HDFC BANK

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ANNUAL BUSINESS RESPONSIBILITY REPORT

2017-18

In Line with the National Voluntary Guidelines on
Social, Environmental and Economic Responsibilities of Business

Section A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company

L65920MH1994PLC080618

2. Name of the Company

HDFC Bank Limited

3. Registered Address

HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai – 400013

4. Website

www.hdfcbank.com

5. E-mail id

shareholder.grievances@hdfcbank.com

6. Financial Year Reported

FY 2017-18

7. Sector(s) that the Company is engaged in (industrial activity code-wise)

64191

8. List four key products/services that the Company manufactures/provides

1. Working Capital Loans
2. Auto Loans
3. Personal Loans
4. Credit Cards

9. Total number of locations where business activity is undertaken by the Company

i. Number of International Locations (provide details of major five)

Overseas branches in Bahrain, Hong Kong, Dubai International Finance Centre

Representative offices in Abu Dhabi, Dubai, and Nairobi

The Bank has a presence in the International Financial Service Tec-City at GIFT City, Gandhinagar, Gujarat, which is akin to a foreign branch.

ii. Number of National Locations

As of March 31, 2018, the Bank had a nationwide distribution network of:

- 4,787 banking outlets
- 12,635 ATMs in 2,691 cities/towns

10. Markets served by the Company – Local/State/National/International

All

Section B: Financial Details of the Company

1. Paid-up Capital (INR)

₹ 519,01,80,534

2. Total Turnover (INR)

₹ 95,461.7 crore

3. Total Profit after Taxes (INR)

₹ 17,486.8 crore

4. Total spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%)

₹ 374 crore (2.04% of the average net profit of the preceding three years)

5. List of activities in which expenditure in 4 above has been incurred

a. Rural Development
b. Promotion of Education
c. Skill Training and Livelihood Enhancement
d. Healthcare and Hygiene
e. Financial Literacy and Inclusion

Section C: Other Details

1. Does the Company have any subsidiary company/companies?

Yes

2. Do the subsidiary company/companies participate in the BR initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).

No. The subsidiary companies do not participate in the BR initiatives of HDFC Bank.

3. Do any other entity/entities (e.g., suppliers and distributors) that the Company does business with participate(s) in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, More than 60%]

No

Section D: BR Information

1. Details of Director/Directors responsible for BR

a) Details of the Director/Directors responsible for implementation of the BR policy/policies	
DIN Number (if applicable)	1843099
Name	Paresh Sukthankar
Designation	Deputy Managing Director, HDFC Bank
b) Details of the BR Head	
DIN Number (if applicable)	Not Applicable
Name	Nusrat Pathan
Designation	Head, Corporate Social Responsibility
Telephone Number	022 30751040
E-mail ID	nusrat.pathan@hdfcbank.com

