cash transactions, handling of Anti-Money Laundering (AML) alerts, forex transactions etc. Also customer service aspects like display of notices/codes, holding customer service meetings, security & surveillance and other such aspects are verified.

KYC being one of the most critical compliance aspects is a major focus area during the branch visits. To ascertain the fulfilment of KYC requirements, interactions are held with the Sourcing Executives, the Manager Customer Service & Operations (MCSOP) and other Executives. Similarly during visits to other Functional Units, interactions are held with the employees handling these activities to assess adherence to the stipulated guidelines/instructions.

During this Financial Year, the following sixteen different studies covering 238 branches/units were conducted:

- (1) Study on general aspects of compliance - 30 branches \*\*
- (2) Testing compliance of depository services - 30 branches \*\*
- (3) Study on offsite ATM End of Day processing by Cash in Transit (CIT) agencies - 28 branches
- (4) Handling of outward remittances by AD - Category II forex dealers - 43 offices
- (5) Handling inward remittances received through Zoha Inc. under Money Transfer Service Scheme (MTSS) by sub-agents - 55 Offices
- (6) Customer service - 30 branches \*\*
- (7) Consumer Finance Division (CFD) branches - 23 branches
- (8) Study report on new branches (at least 6 months old) - 15 branches
- (9) Study on general aspects of compliance - 30 branches
- (10) Forex Transactions at Centralised Processing Centre (CPCs) – 2
- (11) Centralised Clearing Cells – 4
- (12) Handling of Complaints by Banking Operations (BO) Dept. - 1
- (13) Payroll Agency – 1
- (14) Account Opening Process at CPU – 1
- (15) Account Opening Hubs – 4
- (16) Depository CPC – 1

\*\* Common set of 30 branches

In addition, 3 Special Projects were carried out as detailed below:

- (i) Study on Remittance Activity under Money Transfer Service Scheme (MTSS) at Corporate Office level
- (ii) Study on Money changing Activity covering 2 branches and 1 Forex Services Cell (FSC)
- (iii) Study of Sanctions Orders of Various Countries and United Nations (UN), Office of Foreign Assets Control (OFAC), European Union (EU), and Her Majesty (HM) Treasury

Further to this, the study reports are circulated to the concerned Department Heads for taking necessary steps to identify areas for improvement and address them appropriately.

### Institutionalising a Compliance Mindset

The Compliance Function engages with employees from time to time by providing reference material in the form of learning modules, short memos (compliance guides) on important topics and case studies analysing 'on ground events'.

Several steps have been taken to create awareness and disseminate knowledge on the compliance framework and the consequences of non-compliance.

One such initiative that was started this year (2010) in June was the launch of 'Compliance Quest' newsletter.



**Compliance Quest** is an internal newsletter initiated this year by the Compliance Function to spread the word on compliance and related issues across the Bank. It features the latest updates on compliance matters, case studies, best practices, articles contributed by employees and regulatory highlights.

### Seminars and Workshops

A series of seminars were held on **Compliance and Vigilance** for Branch Managers, MCSOPs and other operating functionaries. These seminars covered major compliance aspects like KYC / CFT / AML, handling of counterfeit currency, cash transactions, forex transactions etc. Vigilance aspects including the objectives, types and sources of vigilance, examples of misdemeanor and mitigants were also discussed. The key highlight of these seminars has been the consistently enthusiastic participation and the uniformly positive feedback.



#### FY 2009 - 10

- 18 seminars held at 12 centres
- Target Audience - Branch Managers and MCSOPs
- 454 participants

#### FY 2010 - 11

- 31 seminars held at 15 centres
- Target Audience - MCSOPs, Operations Executives and Sales Executives
- 724 participants

Additionally, the inputs on Compliance and Vigilance aspects were also provided to the Branch Managers as a part of the Human Resources (HR) initiative of **Fountain Head - Workshop for Branch Heads**. During FY 2010 -11, five such workshops were held.

## Stakeholder Engagement - Shareholders

Communication of Business and Developmental activities	<ul style="list-style-type: none"> <li>✓ Intimation to Stock Exchanges</li> <li>✓ Corporate Profile information on Bank's website</li> </ul>
Financial Results	<ul style="list-style-type: none"> <li>✓ Hosted under the head 'Media Room' and 'Investor Relations' on the Bank's website (www.indusind.com)</li> <li>✓ Quarterly Press Meets held during which financial results are discussed</li> </ul>
Aspects of interest to Shareholders'	<ul style="list-style-type: none"> <li>✓ Regular interviews with the electronic media by the Managing Director &amp; CEO and other key members of the Core Executive Team</li> <li>✓ Analysts' Meets and Conference Calls</li> </ul>
Contact Details of the Bank	<ul style="list-style-type: none"> <li>✓ On the Bank's website, the link 'Investor Relations' provides contact details of the Company Secretary, including e-mail address, telephone and fax numbers</li> </ul>

### Taking an extra step towards enabling Shareholders' Delight

Suggestions from shareholders received at the Annual General Meeting (AGM), through mails and personal / telephonic interactions during the year are duly considered by the Management. The Stakeholders' Relations Committee of the Board reviews the initiatives taken by the Bank in response to this, enabling Shareholders' satisfaction.

## Participating in Public Policy Development

The Bank has been pioneering the cause to allow mailing of soft copies of Annual Reports instead of the current paper based format which would result in phenomenal saving of paper and therefore trees.

This suggestion has been brought to the notice of Mr. Salman Khurshid, the then Minister of State for Corporate Affairs (Independent Charge), Mr. C. B. Bhave, the then Chairman, Securities and Exchange Board of India (SEBI) and Mr. Jairam Ramesh, Ministry of Environment & Forests (MoEF). The Company Secretary of the Bank has been regularly following up on this matter over the last one and a half years to get the necessary approvals and complete the formalities.

As part of the Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically.

The Bank has been at the forefront in "Green Initiatives", and through this process shall be able to graduate to paperless compliances.

In line with Circular issued by MCA, the Bank sought the consent of the shareholders to send the Annual Report, i.e., Notice convening the Meeting, Financial Statements, Directors' Report, Auditors' Report etc. for the year ended March 31, 2011, in electronic form, to the e-mail address made available to the Bank by the Depositories.

### Economic, Environmental and Social charters, principles and memberships in associations

The Bank subscribes and endorses economic, environmental and social charters, principles suggested and directed by IBA & RBI and the senior management personnel actively participate in the activities of Indian Merchants' Chamber (IMC), Confederation of Indian Industry (CII), Bombay Chamber of Commerce and Federation of Indian Chamber of Commerce and Industry (FICCI).

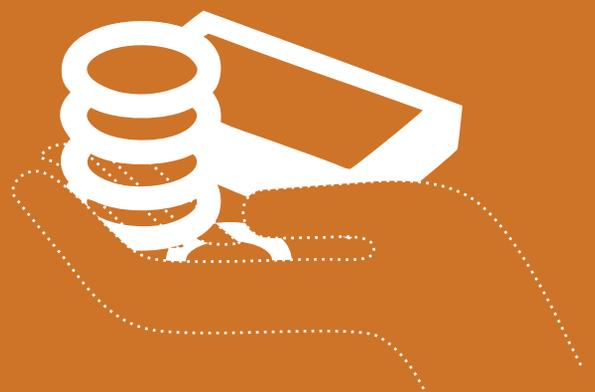




## Our Economics and Sustainable Growth

We are a new age Private Sector Bank, head quartered in Mumbai, India with a branch network of over 300 branches across India, serving over 2 million customers. We have also established an overseas presence through representative offices and strategic alliances in USA (BONY) and the Middle-East. The Bank offers a wide range of products and services catering to different segments such as Non-Resident Indians, Corporate and SMEs apart from Retail Banking services.

We rely on cutting-edge technology to deliver effective banking products and services to our customers. This strong technology backbone has enabled us to roll-out a large network of ATMs, comprehensive online banking facilities and multi-lateral tie-ups with other banks. We also enjoy a clearing status with India's major stock and commodity exchanges and offer demat account services to our customers.



## Financial Performance

A broad-based recovery of the Indian economy, which started in the second half of 2009-10 continued through 2010-11 as well. The country received a normal monsoon after a near drought situation last year which bolstered the agriculture sector and continues to remain the bedrock of the Indian economy with over 50% of the population dependent on agriculture. Industrial production has shown a stable growth trend while the infrastructure sector continues to lag behind. The services sector has also seen an increased performance this year post last year's slowdown. The third quarter of most large firms started showing encouraging results from this year onwards.

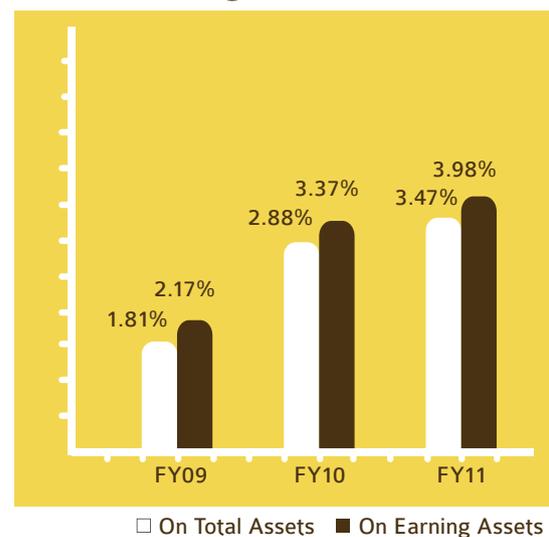
We have maintained consistent growth and have demonstrated superior financial performance over the past 3-years, including the period through the global economic downturn.

Our total revenue for the financial year 2010-11 was INR 2090.15 crores up from INR 1439.90 crores in the previous year. This amounts to a 45% YoY growth. In the same period total assets have enjoyed a YoY growth of 29% standing at INR 45,635 crores.

### ROA



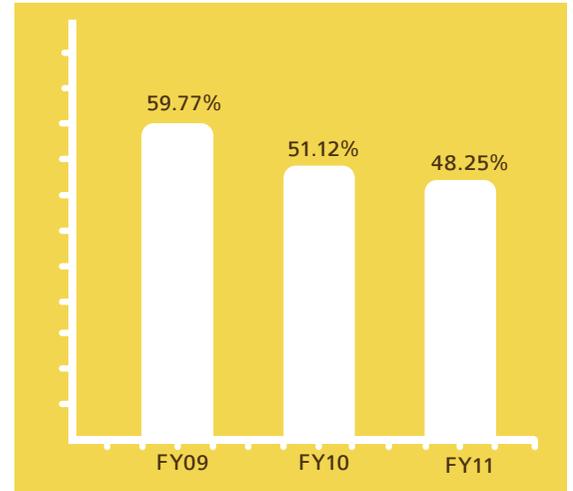
### Net Interest Margin (NIM)



## Net NPA



## Cost / Income



## Revenue/Employee (₹ Lacs)



The Net Interest Margin during this period has expanded from 2.88% to 3.47% and the Return on Asset has risen from 1.14% to 1.46%.

The Bank's profitability has improved through an increase in revenue per employee from INR 27 Lacs in FY10 to INR 30 lacs in FY11. This is indicative of our ability to build a framework of competent professionals to manage and accelerate future growth. The reduction in Net NPAs from 0.50% in FY10 to 0.28% in FY11 has also contributed to better profitability.

The Bank has managed to successfully expand its deposit base through a consistent uptrend in Current Account / Savings Account numbers (CASA), the CASA (Current Accounts - Savings Accounts) ratio expanding to 27.15% in FY11 as against 23.67 % in FY10.

### Branch Expansion Plan

We started FY 2011 with a base of 210 branches, and have successfully expanded to 300 branches as on 31<sup>st</sup> March 2011. Going forward, over the next three years, we hope to maintain this momentum in branch expansion. We target to increase the number of branches to 650-700 branches by the end of 2014 and believe that this branch expansion will have a positive impact on our other operating parameters.

Particulars	FY08	FY09	FY10	FY11
Branch Network	180	180	210	300
ATMs	336	356	497	594

### Raising Capital

During FY2010 - 11, we have raised our capital base to USD 225 million by way of a Qualified Institutional Placement (QIP). However, we believe that our capital raising exercise needs to be coupled with internal capital accrual to generate greater shareholder value. With our Returns on Equity (RoE) now in the range of 20-21%, we expect to generate significant amount of income through our operations as well. Thus, we are well positioned to meet the capital needs in the coming 18-24 months and we do not foresee a need for additional capital injection in this period.

We aim to position ourselves as a **numero uno** doubling our profit in the next three years, leading in the vectors of profitability, productivity and efficiency.

## Competitive Strengths Fuelling our Accelerated Growth

We believe that our unique combination of internal and external strengths distinguish us from our competitors and is critical to our continued success and growth. The ability to bring together every attribute of our business, to work seamlessly to deliver a standard of excellence and conduct business beyond expectations to satisfy our customers, drives our growth strategy.

● Indicates Internal Strengths

● Indicates External Strengths

### Experienced Management Team:

Since 2008 the new management team has guided our growth and risk management strategies including during the period of worldwide economic crisis. The team’s strong focus on the execution of growth strategies, setting and monitoring of measurable targets benchmarked with market leaders, increased hiring of right talent and continuous review of business fundamentals has contributed towards achieving an overall improved performance on all operating parameters.

**Providing one-stop solutions to small and medium sized companies** by offering complete banking and financial services as required across their value chain.

Supply Chain Finance and Services

Channel Finance

Vendor Financing

International Banking

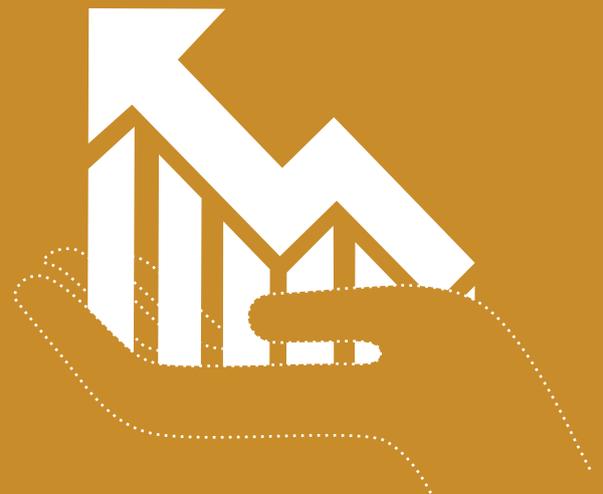
Dealer Financing

Cash Management Services

Investment Banking

Term Loans

Forex Services



### Leadership in Vehicle Financing

We have a strong leadership position in financing purchases of commercial vehicles. Our expertise in this business has been built over 25 years from the period when it was owned by Ashok Leyland Finance Limited (prior to its merger with us) through efficient operation aided by advanced processing, analytical capabilities and a vast distribution network. Our business model focuses primarily on vehicle financing for retail customers, many of whom are small road transport operators covering urban, semi urban as well as smaller centres across India. We are the preferred (but non-exclusive) financier of certain vehicle manufacturers whereby they recommend us to their customers to avail finance options. The entry barriers in this business owing to high levels of customer loyalty and extensive network requirements provide us an edge over our competitors. As a driver of vehicle sales, we have significant opportunities to provide banking products and services across the supply chain comprising of the manufacturer, dealer and the buyer.

### Big strength in third party products distribution

In the modern world, clients realize that it is not only important to work hard to earn money but equally important, to make hard earned money work for you. Other than offering traditional Bank savings and investment products, we have tied up with a number third party product providers like Mutual Funds, Insurance Companies, Private Equity Funds, Portfolio Management Service providers and Broking service providers to offer various products and solutions. Clients are happy to engage with the Bank's relationship managers and identify suitable products. The Bank has harnessed technology to help clients view their updated investment portfolio through internet banking. Simple products like health insurance, have helped clients create a much needed safety cover, and Systematic Investment Plans have helped them to have disciplined wealth creation approach. Along with urban branches, such products are available through rural branches too. A combination of human intervention and technology helps deliver satisfactory products and services to the end clients. As part of check and balances, we are perhaps the only bank which engages in welcome calling for third party product customers. This activity serves dual purpose; assess service quality and help in raising an early alarm.



**Wide distribution network and expanding customer base**

We are able to provide access to banking and financial products & services along with our partners (including insurance, mutual funds, portfolio management services, online security trading), through our sizeable multi - channel distribution infrastructure consisting 300 branches in 212 locations spread across India and 594 ATMs. We have a customer base of over 2 million customers, which we believe will offer us additional significant growth opportunities through cross selling of our products and services. Through our non branch delivery channels, such as the internet, telephone contact centre and SMS on mobiles, we provide customers information on our retail banking products and services.

**Strong Position in International Remittances**

The Bank has grown to become a major player in managing the Cross Border Remittance flows today. This business comprises use of multiple products / channels with capability to originate remittances from 10 countries comprising of GCC countries, Singapore, Hongkong, USA, UK and parts of Europe. We work with 62 licensed partners, between Banks & non Banking entities, to facilitate these flows. We process these cross border payments using our robust technology platform which has been developed in-house. This business is a significant contributor to the FX income as well as Fee to the Bank.

**Advanced and Stringent Risk Management Systems:**

We have implemented integrated enterprise-wide risk management systems encompassing credit risk, market risk and operational risk elements. We have progressively adopted best international practices and are compliant with Basel II capital adequacy norms as applicable to banks in India.

**Unique positioning in Capital and Commodity Markets:**

We are one of the few banks that have been appointed by and act as a clearing and settlements Bank to the major capital, commodity and currency exchanges in India, including the National Stock Exchange (NSE), the Bombay Stock Exchange (BSE), the National Commodities and Derivatives Exchange Ltd. (NCDEX), the Multi Commodity Exchange of India Ltd. (MCX), the National Multi-Commodity Exchange Of India Limited (NMCE) and six tea auction centres. As a result of such appointments, we are also well placed to provide banking products and services, such as guarantees, electronic fund transfer facilities and depository participant accounts to members of these exchanges, brokers and investors.

**Well developed and robust IT technology and Infrastructure:**

We strongly emphasize on technology in our business as a means of improving operations by providing competitive advantages and creating a customer friendly interface. We consistently invest towards maintaining a centralized and modern technology platform for our internal systems and front-end customer services for both consumer banking and corporate & commercial banking customers. We have implemented advanced technology solutions specially designed for catering to our global markets, transaction banking products & services, management & information systems (MIS), analytics, customer relationship management, sales force automation, business process management and our disaster recovery platform. We are well-placed to quickly adapt to any technological advances specific to banking services.

## Growth Strategy



### Leadership Speak:

Banks and financial institutions across the globe have commenced showing leadership and innovation in integrating social, environmental and corporate governance considerations into their operations. In the Indian context, we have not only succeeded in the above integration, but also gone further in creating better awareness of sustainability in the minds of our stakeholders.

We are focused on value added community benefit by increasing our network across the country, offering products like no - frills accounts, providing services like 365 days banking and making available innovative products like choice of currency from our ATMs and copies of cheques along with the statement of accounts.

