



EMPOWERING COMMUNITIES

Sustainability Report 2017-18



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Sustainability Highlights



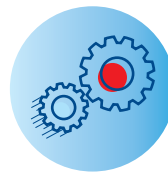
Core Values:



Customer Focus



Product Leadership



Operational Excellence



Sustainability



People

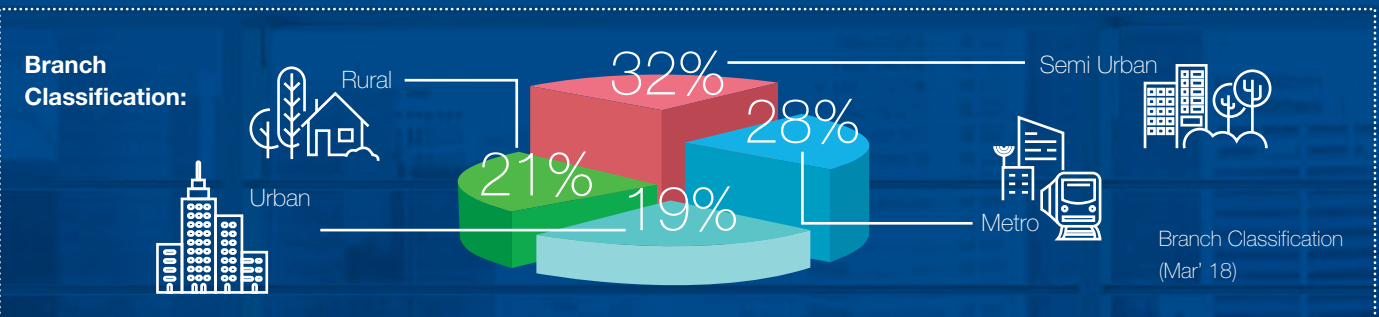
Social Performance:

88,253

Workforce engaged at HDFC Bank

HDFC Bank is a banking partner to
4.36 Crore Customers

Over **53** per cent of the Bank's outlets are located in rural and semi-urban areas



₹ 374 Crore

spent for developing and empowering communities (CSR Spend)

17.72 Lakh

PMJDY accounts opened making financial services available to the weaker sections & low-income groups

81.8 Lakh

households reached through the Sustainable Livelihood Initiative so far & 14.4 Lakh households across 9373 villages benefitted in FY 2017-18

2.9 Lakh

households across 870 villages in 16 states of India have been reached out as part of the Holistic Rural Development Programme (HRDP)

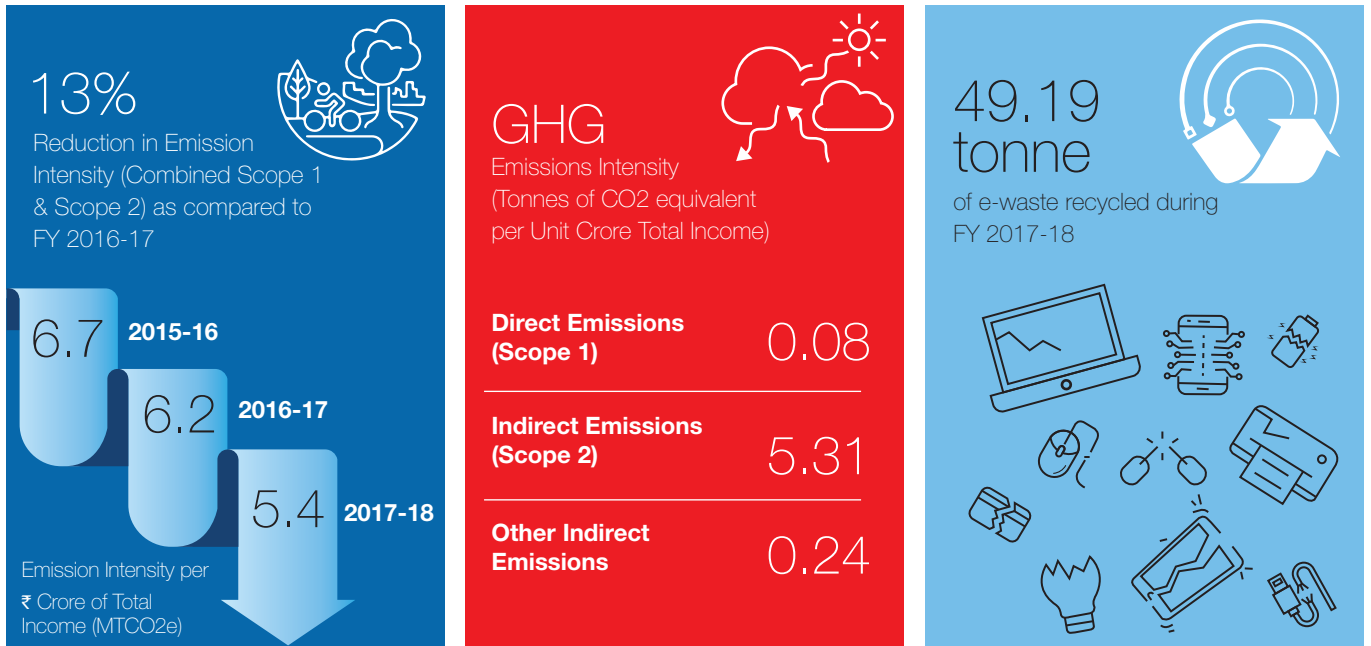
Participants covered under Financial Literacy Program –