2. Principle-wise (as per NVGs) BR Policy/Policies. (Reply in Y/N)

The 9 principles outlined in the National Voluntary Guidelines are as follows:	
P1	We have a whistle-blower policy and guidelines on anti-bribery and anti-corruption, transparency, and ethical behavior. These form part of our Code of Conduct and Ethics Manual.
P2	We have internal guidelines on the procurement of energy-efficient equipment. Our digital banking initiatives are aimed at making our products and services sustainable. Also, considering the nature of our business, this principle has limited applicability for us.
P3	Our Code of Conduct and Ethics Manual details policies for equal opportunity and prohibition of sexual harassment at the workplace.
P4	We adhere to the RBI guidelines on priority sector lending and financial inclusion, which are aimed at marginalized and vulnerable stakeholders. We do not have a specific policy to address this principle.
P5	Our Code of Conduct and Ethics Manual details a policy on respect for human rights, which adheres to the principles in the United Nations' Universal Declaration of Human Rights.
P6	Considering the nature of our business, this principle has limited applicability for us. Segments of our business are guided by policies which incorporate elements of environmental risk and opportunities in them. For example, our wholesale credit risk policy details a Social and Environmental Management System (SEMS) for screening and monitoring social and environmental risks associated with projects. As part of our Code of Conduct and Ethics Manual, we encourage employees to avoid natural resource wastage and be committed to improving the environment, particularly with regard to the emission of greenhouse gases. They are also encouraged to offset the effect of climate change in all spheres of activities.
P7	We do not take part in any lobbying or policy advocacy.
P8	We have a CSR policy which guides all our CSR activities and includes activities we undertake for marginalized and vulnerable stakeholders. While there is no formal policy in place specifically for equitable growth and development, we have a comprehensive Sustainable Livelihood Initiative (SLI) aimed at achieving this objective.
P9	Our Code of Conduct and Ethics Manual details policies to ensure privacy and confidentiality of customers' data to provide products and services which offer value in terms of price and quality and meet the applicable standards/guidelines as decided by the regulator and other authorities to provide reliable and meaningful information and not make exaggerated claims about our products and services. Some of the policies addressing customer welfare include the customer compensation policy, grievance redressal policy, and the customer acceptance, customer care, and customer severance policy.

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
Do you have policies for?	Y	N	Y	Y	Y	Y	N	Y	Y
Has the policy been formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	Y	Y	-	Y	Y
Does the policy conform to any national/international standards? If yes, specify.	Y#	-	Y#	Y#	Y#	Y#	-	Y#	Y#
Is it a Board-approved policy?	Y	-	Y	Y	Y	Y	-	Y	Y
If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	-	Y	Y	Y	Y	-	Y	Y
Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	-	Y	Y	Y	Y	-	Y	Y
Indicate the link for the policy to be viewed online	Note 1	-	Note 1	Note 1	Note 1	Note 1	-	Note 1	Note 1
Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	-	Y	Y	Y	Y	-	Y	Y
Does the company have an in-house structure to implement the policy?	Y	-	Y	Y	Y	Y	-	Y	Y
Does the Company have a grievance redressal mechanism related to the policy to address stakeholders' grievances related to the policy?	Y	-	Y	-	Y	-	-	-	Y
Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y*	-	Y*	-	Y*	-	-	Y*	Y*

Web link for the policy

All policies have been developed as a result of detailed consultations and research on the best practices adopted by banks and organizations across the industry, and per the requirements of HDFC Bank.

* All policies of the Bank are evaluated internally.

Note 1: These policies of the Bank are internal documents and are not accessible to the public.

Note 2: http://www.hdfcbank.com/personal/customer-centre (Corporate Commitment)

https://www.hdfcbank.com/csr/pdf/CSR_Policy.pdf

2a. If the answer to S. No. 1 of the annexure against any principle is 'no,' the reasons for the same have also been mentioned therein.

3. Governance Related to BR

The Board of the Bank comprises 10 directors, of whom three are Executive Directors, two are Non-executive Directors and the remaining five are Independent Directors.

4. Indicate the frequency at which the Board of Directors, Committee of the Board, or CEO assess/ assesses the BR performance of the Company. Within three months, three-six months, annually, or more than one year.

The Board of Directors annually assess the performance of the Bank's business responsibility.

5. Does the Company publish a BR or a sustainability report? What is the hyperlink for viewing this report? How frequently is it published?

Yes. The below mentioned is the link for viewing the sustainability report for FY 2016-17.
https://www.hdfcbank.com/csr/pdf/HDFC_Bank_Sustainability_Report_16_17.pdf

The latest one will be updated later.

Section E: Principle-wise Performance

Principle 1: Ethics, Transparency, and Accountability

1. Does the policy relating to ethics, bribery, and corruption cover only the Company?

The Bank has always adopted the highest governance standards to ensure the protection of all stakeholder interests. The Bank's Code of Conduct and Ethics Manual details the ethical principles that all employees are expected to adhere to. The code is applicable to all employees and covers aspects related, but not limited to, ethics, accountability, conflict of interest, bribery, and corruption.