We have taken many other initiatives to reduce the impact of our operations on the environment through the use of recycled paper, energy efficient lighting at the branches, increased emphasis on facilitating electronic transactions, setting up of solar ATMs, CNG cars etc.

The other steps taken to increase the awareness levels are providing of environmental protection messages in the monthly statement of accounts, thus involving clients and making them key stakeholders in our Hum aur Hariyali movement. We believe that through a multi stakeholder inclusive approach we will be able to build a **sustainable foundation** to support the Bank in its fast paced progress.

#### **Sumant Kathpalia**

Head, Consumer Banking

**Continue to optimize our balance sheet and business mix to improve profitability:**

We have moved from a retail portfolio focus to a more balanced corporate and retail portfolio bank and seek to continue to optimize our balance sheet with a balanced mix of fixed and floating rate loans and by managing our asset - liability maturity gap, while also right pricing of assets. We also seek to continue to improve the percentage of our current and saving account deposits out of our total deposits (or the CASA percentage), thereby reducing the cost of deposits and reducing our reliance on bulk deposits.

**Continue to create a more enhanced customer focus, deepen and leverage customer relationships:**

We have restructured our organization to create stronger customer, product based units along with enhanced customer segmentation in order to enable greater customer focus. We seek to create new multiple and significant revenue streams by offering wider suite of products and services to targeted customer segments in areas of global markets (including foreign exchange and bullion trading), transaction banking and investment banking & advisory services as well as the distribution of third party products. Recently, we have added new products including credit cards and new wealth management services catering to high net worth individuals amongst others.

**To widen and leverage our delivery channels to achieve disciplined growth:**

We aim to increase and diversify our customer base by widening and optimally using our delivery channels, of technology infrastructure, including branch network, ATMs, marketing outlets, outbound sales team, contact centre, internet and mobile phones. We seek to leverage our experience and capabilities in risk management to help us better in estimating growth as we expand into existing and newer geographic markets.



We believe that our planned branch network expansion will help us build on our existing network in the major metropolitan areas in India and appropriately position us for opportunities and growth in Tier 3 to Tier 6 cities and towns. We intend to open branches with a view to obtain a relevant or dominant market position in each area rather than mere market presence.

#### **To improve operating efficiencies:**

We continually seek to improve operating efficiencies by reducing our operating costs thereby increasing our profitability. Centralization is an important driver of our growth strategy as this enables operational efficiency by improving the level of control and reduces overall costs.

### Enhancing Financial Literacy

Financial literacy has assumed greater importance in recent years with banking services & products becoming increasingly complex accompanied by an information lag, making it difficult for customers to make informed decisions. We recognize and acknowledge this issue and have taken various initiatives to help our customers make informed choices. We are a member of Banking Codes and Standards Board of India (BCSBI) and have adopted the Code of Bank's Commitment to Customers (individuals), a voluntary code which sets minimum standards for fair and transparent treatment of customers availing banking services. In this regard we have taken steps to ensure that customers read and understand information, especially when related to long-term commitments or financial services with potentially significant financial consequences. Additionally we have formulated a multi-modal (informative display through posters, brochures, multi-media presentations, mailers, and website), multi-lingual and interactive sessions (like meetings at the branches, relationship managers) for enhancing financial literacy among our customers and society. While the set minimum standards established by the code are guaranteed to every customer, we continuously endeavour to exceed expectations and offer best in class services.

Similarly we also adhere by the Code of Commitment to Micro and Small Enterprises (MSE) a voluntary Code, which sets minimum standards of banking practices for banks to follow when they engage with Micro and Small Enterprises as defined in the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. It protects the rights of MSE customers by providing detailed information on all aspects of importance pertaining to the operations of the Bank.

Both the above mentioned codes are detailed on the Bank's website and are also made available at our branches/offices for our customer's reference and understanding.

### Offering innovative value adds for customers

In line with our strategy to go an extra mile and offer customers much more than they expect, we have designed the Indus Money program. Through this program, the customers who hold Gold Debit Card can earn rewards on performing basic transactions on their accounts.

#### Features & Benefits:

The cash-back program rewards all types of spending on Savings Account which includes:

- Shopping and e-Shopping
- Utility Bill Payment, Mobile Top-ups
- Cash Withdrawals from ATMs
- Railway and Airline Ticket Payments
- Standing Instruction (SI) or Electronic Clearing System (ECS)

Customers can use any of the Direct Banking Channels of Debit Card, ATM withdrawal and Internet Banking to avail the benefits under this program. Rewards are credited to the customer's account as cash back automatically every month.



## Brand Equity:

### Increased Reach

We seek to improve our reach and visibility by expanding our branch and ATM network, including in emerging urban and relatively under banked areas.

#### **66 New Branches and 70 cash live ATMs set-up this year for increased penetration in Low-populated\* areas in Semi-Urban & Rural areas**

\*Low-populated areas are centres with population less than 50000

We have informal process to measure and understand the impact of our operations on communities before we enter/exit any locations of operation

#### **Improving access for disadvantaged people**

Initiatives that we have taken include providing Braille Keypad along with voice guided navigation at few of our ATMs. Initiatives planned for future implementation include, creating a ramp to facilitate wheelchair access.

## Brand Campaign

We have launched three new brand campaigns offering innovative and market first initiatives.

### Customer Responsiveness

What distinguishes the best customer-oriented organizations from the regular ones is going that extra mile to respond to customer needs. Our philosophy in this regard goes beyond **customer satisfaction** and **customer service** and emphasises on **customer responsiveness**. Our theme **Aapne chaha, Humne kiya** (we are responsive to your needs) reflects the same. The three new services launched by us this year (Choice Money ATMs, 365 Day Banking and Check on Cheque) are the outcome of our efforts towards embracing this theme.



### Choice of Money ATMs

This market first initiative provides the luxury to our customers to choose denominations of their choice at the ATM.

Post the launch of this service, there has been a note worthy increase in the number of ATM transactions and also an increase in percentage of off-us (Non- Customer) transactions.

### Check on Cheque

Scanned copies of cheques issued by the customer are provided to the customer as a value add for banking with us.

### 365 Day banking at select locations

This initiative has been launched at select locations to go that extra mile, to be available for our customers on all days.

Currently there are 34 locations offering this facility.

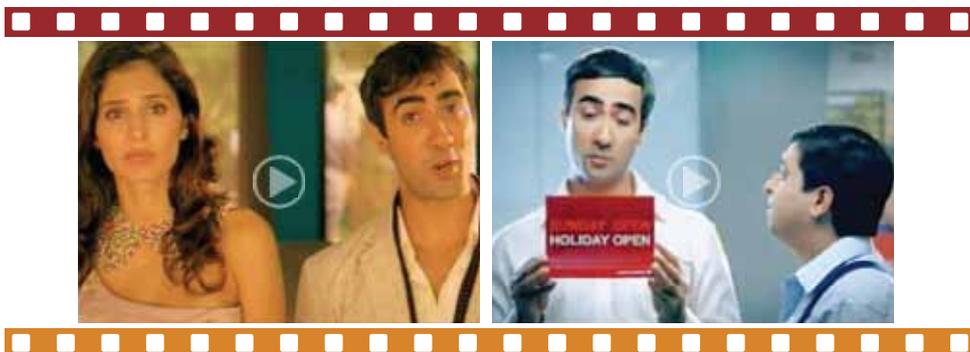


## Back Stage

All the three new initiatives launched have been communicated through an extensive 360 degree integrated marketing campaign. This multi media brand strategy involved four months of non-stop advertising campaign on TV, Radio, Outdoor, Cinema, Print and Digital medium.

### Codes and voluntary standards relating to marketing & communications applied across the Bank

- All communications are reviewed and approved by the legal and compliance departments before going into production to ensure it's fully compliant with regulatory/any other guidelines
- The creative agencies the Bank engages additionally ensures and cross checks that the communication is not derogatory in nature and/or does not hurt the sentiments of any particular community/s
- Model contracts are signed with the celebrity before the start of production
- Every Advertisement is reviewed and approved by the MD before its launch in the public space
- The representation of our logo on all signages, stationery, merchandising and other forms of communication is done as per the guidelines stipulated in the Bank's Brand Manual and suppliers & affiliates are also provided a copy of the same



# Climate Change and Financing Clean Energy



## Leadership Speak:

The Human Eco System consists of three essential components, Economy, Society and Environment. It is the supportive interaction of all three that will make this eco system sustainable. In the past, economic interests have taken precedence over both social and environmental interests, leading to exploitation of both the society and the environment. This created social issues e.g. child labour and environmental issues such as climate change and deforestation. Awareness of the impact of what we do is growing and now society has started to influence the economy in a way that is creating a more sustainable business environment. Governments too have started to put social and environmental interests at par with economic interests.

Banking is the hub of economic activity and a medium through which we can exert influence on businesses to become more aware of both society and environment. At IndusInd we take this responsibility seriously in the way we conduct our own businesses and in the way in which we deal with our clients, supporting those who follow good social and environmental policies and influencing positively those that still have a way to go.

We have, amongst others, supported the creation of 'Green' Infrastructure by financing Bio Mass and Wind Power Projects. We have through Microfinance Institutions financed more than 6,50,000 women helping them build a better future for themselves and their families. We will continue to build on these and seek out businesses that are economically viable and have a positive impact on society and environment.

It is our belief that those businesses that are socially and environmentally responsible are the ones that are sustainable financially and economically in the long run.

### **Suhail Chander**

Head, Corporate & Commercial Banking





## Leadership Speak:

The last few years have been testament to IndusInd Bank's unwavering commitment to sustainability. Through the financial crisis and changing political and regulatory environments, we have stood firm in our commitment to building a sustainable business as a bank, delivering value to our customers and shareholders while contributing to the communities in which we live and work. We passionately believe that by doing the right things in the right way banks can be powerful contributors to economic progress in societies, especially in an emerging economy like India.

While the primary mandate of the Financial Institutions & Public Sector Group is to manage and profitably scale up the PSU Business and FI relationships for the Bank, we see tremendous scope in contributing to the Bank's overall sustainability vision. We keep sustainability firmly at the core of our business model. As we see it, sustainability goes beyond philanthropy, beyond the notion of corporate social responsibility and beyond mere lip-service. We acknowledge the transformative impact that our actions can have on people and economies, by providing finance effectively and responsibly. At FIPS our endeavour is to contribute to the rural economy of India through multiple delivery channels. To this end, we have provided credit exposure of more than INR 1000 crores in the last one year to few of the biggest state fertiliser companies in India with the ultimate intended beneficiary being the poor farmers, enabling them to procure essential fertilisers at reasonable prices. We are also regular participants in the Govt. of India's Food Credit Programme implemented through approved Government Agencies wherein we fund purchase of food grains directly from farmers thereby helping sustain rural economy.

Any sustainability exercise cannot be meaningful without taking care to preserve the physical environment in which we live in and derive resources from. Rampant mis-use and wastage of precious natural resources have led to a fast depleting and fragile eco-system, which needs immediate preventive and concerted action. We try complementing our efforts towards these by serving as Bankers to premier Govt. Companies set up solely to promote Alternative/Renewable Energy Development, as well as companies which build/operate/maintain hydro-electric power projects etc. We continue supporting clients involved in earning and monetising Carbon Credits under Clean Development Mechanism of UNFCCC with plans to scale up Carbon Credit monetisation in the coming days.

Most of the existing PSUs were set up originally to address the growing needs of a vibrant economy in the pre-privatisation/liberalisation era. Being virtual monopolistic entities initially, these companies were quickly able to acquire a pan-India footprint in every important sector of the economy – be it petroleum, natural gas, coal, fertilisers, steel, power, infrastructure, trading, insurance etc. As bankers to these Maharatna and Navratna PSUs, we believe that we complement the eco-system that these entities have successfully built and continue to nurture. We are bankers to the nation's largest insurance companies, and are helping them to continually improve and streamline their business processes and serve millions of customers spread across remote villages. More efficiently by way of customised product offerings and services. We work with India's largest natural gas resources company, actively engaged in exploration and transportation of cheap and environment-friendly natural gas to domestic households as well as commercial enterprises across the length and breadth of the country.

**Sanjeet K Anand**

Country Head, Financial Institutions & Public Sector



## Leadership Speak:

It has today become fashionable for organisations to support a Green Cause - undertake an energy saving initiative or associate themselves with a socially uplifting charity drive. CSR is the new buzz-word, with every organisation boasting of a newly formed CSR division. However, when it comes to incorporating Sustainable Development in our core day to day businesses, the question invariably raised is – will the choice of clients and partners become detrimental to my business growth?

Our experience at IndusInd Bank Ltd. (IBL) over the last 2 years has proved otherwise. The environment is increasingly having a fundamental impact on both small and large corporate businesses. The nature and the scale of the impact has been so significant that ignoring environmental issues could considerably increase credit, compliance and reputational risks for the Bank. Every day we read of projects in industries like Mining, Power, Real Estate, Steel etc. facing execution delays due to environmental problems. In some cases their very existence is threatened due to environmental concerns. On the other hand, we have also seen mushrooming of several industries and business models that are built around and focussed on the opportunities in this space. These businesses are also seeing unprecedented growth with strong backing of the investor community.

At IBL, we have therefore tried to convert this into a profitable business opportunity by partnering with companies in this space. It has helped us develop expertise in certain new sectors, innovate products and win mandates in our areas of focus. A few specific activities are listed below:

Lending and investment strategy:

- Funding companies in renewable energy industries such as wind, solar, hydro and waste energy
- Long term project financing - Underwriting and syndicating project loans for the renewable energy industry
- Funding acquisition of first hand and second hand windmills
- Monetization of future cash flows for such projects including CER receivables
- Participating in core working capital requirements for these projects – cash flow financing

Development of new products that provide environmentally friendly businesses easier access to capital:

- Advisory business - Preparation of project reports, information memorandum, structuring of project debt / equity and building a robust business model for Waste Management and Wind Energy
- Raising of Private Equity investments in sectors like Water Management etc.
- Arranging mezzanine debt and quasi equity for projects in industries like Wind and Hydro projects which are capital intensive

The case studies illustrated below on deals successfully done by the Bank drive home the point, it is a profitable business for the bank; quantitatively and more importantly qualitatively. In the final analysis, given the compelling financial prospects and the social imperatives, we have to accept the fact that Green Banking is no longer an option. The question is no longer 'whether' but 'how'.

### Roopa Satish

Country Head, Corporate & Investment Banking

### 7 year project funding to Telecom Industry

To combat the increasing pressure on telecom companies for usage of diesel ; XYZ Ltd. has today become one of the largest portfolios of Green sites amongst all telecom / tower companies in India. Their initiatives are broadly classified into Green telecom equipment, Green design of passive telecom sites, through enhanced site sharing and power generation through Green sources.

- Active Equipment: There has been significant reduction in power consumption of active equipment from about 2.5kW to below 1kW per BTS
- Green Passive Configurations & Equipment: Investing to ensure that the passive infrastructure equipment is state of the art with the highest possible energy efficiency
- Green Energy Sources: Focused in bringing renewable energy sources like Solar, Wind, Fuel Cell, Natural Gas, Biomass and Geothermal to power telecom towers. XYZ has also initiated trials on PNG (Piped Natural Gas) and LPG (Liquefied Petroleum Gas) based generator to substitute diesel as energy source

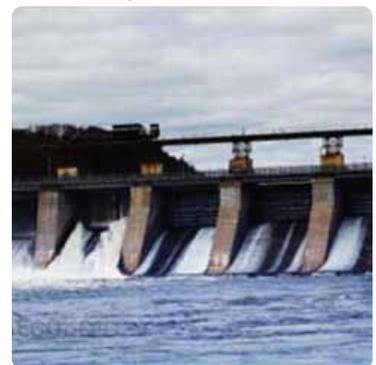
IBL has funded the company by way of 7 year long term loans.



### Funding of Hydro projects for a large infrastructure company

CCC Ltd. is involved in execution of 3 large hydro projects in Sikkim and Himachal Pradesh for over 690 MW. The company is a reputed player in the industry and IBL has funded the parent company for purchase of equipment and funding requirements of these projects.

IBL has funded the company by way of 7 year long term loans.



### Financing solar cell manufacturer

XXX is engaged in the business of Manufacturing of Photovoltaic Modules and Solar Panel like PVQ3 Series, PVQ3 Black Series, Eco Series, and Eco Black series. The cells in their modules are from industry leaders whose focus is on research and development and to provide quality cells. XXX is currently focusing on the German market which by far is the most matured and the biggest solar market in the world.

IBL has been selected as their sole banking partner and we have financed their growth requirements.



### Long Term Loan for environmental friendly construction materials

ABC Ltd is an important client of the Bank which is involved in manufacture of Autoclaved Aerated Concrete (AAC) blocks. These blocks offer considerable advantages over other construction materials in the following ways :

- Thermal efficiency reducing the need for heating and cooling in buildings
- AAC eliminates the need to be used in combination with insulation products, which increase the environmental impact and cost of construction
- Disposal of AAC waste is easy without causing environmental harm.
- AAC's light weight also saves energy in transportation. The fact that AAC is up to five times lighter than concrete leads to significant reductions in CO<sub>2</sub> emissions during transportation



### Financing wind mill acquisition

XYZ forayed into renewable energy generation business through the acquisition 2 wind energy companies in 2009 – IBL was the partner chosen for financing the acquisition, structuring and syndicating the funding requirements. The company now has a power generation capacity of 95 MW.

XYZ also moved towards CDM (clean development mechanism) project registration process with UNFCCC (United Nations Framework Convention on Climate Change) and got generation capacities registered in January 2011 & February 2011 that will help in the development of the project on one hand and sale of CERs (certified emission reduction) on the other.

Although the beginnings were modest the company is now confident of becoming a reasonably large player in the wind energy business and has plans for adding upto 500 MW of wind energy capacity by FY 2015.



### Funding Waste Management Service provider ; with innovative technology for conversion of waste into energy

PQR is a pioneer in Waste Management in India and the only player owning biomedical waste disposal facilities, hazardous waste management facilities and municipal solid waste management facilities across multiple states in India. They have won several awards for their pioneering work in this area.

IBL has funded the company for their growth and has a strong relationship with them and is invited when they win new projects for their funding requirements.





## Leadership Speak:

### Sustainability vision statements of Global Markets Group

It is important (and critical) for any organisation to set up sustainability vision strategies to deliver consistency in performance; responsibility to stake holders and well being to society at large. Given the brick and mortar set up of any organisation; evolvement of strategies should begin at units and sub units' level for aggregation at organisation level. The strategies also involve delivering to the expectation and satisfaction of internal and external stake holders.