59.17 Lakh

Annual Blood Donation Drive of the Bank recognised by the Guinness World Records for collecting highest units of blood in a day.

More than **2 Lakh units** of blood collected through 3045 camps across the country

Environmental Performance:



Economic Performance

Reach of HDFC Bank across the Country:

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Branches	3,403	4,014	4,520	4,715	4,787
ATMs	11,256	11,766	12,000	12,260	12,635
Cities/Towns	2,717	2,464	2,587	2,657	2,691

Net Profit After Tax -
₹ 17,486.75 – increase of
20.2%
as compared to previous year

Retail Advances rose by
27.4 per cent to
3,76,167 Crore

Dividend (increase in dividend per
share over FY 2016-17)
18.18%#
[# calculated over proposed dividend
for FY 2017-18]

HDFC Bank Smart-Hub solutions – Active users

8,000 educational institutions and
2,500 government departments

Rural Banking (Agriculture and allied activities)
– grew by increase of 45.2 per cent to

1,13,160.6 Crore
Crore from 77,921.0 Crore in the previous year

About this Report

HDFC Bank has been publishing its Annual Sustainability Report for five consecutive years. This edition is one with a difference: It is the first attempt to align its Sustainability Report with the Integrated Report Framework laid down by the International Integrated Reporting Council. The report is aligned with the view that “All organizations depend on various forms of capital for their success” (International <IR> Framework, para. 2.10). The Bank has defined its capitals and attempted to provide an overview of how it creates value for its internal and external stakeholders for FY 2017-18. This is in line with the roadmap spelt out by the Bank in its Annual Report where it said that it would begin working on Integrated Reporting.

IR aims at providing stakeholders concise and precise communication about how strategy, governance, performance and prospect create value over time. IR today is a growing trend globally and marries financial value creation with societal value creation.

As a leading responsible Indian corporation, it was only appropriate that we took the lead in this regard. Towards this end, the Bank has identified the value it has created for both internal and external stakeholders leveraging 6 capitals: Financial, Manufactured, Intellectual, Human, Social & Relationship and Natural. Aligning financial service sector disclosures and GRI Standards. ‘This report has been prepared in accordance with the GRI Standards: Comprehensive option’. The Report aligns with GRI Standards and centers around the theme of creating sustainable communities.

It has been detailed out in collaboration with Goodera, Sustainability advisory services provider and independently assured by DNV-GL Business

Assurance India Pvt. Ltd. The assurance of the report is based on AA1000AS (2008) standard as per Type 1 Moderate Assurance. The report is a product of comprehensive discussions with various department heads and Deputy Managing Director – Mr. Paresh Sukthankar, who is also a member of the Board-level CSR Committee.

Scope and Boundary

The report provides information about the Bank’s performance on economic, environmental and social parameters across its entire operations encompassing 4,787 banking outlets, 12,635 ATMs spread over 2,691 cities/towns as per the GRI Standards and the Financial Service Sector Disclosures. Since, the Bank does not capture information about social and environmental initiatives of its Subsidiaries, Associates, Foreign Branches and Offices at present, this information does not reflect in the report. There has been no significant changes in the reporting period regarding the organisation’s size, structure and ownership.