2. Does it extend to the group/joint ventures/suppliers/contractors/NGOs/others?

Yes

3. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

During the year ended March 31, 2018, the Bank received 2,620 complaints from the shareholders. The Bank attended to all the complaints, of which 12 remain pending and two have not been solved to the satisfaction of the shareholders as on March 31, 2018.

Principle 2: Sustainable Products and Services

1. List up to three of your products or services the designs of which have incorporated social or environmental concerns, risks and/or opportunities.

Toward Green Banking: HDFC Bank is an environmentally and socially responsible organization. The Bank has rolled out various initiatives to reduce its carbon footprint from operations as well as from customer travel. The Bank has come up with multiple user interfaces for its customers such as internet banking, phone banking, and ATMs. The Bank has also undertaken initiatives like green procurement, efficient lighting solutions, optimizing travel planning, reducing paper consumption and deploying motion sensors to switch off lights in an empty room at select locations. The Bank encourages the use of electronic media over print communication, motivates its retail customers to subscribe to e-statements, and conducts employee awareness campaigns to promote environment-friendly practices.

a. Banking on Digital Technologies

Approximately 85% of our banking transactions are done through digital channels. The Bank has initiated various digitization initiatives such as HDFC Bank OnChat, HDFC Bank's virtual assistant EVA, PayZapp, PMJDY, social security schemes, and 10-second personal loan. A physical 'humanoid' robot called IRA (Intelligent Robotic Assistant) was launched to smoothen customer service at one of its branches. Also, a digital innovation summit was held for two consecutive years in order to tap the capability of fintechs.

b. Retail Agri Loans

HDFC Bank offers hassle-free retail agri loans. The loan process is quick and transparent, providing the farmers with the credit they need to meet all their farming, production, and investment requirements. With the Kisan Gold Card, farmers are provided with banking, anytime and anywhere.

c. Sustainable Livelihood Initiative

This is primarily a social initiative with elements of business. It entails skill training, livelihood financing, and creating market linkages. The objective of the initiative is to create sustainable communities. It does so by empowering women through self-help groups or joint liability groups and helping them break the vicious circle of poverty.

d. Kisan Dhan Vikas Kendra

The Bank has set up 12 farmer centers in Punjab, Maharashtra, Uttar Pradesh, and Madhya Pradesh. These centers provide information on soil health, mandi prices, various government initiatives, and expert advice. These are also available on the Bank's website in vernaculars. The Bank also provides advice about weather, cropping, and harvesting using text messages.

2. For each such product, provide the following details with respect to resource use (energy, water, raw material, etc.) per unit of product (optional):

Not Applicable.

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

As the Bank is a service-oriented organization, material purchase for operations is not significant, except for paper. The Bank ensures that energy efficiency standards are considered during the purchase of electronic equipment such as computers, ACs, etc.

4. Has the company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work?

HDFC Bank gives preference to procuring for its product and service requirements from local suppliers. But their presence in the relevant geography and footprint is also taken into consideration.

5. If yes, what steps have been taken to improve the capacity and capability of local and small vendors?

This is not applicable to the type of suppliers HDFC Bank engages with.

6. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%)? Also, provide details thereof in about 50 words or so.

The Bank has limited scope for using recycled material as processed inputs. The waste generated by the Bank is primarily e-waste (for example, computers, monitors, modems, switches, laptops, scanners, routers, printers, and UPS systems). The e-waste generated is disposed of with the help of authorized recyclers. About 76% of the domestic effluent generated from the largest operating location of the Bank is treated by a sewage treatment plant prior to being released into the municipal sewer system.

Principle 3: Employee Well-Being

1. Total number of employees.

The total number of employees of HDFC Bank is 88,253.

2. Total number of employees hired on temporary/contractual/casual basis.

The total number of employees hired on temporary/contractual/casual basis is nil.

3. Number of permanent women employees.

The total number of permanent women employees is 15,431.