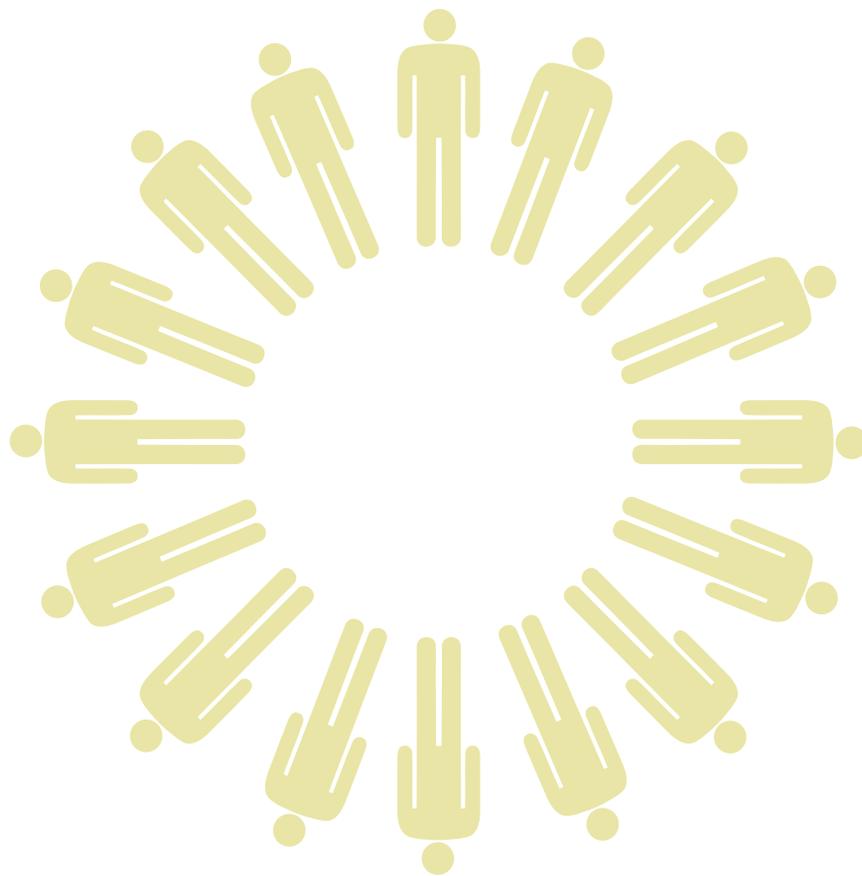
The sustainability theme of GMG revolves around delivering market information; intelligence and knowledge to clients for efficient management of market risks involving liquidity; interest rate and exchange rate. The back end responsibility is in engaging internal stake holders to set up systems and processes for efficient management of operations and compliance; higher efficiency in housekeeping improves product delivery capabilities. Therefore, the agenda is to stay responsive to client needs and upgrade internal capabilities to provide best-in-class services and solutions.

The unit operates in dynamic market environment where time and quick execution is very critical for success. The essentials are reaching out to clients on time; quick delivery of strategies and cost (and time) efficient execution standards. The delivery standards are linked to the needs and status of clients so as to ensure optimum usage of time and mind bandwidth of the work force.

The unit recognises the need to achieve consistency in client coverage and higher wallet share to upgrade sustainability standards; hence the aspiration to deliver responsive customer delight.

#### **Moses Harding**

Head, Global Markets Group



## Business – Society Relationship

### Business – Society Relationship

Despite India's economic growth, the society is still plagued with sustainability challenges of poverty, illiteracy, unemployment, migrations especially in the semi-urban and rural regions. Through our accessibility in these regions and the wide reach of our products & services we wish to address these issues and work towards betterment of society.

### Driving Socio - Economic Growth

India being a developing country, the automobile segment plays a vital role in economic growth. Commercial vehicles are involved at every step starting from the transport of raw materials to finished goods and also transport of people.

The completion of the Golden Quadrilateral, a highway network connecting India's four largest metropolises: Delhi, Mumbai, Chennai and Kolkata in February 2010 provided the much needed connectivity of 5766 km, which in turn increased the demand for commercial vehicles exponentially.



## Truck Financing

Vehicle finance was the forte of the unorganized sector and the Non Banking Financial Companies (NBFC) till the 90s. The entry of private and public sector banks in this space in the late 90s, has enabled the availability of low cost finance to the end customer even in the semi urban and rural regions, fuelling the journey towards development in these areas of low economic growth.

When land fragmentation had left many unemployed in the rural and semi urban regions, availability of truck finance provided them the option of self employment while also injecting in them a pride of ownership. This also enabled better pricing for agri - produce due to increased connectivity to markets.

## Customer Engagement – Consumer Finance

A key aspect of our relationship with our customers is the time we spend interacting with them at their work places/homes and at the Bank. The interactions are informal and personal. Our efforts are always directed towards understanding their requirement and their financial ability based on which we propose and educate them on the varied finance options. The Bank's staff engaging with customers develop a personal rapport with each of them making the relationship long term and ensuring repeat customers. In most cases we have seen that our customers voluntarily market the loan products of the Bank by 'word of mouth' and believe that by doing so they help the other members of their community to benefit just as they did.

This is a story of one of our customers Sidram\*, who is a native of Balsur from Osmanabad district. The village as such lies in a low economic activity zone. The natives are essentially truck owners by occupation. In order to increase the income generated from their truck, they personally run the vehicles thereby reducing the associated costs. When Sidram first visited the Bank he owned a small strip of agricultural land and a small house. He became a periodic customer of **Truck Financing** which helped him gradually acquire sizeable agricultural lands and become financially sound. The Bank staff interacting with him recognized that he had good business sense and capability, based on the efficiency with which he operated his trucks and supported him for all his finance requirements. He till date acknowledges the Bank for providing him financing during early stages of his transport activity. Having been associated with the Bank for a long period, he has developed a sense of belonging and loyalty towards the Bank to the extent that he assists in the collection activity for all the contracts initiated under his guarantee and has been influential in adding more than twelve truck and three wheeler customers in the last 2 years.

### Reach and Impact of Consumer Finance – A Snap Shot

Total Value of Business (INR)	11589 crores
**Value(%) of Business - SRTO <sup>1</sup>	39.36%
**Value (%) of Business – Agri	15.43%

SRTO<sup>1</sup> indicates funding to Small Road Transport operators whose investment in vehicles is < INR 2 crores and agri indicates loans granted to agriculturist (vehicles funded to them) or where vehicles are used for transport of agri product. Both these categories qualify as priority sector advances.

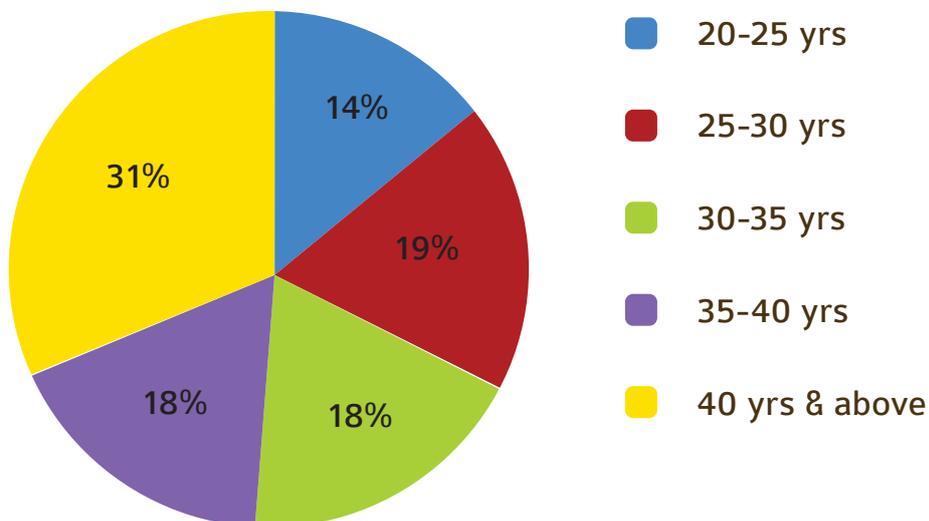
\*\* Indicates the % on total loan book of Consumer Finance Division.

**Our two wheeler financing options have helped many female customers in building their business and creating an identity for themselves in the society.**

In India two wheelers have specifically helped women by making the commute between their homes and work places quicker and comfortable. They play a major role in supporting women fulfil their household responsibilities and also engaging in income generating activities. Mrs. Sita\*, a widow who runs a hotel business in Ranchi is one of our many female customers who has benefitted from the Bank's two- wheeler finance. She has completely repayed the loan taken on her first two wheeler and has now availed a loan for another two - wheeler. She is thankful to the Bank for providing her the loan and believes that the two - wheeler played a significant role in improving her business and has helped her to become financially independent.

Mrs. Devi\* hails from Virudhunagar district in Tamil Nadu and is an insurance agent by profession. Her business was severely restricted owing to her mode of commute which required daily travel by public transport. Through the finance made available by the Bank she purchased a two-wheeler which enabled her to dedicate more time towards business growth. She was able to repay the entire loan amount on time and also additionally set up new ventures. The timely support and finance options she received from the Bank helped her manage and grow the business. There has been a significant improvement in her financial & social status and recently she has approached the Bank for a new car loan.

### Two wheeler loans - Women Customers



### **Enabling Reach to Markets for Farmers**

Three wheeler commute is one of the predominant modes of transport in India, which has revolutionized low cost intra city transport and is very popular in both urban and semi urban regions. The borrower age is ideally in the range of 20-25 yrs thus making the youth in those regions financially independent at a very early stage. This also provides a self - employment generation opportunity to youth who are school drop-outs or are uneducated ones thus preventing them from going astray.

What makes this viable to these customers who are financially challenged is that the Bank does not require any collateral or security to finance these vehicles.

### **More than 2 lakh customers have benefitted from the three - wheeler financing since 2003**

This is a story of Kumar\* hailing from Tamil Nadu who is one of our many young customers for the 3-wheeler financing. His father is a farmer by occupation. Kumar was concerned about the lack of facility for his father to transport farm produce to the markets. Kumar approached the Bank to finance the purchase of a 3 - wheeler vehicle. Through this, Kumar has been able to generate returns on his father's farm produce while also being able to pay all installments on time.

### **Flexible Loan structuring to help customers build Sustainable Livelihoods**

We acknowledge that being a Bank, we also cater to customers from economically disadvantaged groups and take special care to address the associated social aspects wherein we structure loans to enable customers in aligning their repayments with the income generated from their business while also not compromising on their basic household needs.

This can be ideally observed in cases of our customers who are mining contractors. Mining activity comes to a total standstill during the monsoon season as the mines get flooded. Hence during this period, the installment commitment of the customers is kept nominal to enable them meet repayment requirements without being burdened.

### Customer Story- Loan re-structuring

Mr. Kabeer\* from Hubli is one of our many satisfied customers who has benefitted from the above initiative of the Bank which allows for restructuring of the monthly installment on a genuine request from the customer.

Kabeer is a truck owner and a '4 - wheeler finance' customer. He deploys the vehicle for mining business which is affected during monsoon seasons .The monthly income of Mr. Kabeer is in turn affected making it difficult for him to pay the monthly EMI and support his family. Hence he approached us with this concern and requested a reduction in the monthly EMI from INR 35,600 to INR 25,000 during the monsoon season. This flexibility we offered enabled Mr.Kabeer and many others like him to build sustainable livelihoods and pay monthly installments on time without feeling over burdened.

All credit proposals undergo assessment on social and environment risks which are included as part of evaluation parameters during site visits. Details on social and environmental impact of the activity towards which credit is sought is documented and reported.

For example, if we are funding a construction equipment to be deployed against a mining work order, we assess and verify whether these projects have necessary environmental clearance and that there is no unrest/objection from the local communities with respect to the project.

Regular monitoring of our clients implementation of compliance with agreed environmental and social requirements is ensured as we are in constant touch with them for collection of monthly installments. Also our local marketing/management team at the branches are fully aware of the happenings in their respective local communities which enable them to be apprised of any environmental/social issues concerning the work orders against which our vehicles/equipment are deployed.

## Know your Customer

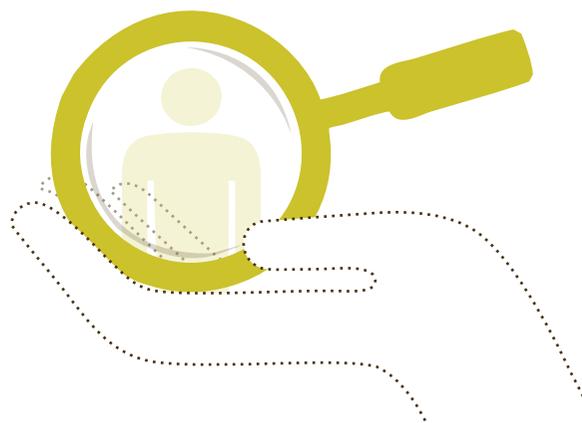
The Bank's staff invests a lot of time and effort in understanding and knowing a customer before financing them. But we do face scenarios where customers are unable to repay the financed amounts and request for additional time. In such situations, we respond on a case to case basis and provide the required support for genuine customers to enable them to repay without the contract slipping into a Non Performing Asset (NPA).

### Customer Story – Banking with a humane touch

Mr. Ramesh\* is one of our existing 'credit worthy' customer for 'Earth Moving and Construction' equipment. We had earlier financed 'used' construction equipment for him and had received all installment on time. He sold this equipment and procured new equipment (again financed by us), post which he suddenly took to heavy drinking and did not concentrate on his business leading to heavy losses and was unable to pay the dues. At the same time, he was hospitalized for de-addiction treatment and was admitted in a critical stage where he underwent a major surgery on his liver. In these conditions, his family sought time from us for the repayment.

We at all times empathise with our customers with genuine problems and offer them the necessary support to overcome their issues. In this case, we believed that the situation demanded a humane approach and we accepted the customer's request.

Two months after surgery, Mr. Ramesh\* focused on his business and started paying installments regularly. He also managed to clear all the overdues in full and is thankful for the Bank's kind gesture and timely consideration & support.



### **Building entrepreneurs amongst the local masses in areas of low economic growth supporting them in becoming self reliant**

Even today, many semi urban and rural locations in India lack the necessary facilities to provide quality education, because of which these regions have an increased number of school drop-outs and jobless youth. Our 3 - wheeler and 4 - wheeler financing help these youth become entrepreneurs by engaging them in income generating activities thereby providing the necessary resources to establish a livelihood for themselves.

#### **Empowering Youth**

Mr. Harish\* from Bijapur is a customer, who runs a small photocopier shop for his livelihood. He was concerned for his brother who was unemployed and was getting into bad company. He approached the Bank for a loan on a passenger vehicle. After understanding the customer's background and need, we sanctioned the loan. His brother started operating the vehicle and as it had excellent viability, he was able to repay on time and close the loan. The income generated from the first vehicle encouraged the customer to expand his business by procuring three more vehicles (which were again financed by the Bank). This further strengthened his financial ability helping him set up a new and bigger photocopier shop - engaging three photocopier machines while also helping his brother establish a livelihood for himself. He is appreciative of the support offered by the Bank and has brought in many more customers through word of mouth publicity.

**In commercial segment, which includes all vehicles/equipment for commercial purpose, 60% of the business is repeat business from customers/customer group/customer referrals.**

\*Names Changed for confidentiality reasons

### Socially Responsible Banking

The Bank finances clients engaged in manufacture of cut and polished diamonds in the Gem & Jewellery Sector. This industry worldwide has been facing issues related to revolutionary and anti social groups controlling some diamond mines and consequent money laundering as well as engagement of child labour in mining activities in unhealthy working environments. Primary social risks associated with this sector include, dealing in conflict diamonds, employment of child/forced labour and labour subjected to inhospitable working environments.

As part of our Sustainability Initiative, we are committed to support only those diamond manufacturing companies which -

1. Do not deal in conflict diamonds
2. Do not employ child labour
3. Maintain a healthy environment in their facilities in conformity with applicable laws

To this end, the Bank makes it mandatory for all Gem & Jewellery segment borrowers to furnish a written confirmation that the entities are fully compliant with all of the above criterias.



### Insuring a sustainable future for our customers

Our long-term commitment to enhance the economic & social status of individuals/firms and support human development guides us on offering products and services which deliver social value. The wealth management division of the Bank offers customised solutions that include Life Insurance proposition of term insurance, endowment and market linked return plans from AVIVA Life Insurance Company and Accident, Health, Liability, Marine, Motor, Property, Travel & Rural Insurance for individuals as well as corporate customers in association with Cholamandalam MS General Insurance Company Ltd.

Life Insurance	Beneficiary Type	No. of customers
Life insurance since 2007-2011	Women	27,734
Life insurance since 2007-2011	Men	91,450
Life insurance since 2007-2011	Customers above age 60	4,484

#### Case Study: Offering philanthropy oriented mutual fund products of our partners

One of the mutual fund products of our partners which we offer is a Debt Fund for Cancer Cure delivering a unique social value.

Over the years, cancer has become one of the most common non-communicable diseases in India. It affects a million people every year and kills nearly 6 lacs each year. However, if detected early, cancer could be cured. The high cost makes it unaffordable to most people in India. Adequate financial aid would help in saving many lives by providing support to these patients to complete their treatment. Unique aspects of this scheme include:

- Mutual fund investment allowing contribution towards a visible social impact
- Action driven
- Capital protection oriented income scheme
- Integrating investments with philanthropy

## Supporting the Economic Backbone by providing banking services for SMEs



### Leadership Speak:

Sustainability, as the word indicates, is the ability of an ecosystem to endure and survive through the test of times. For humans, it simply means, our potential for long term sustenance of well being through alignment of environmental, social and economic dimensions. Needless to say, any economic growth that does not respect the other dimensions is not sustainable. No wonder, environmentalists argue that the economic growth had taken its toll by way of a degraded environment which could pose a dangerous threat to sustainability. One could not agree more, looking at the fast disappearing forest tracts, land erosion, soil degradation, and excessive use of fossil fuels, disappearing water tables and what not!

So to put it simply, sustainable economic growth is the one that meets the needs of the present without compromising the ability of the future generations to meet their own needs with dignity. The history of civilizations gives us glaring examples of how human dominance of ecological systems and abuse, led to the consequent extinction of some of them. So it becomes an absolute responsibility of all of us as an integral part of the ecosystem to be sensitive to the use of biophysical resources. Careful resource management should be the 'mantra' and be applied to economic sectors like manufacturing, agriculture, work organisations and also to the consumption patterns of households and individuals.

So it is rightly said "**Business can't succeed in societies that fail**". We need to therefore, look into with far more seriousness, the type and amount of resources used for production, consumption and for delivery of goods and services, from the perspective of improved economic management. Infact the **Upanishads** speak about "**Resources are given to mankind for their living. Knowledge of using them is necessary**". How true? So let's think about using, new product designs, and appropriate technologies that make economic growth consistent with sustainability. Promoting efforts that save on fossil fuels and use renewable energy, management of urban waste, recycling of materials, use of bio-fertilizers, Jatropa based bio-fuels, Neem based insecticides, green buildings, energy savers in homes and offices, electric urban transportation systems, herbal medicines, promoting cropping patterns and land use that preserve soil fertility, cycling... the initiatives are countless. What we need is a decisive step towards seriously taking them forward. Who takes the first step? "**Vasudaiva kutumbam**" –"the whole world is a family," say the ancient scriptures. So it can be you, me and all of us together. We as a bank already took firms steps in this direction, by not only implementing eco-friendly systems internally, but also consciously supporting the initiatives of the industry and business in their efforts towards economic growth that aims to go hand in hand with sustainability.