4. Number of permanent employees with disabilities.

HDFC Bank is a fair employer and does not discriminate among its employees. Therefore, the Bank does not track this information.

5. Do you have an employee association that is recognized by management?

Yes, there is an employee association that is recognized by the management.

6. What percentage of your permanent employees are members of this recognized employee association?

At least 0.31% permanent employees of the Bank are members of the recognized employee association.

7. Please indicate the number of complaints relating to child labor, forced labor, involuntary labor, and sexual harassment in the last financial year and pending as at the end of the financial year.

The Bank has an internal complaints committee to address cases related to sexual harassment. There are two cases pending from the 14 cases of POSH registered in FY 2017-18.

8. What percentage of your under mentioned employees were given training on safety and skill upgrade in the past year?

During FY 2017-18, the average number of training hours spent per employee for safety and skill upgradation trainings was 38.05.

Principle 4: Valuing Marginalized Stakeholders

1. Has the Company mapped its internal and external stakeholders?

Yes. Stakeholder relationships are vital to the Bank. Regular and planned engagements are conducted with all identified stakeholder groups. The Bank has identified its key stakeholders, internal and external, which include shareholders/ investors, customers, employees, community, and regulatory bodies. The Bank engages with them on various platforms through formal and informal channels of communication. Additional information has been provided in the sustainability report of 2016-17. A similar report will be published for the year 2017-18.

2. Out of the above, has the Company identified the disadvantaged, vulnerable, and marginalized stakeholders?

Yes. The Bank has identified women, people with disabilities, children, youth, and farmer communities as its disadvantaged, vulnerable, and marginalized stakeholders.

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable, and marginalized stakeholders?

The Bank believes that real development of a country is possible only when its disadvantaged, vulnerable, and marginalized communities are empowered. It is this belief that drives the Bank to encourage the holistic growth of communities and bring about social and economic empowerment through its social initiative, HDFC Bank Parivartan.

The rural and inclusive banking initiatives help the Bank engage with these sections of the society to spread financial literacy and further the agenda of financial inclusion through specialized products. The Bank also undertakes various initiatives in the field of rural development, skill training, and livelihood enhancement, education, healthcare, and hygiene, in addition to financial literacy and inclusion.

Principle 5: Human Rights

1. Does the policy of the Company on human rights cover only the company or extend to the group/joint venture/suppliers/contractors/NGOs/others?

No, the policy on human rights is only limited to HDFC Bank and does not extend to the group/joint ventures/suppliers/contractors/NGOs/others.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

There were no complaints received by the Bank regarding human rights violation from its stakeholders.

Principle 6: Environment

1. Does the policy related to Principle 6 cover only the Company or extends to the group/joint ventures/suppliers/contractors/NGOs/others?

No, its applicability is limited only to HDFC Bank and does not extend to the group/joint ventures/suppliers/contractors/NGOs/others.

2. Does the Company have strategies/initiatives to address global environmental issues such as climate change and global warming?

The Bank realizes the importance of environmental issues such as climate change and global warming and the impact they have on the business in the long term. In this regard, the Bank has been measuring its carbon footprint. The Bank also discloses its environmental information in the annual sustainability report.

3. Does the Company identify and assess potential environmental risks?

The Bank identifies and assesses the potential environmental risk associated with its operations and business. The Bank has a wholesale credit risk policy which details a Social and Environmental Management System (SEMS) for screening and monitoring social and environmental risks associated with projects.

4. Does the Company have any project related to Clean Development Mechanism?

5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc.? Y/N.

Yes, HDFC Bank has undertaken initiatives on clean technology, energy efficiency, and renewable energy.

- Installation of green locks and AC controllers in air-conditioning machines in order to save energy and support the go-green initiative
- Installation of energy capacitors at high consumption offices to control the power factor and to reduce energy consumption
- All main signboards in branches switched off post 10 p.m.
- Put controls on usage of lifts, ACs, common passage lights, and other electrical equipment
- Provided LED lamps at branches and offices
- Provided solar panels for captive power generation at our offices in Pune and Bhubaneswar
- Monitoring and energy-saving initiative for 100 branches, resulting in power saving of over 10%. The Bank won an award in National Energy Efficiency Circle Competition 2017 – Winner Best Energy Efficient Case Study held by CII in May 2017. Considering the benefits accrued, we have further extended the monitoring program to additional 500 branches across the country.