**Sanjeev Anand**

Deputy Head, Corporate & Commercial Banking

SMEs are a major contributor to the economic development of our country. They play a very significant role in maintaining a balanced and sustainable growth of the economy, through employment generation, development of entrepreneurial skills and contribution to export earnings.

### Customer Stories:

Supporting **environment conscious** manufacturing

XYZ\* is one of the most environment-friendly manufacturers of newsprint (NP) and writing & printing paper (WPP). It is the largest manufacturer of newsprint in India with a total installed capacity of 1,45,000 TPA. Its paper production process uses recycled waste paper as raw material inputs thereby eliminating the need to use virgin fibers or pulp. It is also the lowest cost newsprint manufacturer in the world. The Company provides a pollution-free ambience in its plant locality treating suspended dust particles released during the manufacturing process. As a result, plant emissions have declined well below the statutorily acceptable levels. We have sanctioned a term loan to the company to primarily fund the capital expenditures undertaken.

### Enabling access to Quality Education

We are the sole Banker to a **Trust** which runs a chain of schools in Gurgaon and Jaipur. The schools operated by the Trust impart schooling to more than 7500 students and also caters to outstation students from smaller towns and rural areas around Gurgaon and Jaipur by providing hostel facilities. The **Trust** is expanding the school at Jaipur to add more classrooms. We have financially supported them in this venture post which the school has the capacity to accommodate 380 additional students.

### Supporting customers in setting up affordable Health Care Services ventures

This company specialised in eye care and has set up a network of approximately 84 eye care centres across south India. The network is slated to expand to 150 over the next 2-3 years. The company is currently the largest Eye Care chain of hospitals in the world. The company's USP is their quality care for eye patients delivered in a highly ambient environment with quick turnaround times.

The company has enabled the reach and access to quality eye care services, which was the domain of a few specialised hospitals, by expanding its network to tier II and tier III cities. This has reduced the need for patients and their families to travel to distant locations for treatment. The company also enhanced awareness among people through advertising campaigns.

The business model is a huge success with each centre breaking even financially in less than 6 months. The company is also stepping into a similar delivery model for Dental Care and plans to set-up 50 such centres over the next 2 years. The management is currently focusing in the southern regions. They would like to consolidate their operations before expanding into other geographies.

We have a term exposure with this client and are their principal bankers. We have also syndicated some long term funds for the company. We additionally enable the company to manage their day to day cash at all their locations through our efficient cash management system.

Value (in INR Crores) of products and services offered to SME*	<b>4489.38</b>
Value (%) of Business offered to customers in health care sector	<b>9%</b>
Value (%) of Business offered to customers in environment sector	<b>9.2%</b>
Value (%) of Business into Microfinance Institutions	<b>4%</b>
Value (%) of Business offered to customers in education sector	<b>2%</b>

\*Companies with turnover ranging from INR 25 crores to INR 1,000 crores.

### Priority Sector Lending - Warehouse Receipt Finance

The Bank as a part of the priority sector lending, is actively engaged in Warehouse Receipt based commodity finance wherein we lend money to farmers, processors, mills, exporters etc. who deal in commodities viz. paddy, mustard, soya bean etc. This helps the borrowers in managing the seasonal risk, price fluctuation and timely availability of credit, to plan their funds basis commodity cycle.

### Financing Small Enterprises - Generating Employment Opportunities

#### Customer Story

XYZ\* is a company engaged in the manufacturing and trading of woven fabric. The firm has manufacturing facilities such as open end spinning, warping & sizing of yarn and weaving using semi automatic power looms. They have been banking with our Avinashi Branch since the inception of the branch, when we originally sanctioned a 10 lakh limit in the year 1998.

The proprietor is a self made man. He was employed as a loom operator/mechanic in Avinashi town from a young age and later went on to set-up his own facility with two power looms. His firm is presently equipped with open end spinning of 6 frames of 240 rotors each (1440 rotors), warping & sizing unit for yarn and 24 semi automatic power looms of 60" width. The firm now enjoys a total facility of 2.82 crores. We are his sole bankers from past many years and he is working diligently towards achieving higher turnovers and growth. He considers the Bank as his lucky mascot in this journey.



He is proud of his thriving business where he employs 100 people and has even set-up staff quarters for workers from distant locations to enable decent living conditions for them.

\*Names changed for confidentiality reasons.

## Innovations in Direct Banking

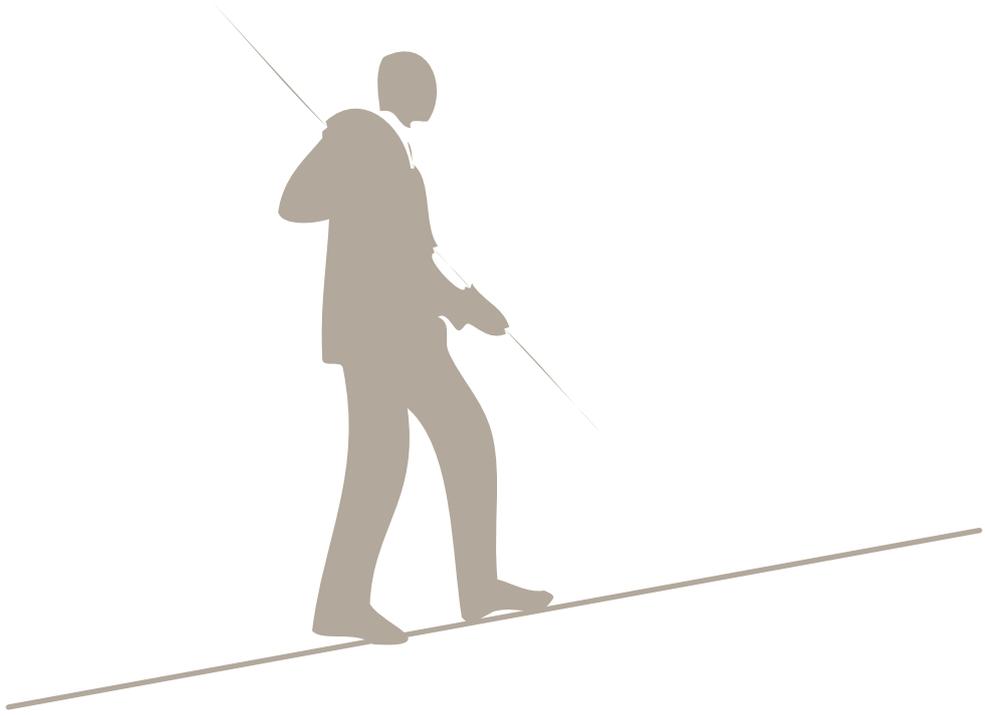
### Mobile Banking

A new Direct Banking channel is being introduced via the Mobile Banking platform. IndusMobile would offer five channels suiting the needs of each customer. Depending on customer's comfort and type of mobile equipment, a customer can choose any of the channels below.

- a) Command Based - Normal message box based functionality where customer is able to perform all basic Banking transactions and Payment transactions
- b) Wireless Application Protocol (WAP) - This is a mobile browser version of the IndusNet website which can be accessed by any GPRS enabled phone
- c) Application - Customer can download and install the application and use the full suite of functionalities available on the system. All transactions including high value (within RBI prescribed limits) transfers and payment can be done using this medium
- d) Unstructured Supplementary Services Data(USSD) - This is a telecom operator based channel and can be used by a customer who does not have GPRS available in addition to the Command Based and App version
- e) Interactive Voice Response(IVR) - Funds Transfer and Bill Payment transactions would be eased by IVR based transactions

### Security

Channel wise limits have been implemented. There are strict RBI guidelines advising a limit for each transaction type. These limits are being adhered to. Only registered mobile numbers can have access to mobile banking. There is two factor authentication incorporated for most high value transactions.





## Leadership Speak:

Corporate Social Responsibility - the notion that a Company's responsibility stretches beyond its shareholders is now no longer the preserve of oddball flag waving activists. As a matter of fact it has now become very much mainstream. The phrase, Triple Bottom Line, has now gained wide currency. The first bottom line is the traditional measure of corporate profit. The second, it's people account or how socially responsible it has been. And the third, its planet account or how environmentally responsible it has been. While, intuitively, the idea of doing well by doing good is appealing, only through a rigorous measurement and reporting of CSR efforts will a company be able to judge for itself whether it is measuring up and whether it is adding value.

This evolution is not unlike what risk management in banks has gone through in the last few years: identification, measurement, aggregation and finally mitigation.

Risk management at IndusInd Bank aims to make sure that the businesses that the Bank takes exposures on measure up to the same standards that the Bank sets for itself: responsible, honest and environmentally caring. And in our own way preserve the reputation of the Bank.

### **K S Sridhar**

Chief Risk Officer

### **One of the pillars of Sustainability- Risk Management**

Risk Management Department is responsible for identifying, measuring, monitoring and controlling risks across our business units, encompassing credit risk, market risk and operational (including asset - liability management) risk, and ensuring functional independence of our business units. The head of the department reports to our Chief Risk Officer who in turn reports to the Managing Director and Chief Executive Officer. There are separate committees for asset liability management, credit risk management, market risk management and operational risk management, which review our risk management policies, our risk appetite, exposure limits, risk values and make recommendations. The department is responsible for determining the amount of capital to hold against each class of our assets, for undertaking stress tests to evaluate the strength of our portfolio and for ensuring compliance with applicable regulations. Policies are periodically reviewed and revised to address changes in the economy, the banking sector and our risk profile. We have policies on credit risk, bank risk, country risk, market risk, asset - liability management, operational risk and business continuity planning. Our internal capacity adequacy assessment policy addresses material risks faced, the control environment, risk management processes, risk measurement techniques, capital adequacy and capital planning.

**Risk management practices aims at pro-active management of associated risks and maintaining them within a defined risk appetite while also supporting the pace of fast business growth of the various segments.**

## Risk Organisation

Credit Approval & Monitoring	Credit Risk Management	Market Risk Mgmt & ALM	Operational Risk Mgmt	Fin Restr & Reconstrnn	CQA & Loan Review
Credit Appraisal / Approval Process	Risk Rating Models revised and benchedmarked against external rating	Pro-active Monitoring of risk & exposures	Risk and Control Self Assessment (RCSA)	Separate Group monitors NPLs	Quality check on entire credit process
Credit Standards Tightened	Basel II implementation	Daily Valuation	Key Risk Indicators (KRIs)	Account - wise Monitoring & recovery mechanism	Tracking of credit rating
Credit Admin reinforced and centralised in hubs	ICAAP	VaR & PV01 Based Limit	Loss Data Collection		Tracking of portfolio quality
Early warning signals/ Exceptions tracking	Stress Testing	Online Monitoring of risk parameter	Risk Profiling of Branches		
Enhanced monitoring mechanism	Portfolio Mgmt & Credit Quality Monitoring reinforced	Liquidity Gaps Monitoring - Daily	Operational Risk Assessment Process for New Products		
		Parallel Monitoring of intra-day liquidity position	Business Continuity Plan (BCP)		
		Duration based gap approach			
		Stress testing for liquidity, interest and foreign exchange risk			
		ALM system			
		Fund Transfer Pricing (FTP)			

**Credit Risk Management:**

- Robust system for computation of capital charge towards Credit Risk, Market Risk and Operational Risk. Collateral optimisation for optimum capital charge and Audit check
- Comprehensive Obligor Credit rating framework for each borrower segment. Internal ratings in line with external ratings
- Comprehensive Credit Portfolio Management Analysis
- Monitoring Concentration Risk on - Industries, Products, Geographies, Borrower Segments. Computation of Herfindahl - Hirschman Index(HHI)
- Stress Testing - Credit Risk under multiple scenarios
- Comprehensive Credit Risk Management policies
- Comprehensive ICAAP framework
- Internal Rating Based Approach - Framework put in place for
  - Corporate Portfolio - computation of Probability of Default (PD), Loss Given Default(LGD), Exposure at default (EAD)
  - Retail Portfolio - computation of PD, LGD using statistical tools for building homogenous pools

**Market Risk Management:****State-of-the-art Treasury system supports straight-through processing**

- Multiple systems for pricing Derivatives for competitive pricing
- Comprehensive market risk Measurement and Monitoring framework - Limits structure for Fixed Income, Forex, Derivatives and Equity portfolios for position limits and risk limits at Portfolio and Sub-portfolio levels. Monitored on-line with pop-up/alerts for exceeding
- Pro-active monitoring of exposures (what if analysis)
- Mark to Market of Fixed Income, Forex, Derivatives and Equity portfolios daily
- Sensitivity risk values, PV01 and Value at Risk (VaR) monitored daily
- Mark to Market of derivatives of corporate daily and Statement sent periodically
- Stress Testing- Liquidity, Interest Rate risk, Forex, Derivatives
- Internal Model Approach software finalized Besides optimisation of capital charge on Market Risk, computes VaR under normal & stressed scenarios, Back Testing and Credit Value Adjustment(CVA)

## IBA Technology Awards 2010 - Runner up for the Best use of Technology in Risk Management in Private Banks Category



### Asset Liability Management:

- Robust ALM system- Structural Liquidity report based on cash flows generated daily
- Computation of Interest Rate Sensitivity - effective interest rate risk management
- Computation of Interest Rate Risk in the Banking Book (IRRBB) for impact on Market Value of Equity by a given interest rate shock, computed periodically
- Transfer pricing mechanism based on Matched Maturity, Matched Duration and Matched Cash Flow principles
- Simulation of various market scenarios assisting in taking pro-active measures

### Operational Risk Management:

Operational Risk Management functions have been reinforced with following:

- Qualitative and Quantitative requirements in place for adoption of Standardised Approach (Test run carried out)
- New Product Programme approval process through Operational Risk Assessment Process (ORAP)
- Risk and Control Self Assessment to ascertain residual risks and effectiveness of existing controls
- Corporate Loss Data analysis
- BCP/DR (Business Continuity Programme / Disaster Recovery) framework for all critical activities
- Standard Operating Procedures provides operating instructions and reinforces control processes
- Process Adherence and Quality Assurance system
- Workflow and Imaging System (IworkS) implemented for Account opening, Expense processing, Trade finance, Third party product sales, Assets procurement, HR Processes, providing cutting edge process monitoring & compliance and real time access to documents in digital format
- Centralised and automated off-site surveillance of branch operations
- Robust Anti Money Laundering System
- Advanced Measurement Approach: Modelling of operational risk based on internal loss data calibrated with external data and scenario analysis initiated. Appropriate probability and severity models being explored

**We have re-structured our Risk Management Department by unifying all risk classes through an Integrated Risk Management approach. Our policies and Risk Management practices help us address the precautionary principle.**



# Nurturing a High Performance culture

**Goal**  
Alignment

**Human Capital**  
Planning and Recruitment

**Integrity and Ethical Conduct**

**Talent**  
Assessment and Development



## Employee Relations

### Hiring the right and best talent

To ensure organizational effectiveness the HR function continually assesses the Bank’s talent needs and plans ahead to cater to future requirements. At IndusInd, emphasis is laid on hiring quality manpower in a timely and cost-effective manner in line with business demands. As our present major locations of operations are restricted to India, we do not have policies pertaining to local hiring, the process of selection is purely based on merit and we hire only full time employees. We are presently **7008** employees strong with a substantial increase from 5383 employees in FY 2009-10. In addition to this we have 1338 employees hired on contract basis, working across different offices/branches of the Bank.

ZONES	Total Employees FY 2010-11	Female Employees FY 2010-11	Total Employees FY 2009-10	Female Employees FY 2009-10
North Zone	1,320	270	1,170	232
South Zone	1,198	249	984	216
East Zone	753	110	522	92
West Zone	974	262	263	70
Corporate	1,069	274	1,093	328



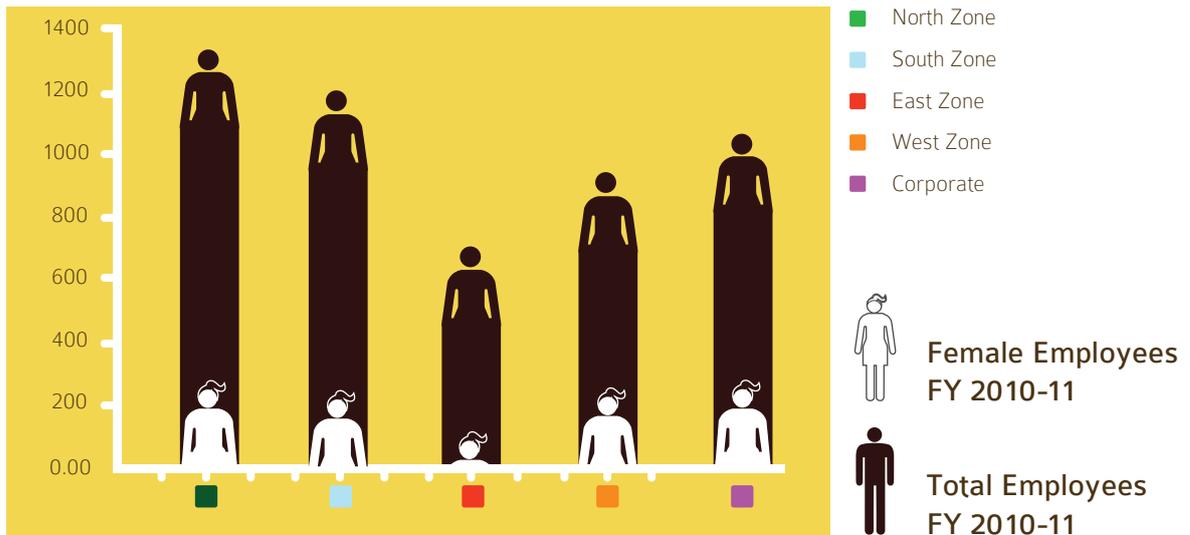


## Leadership Speak:

The consistent growth which we have witnessed quarter - on - quarter is the result of the dedication, innovation, efforts and lively spirit of our employees. The Human Resources (HR) Function in the Bank is committed to enabling a work culture defined by shared values, competencies and personal attributes that would bring out the best in our employees for goal alignment and achievement. From a sustainability perspective, managing employees, identifying issues and understanding their expectations are key to our business success. We have already taken several steps towards becoming an **employer of choice** and have seen encouraging results in terms of increased number of quality professionals joining us from reputed, peer Indian / MNC banks. Many of the profiles we receive, mentioned "**positive word-of-mouth feedback**" from existing employees, as the reason for their interest to work in IndusInd Bank.

### **Zubin Mody**

Head, Human Resources



Employee Distribution by Age:

Age Group	Regular	Contract
<b>Male</b>		
22- 30yrs	1,753	962
31-40yrs	2,038	366
41-50yrs	261	10
51-55 yrs	56	0
Above 55	33	0
<b>Female</b>		
22- 30yrs	695	326
31-40yrs	413	52
41-50yrs	61	2
51-55 yrs	3	0
Above 55	1	0

Composition of Governance Bodies (CET)	Number
Male	12
Female	0
Age <35	0
Age >36 and <45	2
Age >46 and <60	10

## Infusing Values and Culture

Our recruitment team is conscious of the importance of maintaining diversity and ensuring an **inclusive** recruitment process thereby offering an enriching work experience to employees. We believe that this inclusive culture coupled with a diverse workforce can drive innovation and create partnerships built on trust with customers, suppliers and other stakeholders thus contributing to the success and sustainability of our business.

We are committed to provide fair and equal opportunity for all employees, and recognize that every employee's unique background and experience contributes to the growth of the Bank. Our ratio of women to men is approximately 1:4. We are working towards enabling a healthy male-female ratio and this year have increased our female staff by two hundred and have female representation in senior management roles of key business units. Additionally various initiatives have been taken specially to address concerns of female employees, to make the workplace hassle free and conducive to women. Ranging from aspects related to growth opportunities to monetary compensation we ensure that women are treated on-par with men.

We offer a work environment based on respect and equality where employees are provided **Freedom of Association**, though we do not have any formal forums. We strictly prohibit any offensive conduct directed at person's race, colour, gender, disability, age, religion, ancestry, marital status, or any other criteria. A special anti harassment committee has been formed this year comprising of six women employees specifically to address and mitigate situations of harassment.

We strive to ensure a safe and healthy work environment for every employee. Our wellness initiatives like specific awareness sessions, ergonomically designed work spaces and medical facility help employees stay fit. We have a doctor visiting our corporate office and other offices in Mumbai, who is available for consultation for employees at that location.

To facilitate inclusivity of differently abled employees, we ensure a non - discriminatory work environment, by providing the necessary infrastructure facilities to assist them perform their daily tasks normally. The Bank has on its rolls, four employees with disability, varying from cerebral palsy to partial vision. It is important to note that, these differently abled employees, have crafted their respective careers on their own merit and have been given no special concessions with respect to recruitment and career opportunities.

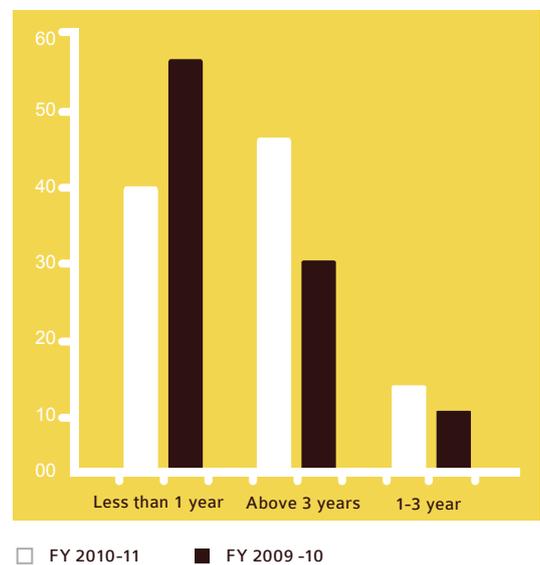
**Mr. G.J.Siddharth is one of the differently abled employees at IndusInd Bank. He is a qualified executive and has done graduation in Commerce (B.Com) and post graduation in Economics (M.A). He has completed C.D.C.S (Certified Documentary Credit Specialist) from Institute of Financial Studies (IFS), U.K. Currently, he is Associate manager in Trade Operations and is a re-certified documentary credit specialist at the Bank.**



Mr. Siddharth Jayakumar, Asst Manager, IndusInd Bank at the TN Disability Conclave organized by CII on 17th and 18th December 2010, at Chennai.

This financial year saw an improved economic performance in the Indian market post last year’s slow down, creating a robust job market and high salaries leading to a turbulent competitive employment market. This resulted in increased attrition at the Bank from 23% for FY 2009-10 to 27% for FY 2010 -11. A major break apart of attrition occurred at the junior levels with minimal attrition at senior positions. Though undesirable, the junior level attrition is an industry phenomenon and has become an expected behaviour in the present market situation. Attrition trend has been commonly observed among employee groups in high pressure roles and those aspiring for higher studies. Nevertheless, retaining employees by offering competitive and attractive career growth opportunities is a key element of our Sustainability Development plans specific to the Human Resources Department. In this regard, we have taken some special initiatives towards maintaining and offering healthy work-life balance by incorporating five day work weeks at few of our offices and reiterating the policy that encourages employees to leave office on timely hours.

Attrition Trends		
Years of experience	FY 2010-11	FY 2009-10
Less than 1 year	39%	57%
1-3 years	46%	31%
Above 3 years	15%	12%



## Investing in employee training and development

Our approach to employee skill development is through a combination of **on the job** experience, performance feedback, informal knowledge sharing and formal training sessions. A large portion of the skill development of our employees occurs from their daily work experiences. Healthy feedback from managers and peers help them hone their skills. In addition to this, we provide employees numerous training and skill development opportunities through both traditional class room training sessions as well as established comprehensive online training models.

This year we have launched a new Online Induction module “Welcome to IndusInd Bank” where every new employee or an existing employee can access an e-induction module and learn more about the Bank through a **self-paced** and **self-directed** approach. We believe that, the module’s comprehensive, user-friendly narration will offer valuable information about the Bank, its business divisions, products, services, key achievements etc. This would help in bringing a standard, consistent understanding of the Bank amongst all employees, irrespective of their departments, grades or location.

### IndusInd Learning Academy



As part of the professional development programme, employees completed over 1,14,199 learning hours during the period FY 2010-11. These training programmes primarily focused on products, operational processes and soft skills. This year the e-learning initiative was intensified and several online courses, modules and assessment tests were launched centrally. Currently there are 16 e-learning modules including e-Induction, Core Banking system, Savings Account, Current Account, Investment, Life & General Insurance, Welcome Calling, NRI Products, KYC, IT Security Awareness etc. The e-Learning platform also offers discussion forums, Ask an expert, e-Quiz, e-News to keep employees up-to date in the changing environment.

## IBA Technology Awards 2010- winner for the Best e-Learning initiative in the private sector banks category.



In FY 2010 – 11, 486 training programs that were conducted either through classroom or e-learning mode covered close to 24,745 participants. All training programs are aimed at providing the employees with desired functional and behavioral skills to equip them to perform to the best of their abilities. In addition to this, as a special initiative we have also nominated selected employees to twenty external training programs to build domain specific expertise in areas of Operations, Credit, Risk, Treasury etc.

Name / Type of Training Program	No. of Program conducted	No. of Participants	Total Training Man - Hours	Average hours per employee
Orientation to IndusInd Bank	73	1,511	27,112	17.94
Product & Sales Effectiveness Training – For Consumer, IT and CCB	201	11,283	33,794	3.94
Process Training - Ops Training Workshop on Team Building, Standard Operating procedures, Account Opening process, KYC & AML, Corporate Client Service and IITL V3 course for IT	33	1,824	10,920	5.98
e – Learning	155	10,085	41,461	3.04
External Training	24	42	912	21.71
<b>Total</b>	<b>486</b>	<b>24,745</b>	<b>1,14,199</b>	<b>4.61</b>

- Generic Managerial Skills – 110 training programs conducted covering 7000 participants
- Leadership Skills – 34 programs conducted covering 875 participants

### **Building Employee sensitivity towards Sustainability - Environment**

We perceive sustainability as a journey which we have embarked upon and understand that different employees are at different awareness levels depending on their business lines and departments. Through our sustainability related activities, we aim to bring all employees to a common understanding on the Bank's sustainability goals & policies and the methodology adopted by the Bank to achieve them.

Trainings on environment aspects are conducted to help employees identify with the environment policies and goals of the Bank and sensitize them on environment issues. These sessions are generally conducted as add on along with other business specific training sessions. A session on 'Green Banking' and related environmental & social policies has been formally incorporated in the classroom training program for Branch Managers and fifteen to sixteen such programs covering approximately 200 staff are conducted every year.

Apart from knowledge sessions we provide opportunities to employees to take active part in small environment initiatives at their workplace.

#### **Green Banking Project – Chennai Location**

**The Green Banking Project has been very successful at our Chennai location in receiving active employee participation and a firm commitment from the branches to take extra efforts in creating awareness on Green Banking practices. The team at Chennai has formed an Energy Club which focuses on creating first hand realization and participation to conserve and curb energy wastage across all branches. An upper limit has been set for fuel expenses in order to check unnecessary usage. At the zonal level a cost management team has been formed which approves and monitors all expenses incurred by Branches on printing, fuel, stationery, travel etc.**

### Employee Speak: Green Banking Module- Branch Managers Training

The Green Banking training module is designed with the objective of not only generating awareness on environmental issues and the need to **go green**, but also equipping branch managers to support and implement the operational changes, towards optimizing the resources of the branch & reducing operational costs, by adopting environment friendly practices.

The module begins by introducing the concept and need to **go green** from a business perspective. It also provides insights into the initiatives taken by leaders in the sector. From an implementation perspective, focus areas and key action points are listed. Example: maximising use of natural lighting, using environments compliant equipments etc.

From a resource optimization perspective key inputs are provided on aspects related to reducing paper usage and environment friendly waste disposal. The section on water management relates to water conservation techniques and Rain Water Harvesting.

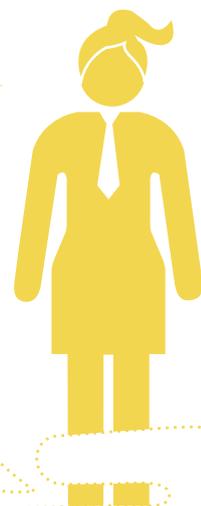
The sessions are interactive and lively. Innovative ideas on how regular office spaces can be made greener which in turn would spread the **go green** message are explored. Also, the participants are apprised on the varied channels of communication to generate awareness which include posters, mailers, teasers etc.

The participants are taken through a detailed case study of the **Green Banking Project** implemented at one of the locations of the Bank. The case study encompasses aspects of the energy management processes implemented, employee focused initiatives undertaken and safe waste disposal mechanisms adopted. Apart from this, the case study also details the events and activities undertaken by the Bank, involving employees and their families like tree planting drives, beach cleanup amongst others. The case study is concluded by providing a snap shot of the impact assessment, cost savings and reduction in emissions.

The last aspect covered in the module is related to setting processes in place to enable data collection to quantify emission sources. This provides information to the participants on the parameters which is required to be tracked as well as mode of collection. This also details the future roadmap of the Bank with reference to environment related positioning. The session concludes with a list of recommendations and best practices which will enable branches to Go Green.

This training module has been developed in conjunction with the Centre for Environmental Research and Education (CERE) for the Bank.

**Sunita Prabhu**  
Corporate Services & Communication



Our Employees also actively participate in engaging customers in greening initiatives, where they interact with both existing and prospective customers through unique campaigns like Adopt - a - Plant .



Adopt - a - Plant initiative at Lakadganj and Chapru Nagar Square - Nagpur

### Nurturing a culture of Innovation through Ideation

**MyIdea** is an **Ideation** platform provided to employees to present their ideas on any topic pertaining to improving aspects related to process/operations, customer service, products etc. at the Bank. Through this platform, we welcome all ideas, big or small, that will help the Bank improve the levels of customer service, through innovative changes in the products/services, introduction of cost saving processes and focus on profitable opportunities.

The ideas are reviewed by a committee comprising of five members from the senior management. They are then shortlisted and circulated to the appropriate departments for implementation.



## my IDEA WINNERS



**Smita Rao – AVP, Training & Development**

Enhancing service desk ticketing process.



**Swetha Chawla – Deputy Manager, Bangalore**

Enabling customer delight - Value add's for Fixed Deposit Customers.



**Ravindran Puthusseri – Asst. Vice President, Internal Audit, Chennai**

Reducing turnaround time for Fixed Deposit Customers enabling customer delight and also optimizing Bank's resources.



**Mahendra Shirgaonkar – Asst Vice President, Corporate Accounts, Mumbai**

Optimizing electricity bill payment process. 'Prosperous Customers' mission.



**K. Soundarrajan – Chief Manager, CFD, Bhatinda**

Optimizing and tracking fuel consumption at Branches.



**Shirish Parab – Deputy Manager, MCCC, Mumbai**

Opportunity space mapping- identifying probable customers for electronic banking while also reducing Bank's processing cost.



**Muralidharan Iyer – Asst. Vice President, Consumer Banking, Gurgaon**

Improved brand visibility and engaging customers.



**Pramod Nair – MCSOP, Lokhandwala**

Optimizing space on the account statement sheet provided to customers thereby reducing printing cost and saving paper.

### **Assistance and Support – HR Queries**

‘HR Help Desk’ is a facility provided by the Bank to assist employees in HR related queries.

On an average we receive around 70-75 mails per day on the HR helpdesk from employees with queries pertaining to payroll, tax issues, mediclaim, employee loans and other HR operation issues.

### **Rewards and Benefits**

A critical component of our mission is to be a rewarding place to work and grow. As part of this commitment, the Bank provides its employees with competitive compensation and benefit programs. The Bank’s compensation philosophy is to provide market-competitive pay while rewarding employees for strong individual and business performance demonstrated by our ‘Pay-for-Performance’ actions. The ESOP (Employee Stock Option) scheme is in place for rewarding key performers / critical contributors, by making them stakeholders in the business growth of the Bank.

The statutory benefits of Gratuity and Provident Fund are provided to all employees. Each employee, from the date of joining becomes a member of the Provident Fund scheme that is administered through Regional Provident Fund Commissioner Office, Mumbai.

### **Contribution**

The employee contributes 12% of base salary to provident fund. The contribution will be made by deducting the amount from the monthly salary. The Bank also makes an equal contribution (equivalent to 12% of the base salary of each employee).

### **Voluntary Contribution**

In addition to the rate of contribution specified, an employee may voluntarily contribute an additional sum, which shall be a fixed percentage of the salary. In such cases, the members are allowed to alter their rate of voluntary contribution only once in a year.

The Gratuity Policy of the Bank is governed by the Payment of Gratuity Act, 1972. Employees completing 5 years continuous service with the Bank are eligible to avail gratuity on separation from the Bank.

Employees joining on or after October 1<sup>st</sup>, 2010, are entitled to Gratuity as follows:

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

\* Completed service means - continuous / uninterrupted service

### Medical Benefits

All employees and a maximum of five of their dependents, including spouse, dependent children up to 21 years of age and dependent parents (upto the age of 85 years) are eligible for hospitalization benefit. The quantum coverage of INR 2,50,000 per annum is provided for the entire financial year. Employee will have to co-pay 15% of the Medclaim amount incurred on behalf of dependant parents.

### Age-group wise ailments requiring hospitalisation - FY 2010 -11

Age Group	No. Of Cases
Upto 35 years	917
36-45 years	120
Above 45 years	829

### Hospitalization Details - FY 2010 -11

Injury/Health disorder type	No. Of Cases
Fractures	2
Diseases of the musculoskeletal system	27
Hospitalization due to illness	414
Cardiac Disorders	35
Other Injuries	71
Other general health issues	1317

Lost man days FY 2010-11 = 6455 days

## Loan Benefits

All confirmed employees who have completed 6 months of service are entitled to a personal loan upto INR 50,000.

### Setting agreed performance objectives - Honest and transparent appraisals

A rigorous and objective Performance Measurement System based on **SMART** has been implemented to measure performance by encompassing the following:

- |                   |   |  |
|-------------------|---|--|
| <b>Specific</b>   | - | Objectives and standards that let employees understand specific actions and results they are expected to accomplish. |
| <b>Measurable</b> | - | Whenever possible, objectives and standards are set based on quantitative measures.                                  |
| <b>Attainable</b> | - | The objective or standard is achievable but challenging and attainable utilizing resources available.                |
| <b>Relevant</b>   | - | Individual goals, objectives and standards are set in alignment with those of the department.                        |
| <b>Timely</b>     | - | Results are expected to be delivered within a time period that meets the department's and the Bank's needs.          |

The Performance Appraisal process for FY 2009-10 was conducted on schedule and in consonance with the Bank's objective of rewarding performance against tangible goal achievements. A mid-year performance review was completed across the Bank to provide developmental feedback, address performance gaps and provide direction to employees for achievement of their Annual SMARTs. On-line performance appraisal has been implemented to further improve efficiency and Turn-Around-Times (TATs) of the process.

### Annual appraisal for FY09 –10 was completed in June, 2010

- No. of Employees Covered , Reviewed and Rated (as on March 31, 2011)- 5,155  
Mid term Review for the period April 2010 – September 2010 was completed across the Bank.
- No. of Employees Covered and Reviewed – 5,100

### Reverse Feedback Mechanism

We strongly encourage employee suggestions and feedback as we believe it will help us identify and address scope for betterment. A dedicated mail box called **comsfeedback** is available for employees to mail their feedback and suggestions.

Apart from encouraging positive feedback there are grievance resolution mechanisms established by the Bank for settlement of employee complaints and grievances.

All communications pertaining to grievances and complaints are two way, setting a truly democratic environment. We have instituted varied mechanisms based on the nature and degree of the issue.

**Listening Post** is a grievance redressal mechanism where employees can write (E-mail) directly to the Managing Director of the company and mails are viewed only by MD thereby maintaining confidentiality. This facility is generally used for issues of medium and high nature. To address critical issues the employees have been given the facility of utilizing the **Whistle Blower Policy**. This policy is intended to help employees who have concerns pertaining to any wrongdoing within the Bank, to report unlawful conduct, malpractices, violation of any legal or regulatory provisions, financial mismanagement, accounting irregularities etc. If one raises a concern under this Policy an assurance is provided that s/he will not be at risk of any kind of reprisal or retaliation. The Head of Vigilance Department of the Bank is the designated authority to receive all reports/ complaints under this policy. The details of this policy are hosted on the Bank's website and Intranet and a hard copy of this is made available on request, at all offices of the Bank.

## Ethical conduct and compliance

**Employee integrity issues like corruption pose a significant challenge to the functioning of any business and are an impediment to sustainable development and economic growth. For a Bank, these integrity issues add to the cost of doing business, represent significant regulatory, legal and reputational risks and create unsustainable business relationships.**

The vigilance function at the Bank equips employees to work with integrity and in compliance with regulatory requirements and laws through training & education, constant updation on regulatory & compliance requirements among others.

The objective of the Vigilance function is to enhance the level of managerial & operational efficiency and effectiveness by detecting and analysing wrong doing, followed by appropriate deterrent action. We at all times strive to create an atmosphere in which preventive vigilance becomes the key function and the need for punitive actions is minimized.

The Vigilance Function came into being in October 2008 and reports to the Board of Directors through the Vigilance Committee of the Board. The Chief Vigilance Officer (CVO) is appointed by the Board of Directors and reports to the Managing Director.

The activities of the Vigilance Function are broadly categorized under Preventive Vigilance and Detective Vigilance.