6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Not applicable.

7. The number of show-cause/legal notices received from CPCB/SPCB which are pending (i.e., not resolved to satisfaction) as at the end of the financial year.

Principle 7: Policy Advocacy

1. Is your Company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with.

The Bank is a member of the Indian Banks' Association (IBA) but it does not engage in policy advocacy. The Bank is actively involved in consultation/discussion forums where the government and other bodies in the banking industry take public policy positions, but it has not lobbied through any association.

2. Have you advocated/lobbied through above associations for the advancement or improvement of the public good?

Not applicable.

Principle 8: Inclusive Growth

1. Does the Company have specified programs/initiatives/projects in pursuit of the policy related to Principle 8?

Yes. The guiding force for HDFC Bank is the belief that real development of the country is possible only when its communities are empowered, and businesses cannot prosper if the communities in which they operate fail. The Bank has undertaken various initiatives to support inclusive growth like providing hassle-free loans to farmers and establishing information centers for them; building structures to improve the water levels to reduce water scarcity; providing innovative teaching techniques to rural teachers for promoting learning; initiating skill development programs; and building toilets to reduce open defecation.

2. Are the programs/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

Projects are undertaken through in-house-team and external NGOs.

3. Have you done any impact assessment of your initiative?

Yes. The impact assessment has been done for the initiatives taken up by HDFC Bank. Through these initiatives, the Bank was able to positively impact eight million lives. HDFC Bank Parivartan aims to inspire people and empower communities at a nationwide level. For further details on impact, kindly refer to the annual report.

4. What is your Company's direct contribution to community development projects — amount in INR and the details of the projects undertaken?

HDFC Bank met the mandatory spend of 2% on corporate social responsibility (CSR).

The CSR projects undertaken by HDFC Bank in FY 2017-18 are mentioned below:

- Rural development - Promotes holistic growth and development of rural communities
- Promotion of education - Creates a conducive learning environment in communities across the country and promotes learning
- Skills development and livelihood enhancement - To up-skill people in their occupations and train them for placement
- Healthcare and hygiene - Focuses on improving sanitation facilities and promoting good and safe hygiene practices across several communities
- Financial literacy and inclusion - To educate people and enable them to make informed financial decisions

For more details, kindly refer to Annexure 2 in the Directors Report.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

The Bank continuously assesses and monitors the impact of its initiatives. The Bank ensures that the projects it undertakes receive complete participation and support from the community, thus ensuring that they are sustainable and generate the necessary impact.

Principle 9: Customer Welfare

1. What percentage of customer complaints/consumer cases are pending at the end of the financial year?

There were no customer complaints/consumer cases pending as on March 31, 2018.

2. Does the Company display product information on the product label, over and above what is mandated per local laws?

The Bank displays the details of its financial products on the website and also uses the print media to spread awareness (through pamphlets and brochures). It also has presence on various social media platforms, such as Facebook and Twitter, to display the features of the products and services offered. The Bank ensures that customers are empowered to make informed choices by providing details of the products and services in a transparent manner. It has also taken up multiple initiatives to improve customer awareness and financial literacy.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anticompetitive behavior during the past five years and pending at the end of the financial year?

No, but there is a civil appeal that was filed by Citibank and four other banks challenging the order passed by National Commission relating to charges levied on credit cards. As the outcome would also impact HDFC Bank, it has intervened in the civil appeal before the Supreme Court.

4. Did your Company carry out any consumer survey/consumer satisfaction trends?

HDFC Bank's Quality Initiative Group (QIG) is responsible for conducting surveys to measure and analyze the satisfaction of its customers with its products and services.

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