### Preventive Vigilance

- Review of Internal Rules and Procedures
- Environment Scan to study Vigilance cases in the industry
- Keeping staff informed of professional Do's & Don'ts
- Analysis of the geographical trends, incident patterns etc of Vigilance Cases
- Sensitizing staff towards Vigilance through training and by other communications
- Evaluation & Implementation of Preventive Vigilance tools
- Building up a Vigilance history of incidents & employees concerned
- Scrutiny of appointments to sensitive assignments
- Antecedent Check and Review
- Acting on directions of the Vigilance Committee of Board

### Detective Vigilance

- Examination of vigilance Angle in Staff Accountability Cases
- Surveillance of Transactions in Staff Accounts
- Study of Sensitive Internal Accounts and their Usage
- Implementation of the Whistle Blower Mechanism
- Investigation of complaints involving Vigilance Angle
- Surprise Visits / Mystery Shopping

### The process and methodology

1. **Defining Benchmarks/Standards**
2. **Identifying Sources of Vigilance**
3. **Investigation**
4. **Action**
5. **Reporting**

**1. Defining Benchmarks / Standards:** The requirements of standards and norms to be observed followed in various functional areas are defined by

- Code of Conduct
- Staff Rules
- Banking Law and Practice
- Statutory and Legal Requirements
- RBI Guidelines
- Internal Processes and Guidelines.

**2. Sources of Vigilance:** The deviations / breaches to the above stated benchmarks and standards are tracked and identified by various sources of Vigilance which are

- Complaints (from customers, staff and external stakeholders)
- News items/ Reports in Media
- Special reports by Inspection and Audit Department
- Specific Observations during Branch visits by Senior Officials
- Cases referred under the Whistle Blower Mechanism
- Irregularities / Non – compliance / Breaches observed or reported in any functional area



**3. Investigation:** On the basis of the information received from various sources detailed above, Vigilance investigations are initiated as under

- CVO suo moto takes cognizance of any information/ complaint if a vigilance aspect requiring attention exists 'prima facie'. An Investigating Officer is appointed or an appropriate unit is directed to investigate and provide detailed report on the findings.
- Reports submitted after investigations are reviewed by the Vigilance Function to assess the vigilance angle of staff involvement and other aspects in coordination with the Human Resources Function.

**4. Action:** In case of staff found guilty, the disciplinary authority enforces the relevant penalty as laid down in the staff service rules.

**5. Reporting:** The Vigilance Function submits periodic reviews to the Vigilance Committee and to the Board of Directors, detailing the activities undertaken.

#### Vigilance Cases as on 31.03.2011

Reported	35 Staff Accountability Cases (Vigilance related)
Under Review	4 ( under suspension)
Resolved	31
Action Taken	<ul style="list-style-type: none"> <li>• Employees 'dismissed' - 15 cases</li> <li>• Employees 'terminated' - 10 cases</li> <li>• Employees 'asked to resign' - 6 cases</li> </ul>

The element of 'mala fides' is a common thread in every Vigilance case, but corruption (indicating illegal gratification / abusing position for undue consideration etc.) was found in 2 cases, where the employees involved were dismissed.

## Employee Responsiveness – The Philosophy

Customer Responsiveness has been embraced across the Bank, so every employee in the customer facing role is working towards this. But in our perception, the whole proposition of customer responsiveness has two legs to it. One is the leg that refers to the external customer and the other leg refers to our employees who are also our internal customers. Servicing customers who are external to the organization and servicing customers who are internal to the organization are the two pillars on which we want to create our business proposition. While one team of our employees work towards acquiring more customers (external) for the Bank, the others who are the 'enablers' will cater to the needs to this team who in turn become their internal customers. The Branch Manager and his or her team faces external customers, the internal service providers for this team would be the HR Department in terms of providing the manpower, the Information Technology department which supplies the hardware and the software, the Premises Department which will cater to infrastructure and maintenance etc. It is therefore equally important that, those employees who do not interface with customers directly also play an enabling role by treating their colleagues as internal customers and respond to their needs with a similar approach so as to complete the whole chain of customer responsiveness. Additionally, this initiative would significantly support all employees across the Bank in completing their tasks with ease and establish an employee friendly work environment built on shared values.

To further drive the concept of 'internal customer' responsiveness we have launched a campaign "iSolve" on February 21, 2011, which emphasises on the aspects of 'getting it right the first time', 'taking ownership', 'being approachable', 'cutting through bureaucracy', 'finding ways to get things done' and 'effort is important but outcome is critical'. This campaign has been extensively propagated through posters, mailers, videos and other communication channels. Additionally, we have launched a social networking platform designed exclusively for IndusInd employees to promote informal discussions and improve collaboration irrespective of departments and locations.



Employees participating in the Mumbai Marathon- 16th January 2011



iSolve - 'internal customer' responsiveness campaign

## Ecology Snippet: Lessons from the geese- Goal Alignment



Large groups of geese while migrating fly in a **V** formation. The aerodynamic V shape formation reduces the air drag (air resistance) that each bird experiences when in flight in comparison to a bird flying solo. This allows them to cover longer distance (thousands of miles) with much less effort. In this formation, the bird in the lead position will experience a greater air resistance and will have to work a little harder. However, when the lead bird is tired it falls out of position and goes behind into one of the V position lines. Another bird from behind will then quickly move forward into the leading position, thus maintaining the V formation. The same happens for those birds in trailing positions especially those at both extreme ends of the V formation, since they tire more quickly than those in the middle. This cycle continues as they travel to their destination. Thus each bird gets the opportunity and responsibility to be in the lead position as well as the benefit of enjoying the middle position since less air drag is at this position. This enjoyment of less air resistance comes as a result of the birds in front creating and improving the aerodynamics of the others behind which continues along the line of V. In other words, this formation breaks up the air, which then flows over the rest of the group more easily. This means all birds benefit individually while working harmoniously as a team. Working as a team means less work for each bird because flying requires a lot of energy especially for birds travelling a very long journey. This formation therefore help migratory birds such as the geese to use their energy efficiently and effectively to achieve one goal - to reach their destination.

- **By flying in V formation, the whole flock adds at least 71% greater flying range than if each bird flew on its own**
- **Geese honk from behind to encourage those in the front to keep up their speed**
- **When a goose gets sick, or is wounded by gunshot, and falls out, two geese fall out of formation and follow him down to help and protect him. They stay with him until he is either able to fly or until he is dead, and then they branch out on their own or join with another formation until they catch up with their group.**

## Engaging with Suppliers and Vendors

At IndusInd Bank, we engage with our suppliers to ensure that the conduct and policies of the Bank with respect to procurement are understood and adhered to. We work towards incorporating 'sustainability' practices to the whole procurement process of defining the need, evaluating design, defining supplier selection, tender evaluation, post-contract management and educating suppliers. While we believe in responsible recycling, prior to that we ensure 'Pre cycling' wherein we do not procure anything unnecessary or non environment friendly.

### Setting up a new branch – The sustainable way

Post a requirement received from the business, informing the location of the new branch to be set up, the procurement department follows the process below:

- Identify a property for lease  
A property is identified and selected for lease based on – convenience to customers, easy accessibility, cost and security among others, post which legal formalities are fulfilled.
- Planning Layout and Design  
A contractor is selected who generally has a strong local presence and we enter into a legal agreement with the contractor. The design and layout of the Bank are formulated and shared by the contractor, for approval. We provide feedback and recommendations through which we try to incorporate elements of sustainability in the design if already not included. For example the entire facade of the branch is glazed to allow ample natural light inside the branch.



- **Civil Works, Interiors and other related works**

This section of the project requires many skilled and unskilled laborers who are generally mobilized at the local level by the contractor, thus generating employment opportunities for the local people. The agreement signed with the contractor is inclusive of labour laws, compliance to local municipal corporation regulations, arrangement of adequate insurance for workers among others. **Child Labour** is strictly banned. In line with IndusInd Bank's Sustainable Development Program and its attached responsibilities. We associate ourselves only with suppliers who are willing to abide by standard and progressive labour practices, including but not restricted to the non-employment of child labour, providing equal opportunity to women employees, ensuring health, safety and welfare of employees and adopting safe environmental practices.

**Performance**

The progress of work is tracked on a regular basis. In case of underperformance a penalty of 0.5% to maximum of 5% per week, on undelivered portion of the order value is imposed.

**Completion**

On completion, we ensure that all debris and waste collected during the branch infrastructure construction, work is disposed in a responsible manner. As a policy this aspect is included in the agreement signed with the contractor where a mandatory clause directs that the debris generated during the branch infrastructure work will be handled by the contractor and disposed appropriately.

- **IT and non IT procurement**

Main factors influencing the supplier selection for any IT or Non IT procurement are:

**Cost**

As a general practice suppliers are selected based on the lowest quote received. However, brand, service & quality are also given due importance while selecting a supplier.

**Location**

Most of our product procurements are centralized and supplies take place from Corporate Office, Mumbai or from the branch network of the supplier.

**Social and Environment aspects**

We consciously prefer to engage with reputed suppliers who understand and give due weightage to social and environmental criteria in their business operations. The suppliers are selected at corporate office level and have nation-wide presence. Most of our requirements are sourced from MNCs who have defined internal standards and policies on environmental and social aspects.

**Procurement related Best Practices – IProcure**

The procurement department launched **IProcure** a procurement automation tool in November 2010. **IProcure** is an end to end Procurement Solution, offering support right from **User Request Initiation to Sourcing and Delivery** at the destination location and installation support thereof. This solution is developed on IWorks platform (Image & Workflow Solution), an enterprise-wide, image-based Business Process Management system, already incorporated for account opening, trade finance, employee receivables, etc. **IProcure** presently covers all IT & office equipment procurements and will progressively be extended to other items as well. To allow departments familiarize with the usage of the tool, a demo **Test & Training** site and online user manuals are made available.

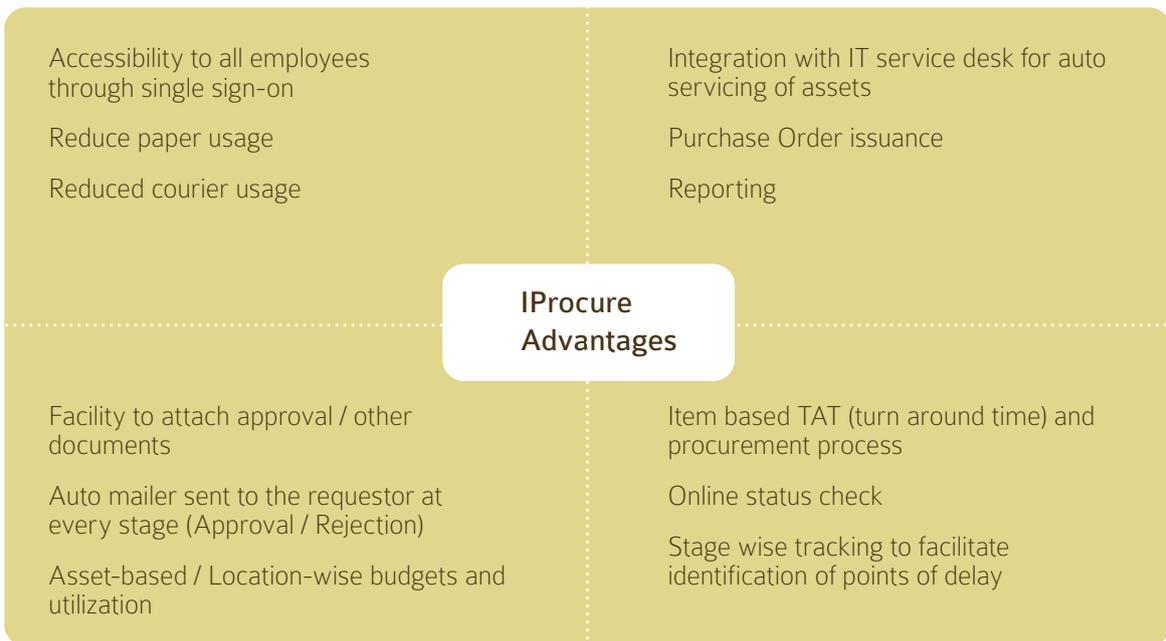
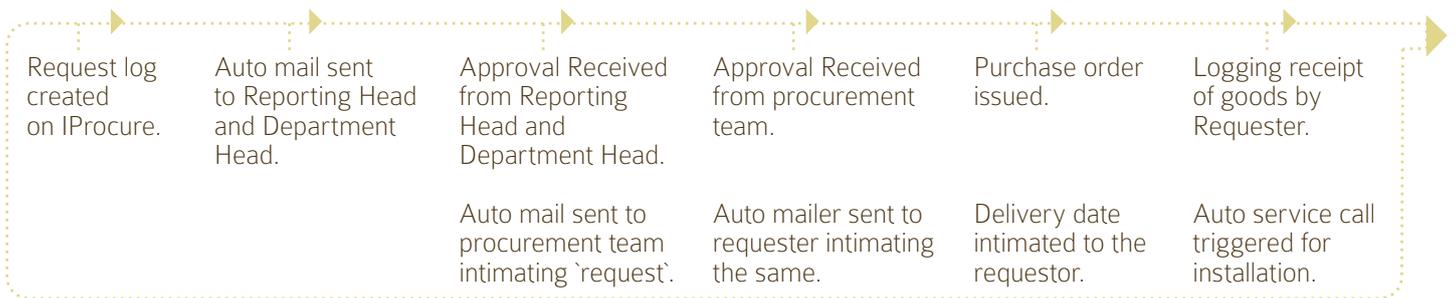
A live-pilot phase from November 1st 2010 to November 15th 2010 was run, wherein all the users based out of branches and departments in Mumbai were requested to raise requisitions on **IProcure** alone.

**Equipments that were covered under IProcure for the pilot phase:**

PCs	Laptops	Printers	Scanners	UPS
UPS Batteries	ATMs	Routers	LAN switch	
Data cabling	Fax	Photo Copier	MICR encoder	
Currency Counting Machine		Currency Sorting Machine		

Currently 46 equipments are covered by IProcure

### IProcure Process Flow



## Quote

“India has a civilizational legacy which treats Nature as a source of nurture and not as a dark force to be conquered and harnessed to human endeavour. There is a high value placed in our culture to the concept of living in harmony with Nature, recognizing the delicate threads of common destiny that hold our universe together. The time has come for us to draw deep from this tradition and launch India and its billion people on a path of ecologically sustainable development”.

An excerpt from the speech delivered by Hon'ble Prime Minister Dr. Manmohan Singh delivered on June 30, 2008 while formally launching India's National Action Plan on Climate Change.



## Environmentally Responsible and Responsive

The 'Green Banking Project' of the Bank promotes environment friendly business practices and reduces the impact of our business operations on the environment through energy and resource optimization practices thus preserving the environment for future generations. A number of green initiatives have been carried out through the 'Hum aur Hariyali' campaign – a part of the Green Banking Project.

Depletion of natural resources and increased greenhouse gas emissions, contribute to climate change and has become a key environmental concern of the world. Corporate India shoulders a special responsibility towards protecting the environment and spearheading India's commitment towards enabling a cleaner and greener environment.

Our commitment and acknowledgement to the importance of protecting the environment is showcased in two key aspects in the way we perform our business. First is the intersection of the Bank's operations and the environment through our 'Green Banking Project'. Second is the 'Enabling Change' aspect of slowly reaching out and involving our customers in our green initiatives and thereby generating awareness in the society.

### Integrated Environmental Management Process

Being a Bank, our major environmental impacts arise from three core aspects – our sites of operation, procurement and business travel.

### Operations and related Environmental Impacts

The Bank has 300 branches and has several office facilities in Mumbai, Delhi and Gurgaon. Most of these buildings have been taken on lease and have fixed contracts for maintenance. This constricted the scope for understanding our environmental performance in the locations of operation, as the feedback received was minimal. We started setting processes for measuring and tracking our environmental indicators last year, as a first step towards managing our environmental impact.

All the three aspects mentioned above are monitored and addressed to by our Corporate Sustainability Department. Our processes and systems are designed with an objective to achieve environmental affairs leadership in the sector and geography we operate in.



## Leadership Speak:

The word "Sustainability" by definition implies sustenance over a long term. It is a characteristic of a process or state that can be maintained at a certain level indefinitely. In the current scenario, climate change is an increasingly pressing and critical global issue, which can only be addressed through a strong commitment to sustainability.

Greenhouse Gas emissions from activities such as the combustion of fossil fuel and deforestation are major concerns today which are depleting the natural resource base at a pace that will create huge shortages and possibly social conflict in the years ahead. In such a situation, any organization which has an ambition to stay alive and be relevant over the long term, cannot hope to exist in a vacuum. Their relevance is in the context of the overall availability of a viable market place and the existence of a healthy demographic hinterland. In this context, the continuous availability of resources that ensures sustained economic activity is crucial i.e. from a corporate perspective, we need to ensure broader economic sustainability for our own survival. If we expect to be around as a viable profitable entity many years from now, we need to do our bit to preserve the drivers of economic activity i.e. the availability of energy sources, fresh water sources, fresh air etc. By excessive consumption today, we jeopardize our own future. It is thus imperative for an organisation's strategy to include and manage the leveraging of existing resources and work towards promoting sustainable development. Companies need to behave responsibly and encourage all their staff to do so too.

We, as an organization, should recognize the significance of sustainability ab initio, as the policies and practices we adopt today will shape not only our lives today but those of future generations.

**Paul Abraham**

Chief Operating Officer



### Employee Speak: Process Setting

#### 'Only when you measure, can you manage'

As a crucial step towards managing our environmental performance, we have established an online application which will enable centralized data collection of all necessary environmental parameters, which is updated on a monthly basis. In order to equip branch managers and employees who would be entering the details understand and provide valid data, comprehensive training sessions are conducted across all branches. Additionally, through regular mailers, posters and employee engagement events, we ensure increased sensitivity & awareness on the need and importance of this activity.

This exercise is mandatory and calls for escalations in case of delays/ lapses. The monthly entries are tracked to ensure that all branches have submitted the details. The data entered by the branches is verified by cross checking with the data collected at the centralized system monitored by the administration function.

Post this, data is analysed to identify any sharp increase in cost/consumption. In such cases steps are taken to identify the causes to take appropriate steps.

**Mihir Bhavsar**  
Head Corporate Sustainability



Indirect Energy Consumption- Electricity*	South Zone	North Zone	West Zone	East Zone
Grid (kWh)	3,761,642	3,247,310	2,504,781	2,255,565
Diesel Generator (DG) - Owned / NotOwned (Litres)	86,682	1,95,201	26,295	71,921

### Water Usage :

Discharge : Being a Bank, we do not have any major water discharges other than that used by office premises in lavatories,pantries or kitchens. Waste water is discharged as sewage and treated by municipal corporations in respective cities.

### CO<sub>2</sub> emissions due to\*:

DG	1022.77
Purchased Electricity	9387.51
calculation based on GHG protocol	(MTCO <sub>2</sub> -e)



### CFO sets a shining example for employees on 'going green- right at your desk'

**Mr. Zaregoankar, CFO of the Bank , switches off his office cabin lights during the day time, and executes his duties by taking advantage of natural light.**

Lighting accounts for a significant amount of the electricity used in office buildings, much of this use is unnecessary especially during the day.

Paper is one of our major material consumption. This year we procured 32,455 reams of paper for our branch operations. 11.63% of the paper used is Elemental Chlorine Free (ECF) and manufactured from agri-waste.

Paper Consumption*	South Zone		North Zone		West Zone		East Zone	
	Reams	Weight	Reams	Weight	Reams	Weight	Reams	Weight
	6969	17422.5	11417	28542.5	8320	20800	5749	14372.5

\*The compilation of the data and analysis pertaining to the Environment section has been done by Centre for Environmental Research and Education.

We acknowledge that consumption of materials such as paper leave an in-direct impact on biodiversity reserves, though we do not have any sites of operation in those areas. We are actively working towards reducing our impact by adopting eco-friendly practices.

We emphasise on judicious use of paper through the following initiatives:

- Enforcing Duplex Printing
- Image Based Document Management System
- Paper-less Fax
- E-learning
- Awareness sessions and mailers
- E- statements for customers/staff
- Online Banking facilities

#### CO<sub>2</sub> emissions due to\*:

Paper	244.735
calculation based on GHG protocol	(MTCO <sub>2</sub> -e)

#### Paper Waste and Disposal

Currently we do not have any formal 'paper waste' disposal mechanism but the generated waste continues to be disposed through the traditional methods – either collected by the Municipality or waste paper merchants.

The corporate office procures recycled/eco friendly paper and in some locations like Karapakkam, Chennai we have established a facility where all paper are consumed in recycled manner.

## Going Paperless by Electronic Banking



### Leadership Speak:

Business environment in India is pre-dominantly paper based. In aggregate, the amount of paper used by modern business entities is staggering. Though it is often taken for granted, the lifecycle cost of paper- including production, transportation, and disposal- has a tremendous adverse impact on the environment: millions of tons of paper are consumed every year leading to a lasting negative impact on our Mother Earth. Concomitantly the customers receiving and paying for these invoices in turn use paper based methods of payment through cheques, thus synthesizing the multiplier effects of the vicious cycle.

Our carbon footprint is an indicator of the impact our activities have on the environment in terms of greenhouse gases produced (measured in CO<sub>2</sub>). These emissions affect climate change and environmental health. Greenhouse gasses also alter the chemical composition of the atmosphere, causing changes in sea levels, weather patterns, and other changes to our ecosystem. Every cheque issued produces 49.28g of CO<sub>2</sub>- more than 60 times the environmental impact than moving money with EFT (Electronic Funds Transfer). By migrating the payment processing to EFT we are striving to bring about environmental consciousness among clients, also economically benefiting them by significantly reducing their processing costs. EFT produces 94% less emissions over the course of a year when compared to paying with cheques. At 0.76g of CO<sub>2</sub> per process, EFT payments create less than 2% of the footprint of a regular cheque payment. At the end of the day we rest easy knowing our payment solution is helping to protect our environment, not damaging it.

In our avowed commitment to the 'Go Green' cause, we offer our customers a bouquet of electronic channels to initiate paperless transactions- namely, Indus Net, Indus Online & Indus Direct (for domestic funds transfers) and Indus Speed Remittance & Fast Forex (for international funds transfers). We have also implemented innovative MIS dissemination channels like Indus T-Settle (for the Tea Auction Settlement participants) & e-Statement (for general users) to eliminate the need for handling bulky paper based balance & transaction reporting. We also offer them online advices further reducing the need to churn out paper. We have also launched an SMS based transaction alerts service to help our customer keep abreast of a transaction in all its life cycle stages. Overall in the year 2010-11 we have managed to convert on an average 20% of our non-cash transaction volumes to paperless EFT processing.

**Mr. Ramesh Ganesan**  
Head Transaction Banking

### Supporting Wild life Conservation and preserving Bio-Diversity

The Bank donated a Bolero vehicle to Satpuda Foundation at an event held at the Nagpur branch in February 2011. The Satpuda Foundation is an organization working in the area of wildlife protection, conducting research to support conservation and educating people about the short and long-term benefits of protecting the Satpuda region, which is one of the world's largest remaining tiger habitat. The vehicle donated will be extensively used for wildlife conservation activities in Melghat Tiger Reserve.



The keys of the vehicle being handed over to executive Director of Satpuda Foundation, by Mihir Bhavsar, Head Corporate Sustainability, IndusInd Bank.

A plant distribution drive was also held for the Bank's customers who participated in the event and saplings were distributed with a note 'Adopt - a - Plant'.



## Procurement and related environmental impacts

The environmental impact of our procurement is primarily due to supplies required for daily operations and other infrastructure planning. The Bank is considering promoting additional measures such as printing business cards on recycled paper apart from the environment friendly practices already implemented. We are in the process of implementing a procurement policy for our suppliers and vendors to improve management and enable reduction of environmental impact specific to procurement.

### Progressive efforts towards enabling end to end Green Procurement

Our efforts are based on our belief that green procurement is an important activity for a corporate in its journey to fulfill its environmental responsibilities. We have already taken many initiatives in this respect.

**A-4 Paper** - We use paper made out of Wheat Straw which is Elemental Chlorine Free and recyclable thus supporting the need to reduce cutting of trees to make paper. 11.63% of the total paper which is recycled/is spectra.

**Toners & Cartridges** - We use compatible toners and also refurbish them 2-3 times. Approximately 4 litres of oil is required to produce each new laser printer cartridge and 90ml of oil is used to produce each inkjet cartridge. The average toner cartridge is composed of 40% plastic, 40% metal and small amounts of rubber, paper, foam and toner which is saved, when we refurbish them. By doing so we also reduce the impact on environment considering the fact that a laser printer cartridge disposed into landfill takes several years to decompose depending on the grade of the cartridge. The exhausted consumables (after recycling 2-3 times) are destroyed in environment friendly manner by our suppliers.

**Air Conditioners:** The AC's fitted in the branches are of star ratings, enabling optimum power consumption.

### Investing in energy efficient technology and up gradation initiatives – IT Infrastructure

Enabling optimal energy use enhances business efficiency, conserves natural resources and benefits society. It also helps in reducing the combustion of fossil fuels which generates Greenhouse Gas emissions, contributing to climate change.

While energy conservation benefits the environment, it also makes good business sense for the Bank and we are committed to reduce our carbon footprint. IT infrastructure is a major contributor of carbon emissions and the Bank has taken various initiatives to manage and reduce this.

25 PCs in Chennai Karapakkam office and 10 PCs at IBL house in Mumbai have been migrated to diskless workstations.

#### Thin Clients:

We are taking conscious steps towards replacing independent machines by thin clients. While this helps the Bank **go green**, the Bank also stands to benefit from the inherent advantages associated with thin clients:

- Lowering IT Cost
- Reduction in Energy Consumption
- Improved optimization



#### Replacement of Energy in-efficient TRT / CRT monitors with LCD monitors:

The Bank has replaced 509 TFT monitors with energy efficient LCD monitors (June-Nov 2010) and is planning to replace around 500 more by 31st March 2011. We have a target of replacement of all CRT monitors at 300 branches.

We ensure safe and responsible disposal of our e-waste through an external vendor who is authorized and certified to handle hazardous waste.

#### Introduction of Paperless Fax :

A shift has been made to receive faxes as soft copies instead of on paper. This initiative has been introduced in many departments and has reduced the paper consumption.

#### Virtualization:

72 servers have been virtualized on 6 Physical Servers and LAN leading to an energy saving of 60% when compared to 72 Blade Servers and 70% when compared to Rack Servers.

#### Document Management System and Workflow:

A comprehensive document management and workflow system branded 'IworkS' has been introduced through adoption of Business Process Management (BPM) tools and techniques. In this system the documents are scanned at the branch or hub itself. The central processing unit then works on the scanned copy of the documents scrutinizes them and proceeds to open the accounts. Apart from improved efficiency, better process control and improved customer service, the original documents can be stored at low cost locations and prevents reproducing of physical copies by photo copying etc.



### **IndusInd Bank IT Infrastructure team worked around numerous constraints and built a data centre high on innovation and low on emission.**

When the Core Executive Team (along with the entire Treasury front office / dealing room operations) in the Bank moved to a new location, the IT infrastructure team was assigned the responsibility of setting up a 'Highly Available' data centre.

Post interaction with the architects the team understood the constraints and challenges involved in the task assigned. The foremost constraint being, limited space availability wherein the plan required the UPS, Electrical and Communications room to be setup within the same allocated space. This meant that careful assessment had to be done to ensure high availability of cooling and power considering the site housed the 'Dealing Room' of the Bank.

The process to setup as data centre that is not only space optimized but is also energy efficient started by evaluating several vendors and finalizing APC as the data centre solution provider.

The design built for the data centre encompassed a scalable architecture with redundancy, maximum efficiency and environment friendly components.

The key components of the datacenter were – Precision ACs, UPS and rack layout.

#### **Row based cooling:**

The conventional legacy cooling approach using room-oriented architecture had technical and practical limitations in this data centre. Different cooling methodologies were explored which could reliably support high and variable power density and reduce electrical power consumption. The team decided to opt for row based cooling with N+1 redundancy. When compared with the room-oriented architecture, the airflow paths in row based cooling are shorter, more clearly defined and heat is captured at the rear of the rack before mixing with cold supply air. Row-oriented architecture allows to run densely populated equipment such as blade server, along with less populated equipment such as communication enclosures. The Bank was able to reduce the height of the raised floor thus eliminating the need for access ramps.

The reduction in the airflow path reduced the fan power required, increasing efficiency. These cooling units consumed 13.5kW at full load against 22.5kW of power for conventional cooling units. This meant 9kW of savings translating into INR 8.1 Lacs of electricity savings per annum.

### Case Study: Building a Green Data Centre

The IT Infrastructure team were keen to make the data center as energy efficient and environment friendly as possible. They took various steps in this direction.

R410A refrigerant based cooling units were selected. R410A has zero Ozone Depletion Potential (ODP). With a relatively high density of R410A compared to other refrigerant gases, it was possible to reduce the size of system components such as condensers, compressors, evaporators and piping, etc.

#### UPS Efficiency & Redundancy:

Availability of power and redundancy were important considerations during the Data Center design. Fault tolerant modular UPS were selected. The efficiency of this UPS is 95% which is 4% more than the conventional UPS which resulted in additional power savings.

#### Space Savings:

A combination of modular UPS and row based cooling made the datacenter very compact. A conventional approach would have ideally taken 350 sq. feet whereas the current design accommodated everything in just 210 sq. feet ( 40% savings in real estate cost ).



This data centre caters to 23 dealer stations and 80 users with associated backend applications and communications.

### Enabling Green Business Services - Banking on Solar!

Limiting the use of non-renewable energy sources also helps preserve their availability for future generations.



The Bank has pioneered the concept of solar ATMs in Indian Banking. Our first Solar ATM was launched at our Opera House branch and is the first of its kind in Maharashtra. The Autonic's Solar UPS replaces the conventional use of fossil fuel in the form of diesel generators, with eco friendly & renewable solar energy. The system operates real time and has two levels of operation - Timer Based (switch to solar UPS on timer operation) and Trigger based (in case of power failure the system will switch to UPS). The system also has alarms or alerts to indicate when the battery is low and a signal indicating the start of the generator and the ability to start the generator using AMF and similar devices.

The Solar ATM at Opera House, Mumbai uses photovoltaic cells mounted on the roof of the building. These cells convert sunlight into electricity and this is used to power the ATM.

The Solar UPS generate approximately 5926.4 watts, or 6 units of power resulting in a saving of 1980 kW hrs per annum and reduction of CO<sub>2</sub> by 1,942 kgs per year.



In terms of costs, the savings is approximately INR 60.00/day in case of a commercial user with grid power supply and INR 120.00 in case of solar energy substituting diesel generator. This translates to INR 20,100.00 savings per annum using grid or INR 40,200.00 for diesel generators.

Following the success of the Solar ATM in Mumbai, IndusInd Bank has teamed up with TATA Solar, Wipro and Numeric to launch solar ATMs at many more locations.

Locations	Number of Users
Opera House Mumbai	250
IBL House Mumbai	350
GN Chetty Chennai	200
Basavanagudi Bangalore	150
Landran	25



**Carbon Disclosure Project (CDP)**

This year the Bank has become a signatory to the CDP and is one of the few Indian Banks to attain this status. With the emphasis on carbon management increasingly influencing stakeholders, we believe that this step will support our efforts towards mainstreaming sustainability aspects in our day to day operations.

**Environmental impact due to business travel**

Emissions due to business travel and employee commute also form a major part of our total emissions. We have implemented robust processes to track these emissions. This has helped identify hotspots and has enabled switchover to environment friendly alternatives. With respect to business travel by Bank owned vehicles, many of these cars already have CNG /LPG factory fitted, thus use cleaner fuels.

Direct Energy Consumption	South Zone	North Zone	West Zone	East Zone
<b>Petrol(litres)</b>	68,795.00	80,486	59,260	38,113.00
<b>Diesel(litres)</b>	2950	941	3375	4838
<b>CNG(litres)</b>	5639	0	2737	0

**Minimizing Business travel through technology**

We have been extensively emphasizing on the use of video/audio conferencing facilities to minimize the environmental impact of air-travel and reduce travel costs to the Bank. We have made provisions for providing video/audio conferencing facilities while setting up new branches and as a standard they are available organization wide.

Currently major meetings including those of the CET members happen over video conference.

**CO<sub>2</sub> emissions due to**

**Business travel by plane** 1235.274

**Fuel for Company Cars** 592.70

calculation based on GHG protocol (MTCO<sub>2</sub>-e)

The “**Hum aur Hariyali**” campaign is an integral part of the Green Banking project of the Bank which was launched in the **International Year of Planet Earth, 2008**. The aim of the **Green Banking** project is to achieve the goal of sustainable development by increasing awareness on environmental issues. Through the Hum aur Hariyali campaign, we have started reaching out to both employees and customers, encouraging them to adopt sustainable practices. We have also started ‘greening’ our office spaces, reducing our resource consumption and minimizing our carbon footprint.

This project is two dimensional - One dimension reflects resource efficiency and encouragement to employees to participate in environmental activities. The other dimension focuses on minimizing indirect environmental impacts, through financing activities and exploring new opportunities from environment related business. The implementation aspects related to the project is additionally supported and guided by Centre for Environmental Research and Education (CERE), a NGO having experience in this domain.

#### Initiatives undertaken as part of the “Hum aur Hariyali” campaign over the last 2 years

- Introduction of Multi-use envelopes as against the ordinary envelopes. These newly introduced envelopes could be re-used number of times for dispatches of documents or letters to the branches
- Reduction in the size ( 8 pages to 4 pages) & types ( 4 to 2) of the account opening forms – thus reducing paper consumption
- Thin computing at IBL House and Karapakkam- for back office officials, where applications are not resource hungry
- Introduction of Green Office Manual indicating ‘Green Best Practices’ for daily office operations
- e-statements to all customers- The drive started from December 2008. Many customers have registered on their own, switching over to e-statements. Regular messages on the monthly statement envelopes are being circulated for constant reinforcement
- Encouraging internet banking & other paperless payment options viz RTGS/NEFT/ECS
- Introduction of e-documents for Board members resulting in a net savings of 4000-5000 sheets of paper during the year
- "Solar energy driven" ATMs
- Encouraging switching over of Bank vehicles to cleaner fuels like CNG and LPG
- Supporting rainwater harvesting and social forestry programmes, like planting trees, and maintaining gardens with display of green messages



## Ecology Snippet: Beavers- Adapting to the environment and creating a positive impact

Beavers build dams and lodges by felling wood from trees and plants and then dragging the cut materials to the building site. The logs and branches are packed together with mud and rocks to strengthen the structures. Lodges are constructed by piling logs and branches together in a dome shape. They then chew their way from under the water into the domed pile, creating an interior den. This den is lined with a mud pack that freezes in winter to insulate and protect the colony from predators approaching the lodge. The den is ventilated by air holes at the top and is accessible only from underwater passages (usually at least two).

Damming activities of the beaver create wetland habitat for other species. When beavers dam a stream or river, water flows into adjoining areas and eventually transforms that land. Woodland or meadow becomes a pond, creating suitable habitat for fish, wildfowl, reptiles and amphibians. These species in turn attract predators such as raptors, wading birds, otters, fishers and raccoons. Beavers are classified as a 'cornerstone species' due to their overall positive environmental impact.



Beaver lodge built into a lake bank with an underwater entrance. The den inside is dry and above water.

## Engagement with Society and Enabling Inclusiveness



### Leadership Speak:

As the fulcrum of finance, Banks play an intermediary role in any economy and are one of the profound contributors to the society. We are conscious of the impact banks can have on society & economy and are committed to Corporate Social Responsibility (CSR). Our approach towards CSR is beyond just charity. We believe in integrating social, environmental and ethical concerns into our business processes, in alignment with the 'triple bottom line' approach to sustainability. We are actively working towards addressing varied social issues and enabling the desired positive societal change. We wish to accomplish this through a 'multi stakeholder' engagement model by taking advantage of our vast geographical network and access to customers.

We understand that better 'business growth' can be achieved with Responsive Innovation. We are committed to addressing societal needs and imbalances, supporting community development activities and enabling inclusiveness. In addition to this, we have also taken various initiatives to preserve/encourage art and culture.

**Mr. Suresh Pai**

Head, Corporate Services & Communication

**Our approach to social responsibility is three fold.**

- i. Through community investment
- ii. Through financial Inclusion
- iii. Through employee volunteering

**Community Investment**

We have demonstrated our support towards building a stronger society by taking up varied projects and sponsoring events in the locations we operate.

**Heritage Education**

An increasing ignorance on 'heritage' aspects have been observed and recorded, but no significant efforts are being taken to generate awareness or towards preservation. Heritage education has become shockingly strained in schools and we believe that there is a need particularly to appreciate and preserve the heritage of India.

In line with our commitment to work towards this goal, we sponsored an event 'Anveshan' organized by 'Ithihaas' an educational Trust (working on heritage education since 2004). 'Ithihaas' organizes programs in partnership with ASI, UNESCO, Ministry of Culture and SAP Labs.

'Anveshan 2010' was conducted on August 31, 2010 and is an Annual Young Writer's forum - essay writing competition event, which attracted a huge participation of over hundred schools from Delhi.

As we work towards reviving interest on 'Heritage' topics and issues, we strongly believe in the relevance of such events in supporting the cause.

**Enabling access to markets for artisans**

We partnered with the NGO 'Sahachari foundation' to organize a fair 'Design One' to raise funds for philanthropic causes. This fair was conducted on 8 & 9 September, 2010 at Mumbai. This event saw an active participation from eighty five designers from all over the country who offered an eclectic mix of products for the then festive season. Eight NGOs were given complimentary space to showcase products created by their wards.

### Conservation of Biodiversity

The Indian Tiger is an inseparable part of India's biodiversity. A century back, India's wild lands were home to around 40,000 tigers. As a result of extensive encroachment, rampant habitat destruction and poaching, an estimated 1,000 tigers only remain.

In our efforts to sensitize employees on bio diversity issues and conservation through every medium possible, the theme of our official calendar (2010) was the 'Tiger'. The calendar comprised of pictures depicting the beauty of the Tiger in all its facets shot through the lens of Mr. Kakubhai Kothari, one of India's leading wildlife photographers.

In addition to the above, we also extended our support to the 'Save our Tigers Campaign' (SOTC) by NDTV-Aircel that encouraged thousands of individuals and many corporate across India to offer monetary donations for the cause. We pledged a sum of Rupees fourteen lakhs for this cause.

The Wildlife Conservation Trust (WCT), implementation partner of SOTC, ensures that the contribution is utilised judiciously to reinforce the protection awarded to the Tadoba-Andhari Tiger Reserve, by donating a 'Rapid Response Kit' (RRK) to its frontline field staff. The RRK will go a long way in enhancing the efficiency of the forest personnel in reacting to emergencies both inside and outside the forest. It will greatly assist them in mitigating the ever-increasing man-animal conflict around the reserves, thereby diffusing the tension between local communities (residing inside and along the periphery of the forests) and the forest department.

Natural ecosystems are the backbone of the country's ecological, water, food, climate and economic security. WCT respects and values the role of forest staff in maintaining the integrity of forests & wildlife and are assisting them in several states that seek to create well-trained & motivated Rapid Action Teams to meet emergency situations, ranging from anti-poaching encounters, man-animal conflicts, forest fires, rescue and rehabilitation of carnivores and emergency evacuation of injured staff.

## Encouraging Art

We have supported varied initiatives that promote art and culture, as we believe that these elements are vital to building a balanced society. 'Kala Viraasat' is one such annual initiative where we have partnered with a leading cultural organization 'Banyan Tree' for the second consecutive year. 'Kala Virasat' is a comprehensive festival showcasing the finest of classical dance, ballet forms, classical music, world music, fusion ensembles, folk and Sufi music. The two day cultural festival commenced on September 23, 2010 at Mumbai and featured a confluence of acclaimed international artistes & Indian maestros showcasing an amalgamation of the country's myriad art forms in their splendid hues and varied flavours.

Another event sponsored by us and organized by Banyan Tree on 27 November, 2010 was 'Ruhaniyat', a Sufi and mystic music festival. Ruhaniyat celebrated its tenth anniversary this year featuring artist's rendering performances influenced by rare traditions from different parts of India.

In addition to the above, we also support 'Pandit Chaturlal Trust', an organization which promotes India's rich artistic traditions by arranging performances across select locations in India.



Santoor Maestro Pandit Shiv Kumar Sharma performing at the event



### The December Music festival in Chennai - a memorable one every year

The December Music festival in Chennai is one of the most unique cultural events in the world. Mudhra is one such fest, which has been actively supported by the Bank for the past many years and is one of the most successful and much talked about fine arts festival in Chennai. Mudhra had the privilege of being inaugurated by the doyen of music Dr.M.S.Subbulakshmi in 1995. Mudhra gives variety of programme which consists of Carnatic Concerts, Dramas, Lec-dems, Jugalbandis, Instrumental Solos, Harikathas, Namasankeerthanam, Bhajans and also Hindustani music as it covers a larger audience who are exposed to all forms of fine arts.

During the year 2010 December, Mudhra was conducted for 33 days with hall packed audience at Infosys Hall, Ramakrishna Mission School Campus, T.Nagar, Chennai.



### Prevention of Cruelty towards animals

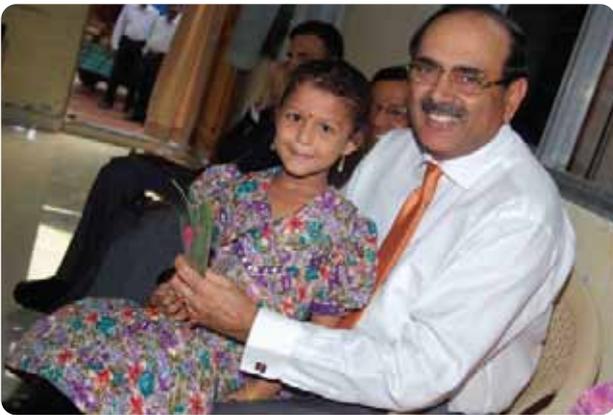
We actively support causes related to preventing cruelty inflicted on animals. One such initiative was 'FLY A CARPET TO THE WALL', where the Bank sponsored an art exhibition organized by 'People for Animal', an animal welfare organization. The proceeds of this event funded a campaign against cruelty meted out on animals.

### Spreading Awareness on Social Issues - Mount Everest expedition

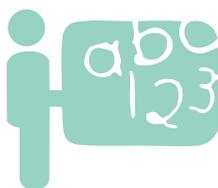
On May 23, 2010, we sponsored a Mount Everest expedition by Sandhosh Kumar, a 27 year old, young Indian from the Union Territory of Pondicherry. The objective behind the expedition was to raise awareness on prevention of sexual abuse of children in India.



Apart from providing financial assistance in form of sponsorships and donations as a Bank, we also encourage employees who wish to make voluntary contributions (monetary) through our payroll giving scheme. For every donation made by the employee, an equal contribution is made by the Bank to the cause. Contributions received from payroll giving are donated to the NGO 'SUPPORT' which primarily works towards rehabilitation of drug addicted and abused children.



Christmas Celebration at 'Support'-  
IndusInd Employees and MD Mr.Sobti  
with the children



Total amount spent on CSR\* for FY 2010-11 is  
INR 4.01 Crores\*\*

\*We have not engaged in CSR activity pertaining to infrastructure development primarily for public benefit.

\*\*Have not received any financial assistance from government for FY 2010-11.

## Society Development

We have been associated with IndusInd International Federation (IIF) since inception. IIF is an apex body of resident, overseas Indians and foreign investors and has a Chamber of Commerce / Industry Associations working towards promoting foreign investments into India. The Federation has been a forum for developing a shared vision on economic matters. Some of the activities taken up by the federation include - organizing seminars in India and abroad for promoting investments into the country, making important recommendations to the Government / RBI (some of which have been accepted fully or partially) among others.

## Literacy

We understand the importance of education in society building and also the need to make education accessible and affordable. In this endeavor, we have been providing grants to the IndusInd Foundation for over several years now. The IndusInd Foundation is a non profit and charitable unit of the IndusInd Group, set up in 1993 with the objective of channelizing community resources for public good. The Foundation promotes a number of welfare schemes, the most popular scheme being grant of 'IndusInd Scholarship Scheme -educational scholarship' providing financial assistance ranging from INR 500 - INR 2000 to meritorious but needy students for education at the degree level. The disbursements of the scholarships take place at small functions organized at various branches of the Bank especially in New Delhi, Mumbai, Nagpur, Bhopal, Baroda, Ahmedabad, Indore etc. Over 400 students have benefited from this scheme.

## Natural Disasters and Calamities

Providing immediate help and aiding victims of natural calamities & disasters are essential and humane. Post a natural calamity, the social and economic setup of the region is adversely affected and requires immediate government and corporate assistance to operate relief measures. We have made monetary donations to various 'relief funds' constituted for rescue and support operations for damage caused due to floods, rainfall, earthquakes among others.



## Ecology Snippet – The Tribes of Indus Valley

One of the richest and the most ancient civilizations in the world which existed over 5,000 years ago, originated in the Indus River Valley- Indus Valley Civilization. This civilization encompassed every aspect that goes into building a complete and functional society-an era of the 'common man'. Starting from their basic economic activity & trade to town planning, every feature reflects 'Order', 'Perfection' and 'Sustainability'.

The ruins of Mohenjo-Daro confirm the existence of Advanced Town Planning - broad and straight streets inclined at right angles to each other, drains lined with bricks and manholes to facilitate regular cleaning, houses neatly lined on both sides of the street having a kitchen, store house, bath and a courtyard. The primary economic activities were agriculture, animal rearing, metal work and pottery .The society had three distinct groups based on economic activity-rulers and administrators, traders & merchants and farmers & labourers. Thus the economic activities are characterised by encouragement of well defined occupations which offered income generation activities for all. < **Self Sustained and inclusive Society** >

**Inspired by India's prosperous history, we are working towards building a financially inclusive economy through our products, services and reach; providing the necessary financial support for people in areas of low economic growth in establishing sustainable livelihoods.**



## Enabling Financial Inclusion - Micro Finance Operations

**'Societal Responsibility' programs drive employee and customer loyalty.** Socially responsible practices reflect the Bank's ability to deliver innovative products and services while responding to community needs. We are strengthening and equipping ourselves to build and support a vibrant and inclusive economy.

### Enabling Inclusion at the Bottom of the Pyramid

Despite the presence of a formal credit system in India, the dependence of the rural poor on moneylenders continues in many areas, especially for meeting their emergency household requirements. This situation can be observed specifically in the case of marginal farmers, landless labourers, small traders and rural artisans belonging to socially and economically backward classes, whose ability to save is minimal and inadequate to be eligible for the regular banking services. Micro financing is a means to enable financial inclusion of such sections of the society deemed 'unbankable', by providing them with small loans.

**MicroCredit provided on reasonable terms to the poor can significantly aid in poverty alleviation by financially supporting the poor in taking up additional income generation activities.**

In the Indian context, the concept of micro credit plays a significant role considering the vast majority of population who are below or just above the poverty line. Adding to this, is the fact that this group presently lacks access to avail credit at reasonable rates.

Despite being in the business of financial intermediation and their apparent similarity with operations of Banks / NBFCs, Microfinance Institutions (MFIs) are a very different breed of Financial Institutions. They are characterised by small ticket sizes, non collateral based lending, doorstep delivery, specific target clientele (economically /socially weaker sections), short tenors, small but frequent repayments, varied legal forms and above all the overriding objective of poverty alleviation. The special characteristics of microfinance business viz., collateral free loans, lack of documentary proof for income support of the underlying clients, peer pressure based lending, small but frequent repayment basis, multiple legal forms - including both for profit/not for profit etc. makes it essential to adopt a different approach for evaluation of MFIs. We therefore with our good understanding of the business established strong diligence process and tight monitoring mechanism to get a far and deeper understanding of the underlying quality of MFI portfolio based on which we map the risk profile of the MFI.

We follow an approach where we do not view MFI's as entities we 'lend to' but instead consider them as entities we **lend through** ultimately providing financial support to the poor. Therefore, the assessment of credit-risk of an MFI, to a large extent, involves an extensive study of the problems faced by MFI which typically are the key risk factors.

We focus on determining if the portfolio as reported by the institution reflects its true value, if the MFI has the necessary institutional infrastructure (legal, operations, systems, MIS, manpower, training etc.), governance and therefore transparency in place, besides a robust loan delivery and recovery mechanism to successfully impart the role and responsibility of a dependable intermediary. We do not allow **lack of profits** or **negative net worth** in the first few years of the MFI's operations to become reasons for an automatic disqualification.

We currently offer microfinance both in:

(i) **Direct Mode**

Term loans/Overdraft to Micro finance Institutions (MFIs),  
Guarantee Structures

(ii) **Indirect Mode**

Portfolio Buy Out  
Short Term loans for building portfolio, which will be subsequently converted into a buyout

Our target clients include all Microfinance Institutions both for/not for Profit legal forms.

Through the above mentioned service offerings we wish to achieve our goal of reaching out to 1 million households by 2013, by offering comprehensive financial services. We also aim to be among the top five micro lenders in the country.



### Customer Story

XYZ\* provides credit towards income generating activities and the loan size varies between INR 2000 to INR 25000 based on the client's needs, repayable in a span of 52 weeks in weekly instalments. Out of the financial assistance provided by IndusInd Bank to XYZ till date, a total number of 72,180 women customers have been benefitted and a total amount of INR 74.29 crores has been disbursed to these women customers.

Below is a story of one such woman customer, Heeramani. Before XYZ's intervention, Heeramani used to help her husband in his traditional family business of running a vegetable shop. The family used to earn around INR 1000 every month. As this was their only source of income the family had to survive on starch and rice for their daily food.

Heeramani got associated with XYZ where she took her first loan of INR 4000 for expanding her existing business. After paying off her loan, she took another loan of INR 6000 for purchasing a push cart to enable her husband go to nearby villages and towns to sell the vegetables in order to increase their income. Post the repayment of this loan, and few other cycle loans taken from XYZ she took loan of INR 14,000 in her 11th loan cycle for entering into a new business by attaching a fast food corner to the same vegetable shop.

As on date she is able to generate a total income of more than INR 2000/- on daily basis, leaving her adequate surplus cash after meeting all her expenses. The additional cash flow generated has helped her to spend on essential requirements, access to better health, food and living opportunities, besides saving some money for future requirements, overall increasing her financial security and helping her lead a happy life.

\*Names Changed for confidentiality reasons

### MFI Operations- Market Position and Competitive Landscape

- Rank 11th among 73 Banks/FI currently lending to our partner MFIs
- Market share 2.3% amongst our partner MFIs; Portfolio of partners - INR 16,240 crores; Total estimated micro credit market size - INR 2.0 trillion
- After experiencing a CAGR of 50% over the last few years, industry is expected to witness some slow down / and even marginal de growth during the current year owing to the regulatory/political uncertainty
- Bank increasingly expressing interest towards consortium approach of financing, as a de-risking strategy

### Highlights and Key Achievements



Nil NPA till date

Contributes to PSL – Direct Agri and Weaker Sections; MSME

#### Micro Finance Department Highlights for FY 2010- 11

- Initiated the Lender's forum and actively continuing to contribute
- Launched joint Bank Systems and Loan Portfolio Audits for MFIs
- Successfully carried out the Portfolio Buy outs in line with RBI's requirements of meeting True Sale criteria etc

The MFI initiative is going a long way in helping us reach out to the financially excluded segment spread out in remote corners of the country in a financially sustainable and a commercially viable manner. Through our efforts we are able to bring about a meaningful impact on the lives of these people by enabling access to better health, education, food and standard of living.

### Employee Volunteering

Many of our environment focused CSR activities are internal and completely employee driven. The **Green Banking** project initiative integrates the 'environment' focus area of CSR with our business policy. The aim of the Green Banking project is primarily to increase awareness and sensitize employees on environmental issues and green business practices. To organize and implement the various green initiatives the bank has partnered with a NGO- CERE.

The **Hum aur Hariyali** campaign focuses on different aspects of Green Banking. The entire activity of greening of office spaces is supported by the employees. The leadership emphasises on the importance of this activity in their communications which has motivated the employees of the Bank to be responsive, actively participate and enable change.

We also organize CSR activities involving employee families to spread the message on environment issues. One such activity organized this year was the **Flamingo Visit** where employee and their families were provided the opportunity to watch the Pink Flamingoes at Sewri from a close quarter.

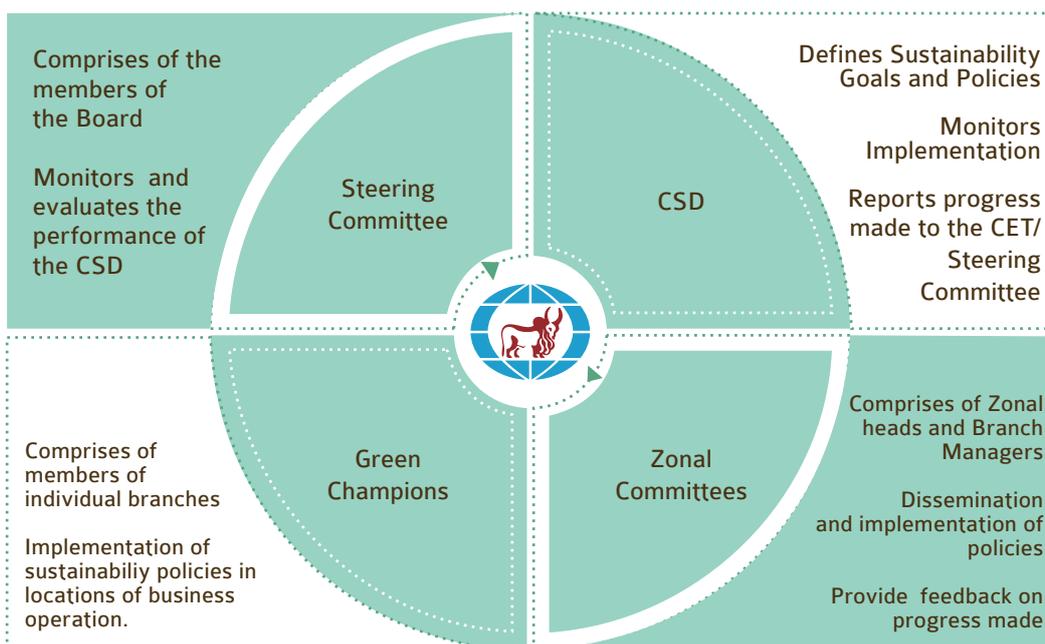


**Structure of Implementation:**

To implement and disseminate the above mentioned CSR activities we have a separate CSR Department, which is now called the Corporate Sustainability Department (CSD). A Steering Committee comprising of senior members of the Bank, monitor and evaluate the performance of the CSD department and its activities. The Corporate Office, Zonal Offices and the Branches are responsible for dissemination and embedding practices based on policies defined by CSD into business operations and provide regular periodic feedback on the progress made.

The role of CSD is to identify and monitor issues important to the Bank’s social and environmental performance. CSD drafts, implements and evaluates the social/environmental development programs & activities and publicly reports the work done to both internal and external stakeholders.

At a branch level every individual Branch Manager is committed to comply with the policies of sustainability. Green Champions are chosen from each branch to implement these policies in business operations. The Branch Manager assigns responsibilities within the units and reviews the progress at regular intervals and reports the same to the CSD Department.



## Future Forward: Goal Setting

**In order to address sustainability related issues and aspects we have set goals for the FY 2011-2012 as below:**

- Awareness sessions for suppliers and vendors, specifically from the unorganized sector on the Bank's Green Procurement Policies
- Training modules pertaining to Human Rights for newly recruited employees and Suppliers & Vendors
- Informing agencies which provide man power for our housekeeping and security requirements to include training on Human Right aspects
- Conduct Health and Wellness programs for both Branch and Corporate office employees
- Formally measure employee satisfaction levels
- Enable a healthy male-female ratio
- Initiatives towards preserving Biodiversity and indigenous communities
- Plant a tree for every new employee joining the Bank
- Increased customer interaction / engagement on sustainability issues
- Awareness workshops on sustainability for employees
- Managing down resource consumption electricity, petrol, paper and diesel
- Roll out Solar energy based initiatives
- Roll out e-waste & recycling initiatives

## GRI Index

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Number	Topic	Page Number	Explanation
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NA - Not Applicable

Number	Topic	Page Number	Explanation
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## Disclaimer

NextGen PMS Pvt. Ltd. (NextGen) has taken all reasonable care to ensure that the facts stated herein are true and accurate on the date of preparation and as per the information shared by IndusInd Bank Limited. NextGen has not confirmed the authenticity of information provided in the documents and has taken the information provided in good faith.



Developed by:



**NextGen PMS Private Ltd.**

The Energy and Environment Company

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