The previous Sustainability Reports are available on the link mentioned below:
<https://www.hdfcbank.com/aboutus/csr/environmental-sustainability.html>

The last Sustainability Report- ‘Unlocking Digital Opportunities’ was released in November 2017.



Message from the Managing Director



My fellow stakeholders,

I am delighted to present to you the Sustainability Report for the year ended March 2018. Let me start by reaffirming our deeply held belief that businesses cannot prosper if the communities in which they operate fail. This is what has been inspiring our social initiatives, through which we have already made a difference in the lives of about 3.5 Crore people, predominantly in rural India. This has helped bridge the India-Bharat divide.

Through our Sustainable Livelihood Initiative (SLI) we have touched over 80 lakh of the 1 Crore households targeted. This translates to over 3.2 Crore people. As you are aware, SLI helps people at the bottom of the pyramid break out of the cycle of poverty by equipping them with livelihood skills, finance and market linkage.

Our Holistic Rural Development Programme (HRDP) is also on course. As of March 31, 2018, we had 870 villages and 2.9 lakh families covered under the programme which addresses crucial issues facing rural India like soil, water, natural resource management and sanitation.

It gives me immense satisfaction to tell you that through our blood donation drive we have also been

saving human life. This is through our 1-day blood collection effort, which is one of the largest in corporate India.

In order to lend a sharper focus to our social initiatives, we have now brought them all under our umbrella brand Parivartan.

You will notice that we have attempted as promised earlier to align our Sustainability Report with the Integrated Reporting (IR) Framework laid down by the International Integrated Reporting Council. Towards this end, the Bank has identified its value created for its stakeholders under six capitals: Financial, Manufactured, Intellectual, Human, Social & Relationship and Natural. Through this framework both financial and societal value created are captured.

A word about financial value which actually helps us to sustainably create value for society. In a challenging business environment we managed to post a net profit of ₹ 17,486 Crore on a balance sheet size of ₹ 10,63,934 Crore. This has enabled us to close the year with a spend of ₹ 374 Crore on Corporate Social Responsibility (CSR), meeting the mandatory 2 per cent target for the second consecutive year. It's been a fulfilling journey so far. Needless to say, it will continue with the same zeal as it has in the past.





About HDFC Bank

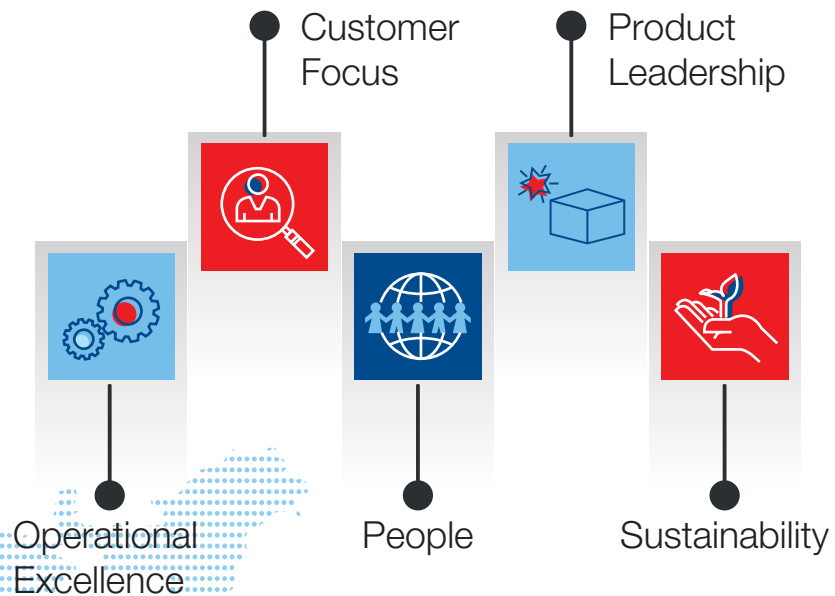
HDFC Bank was incorporated in August 1994, when the Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. Headquartered in Mumbai, it commenced its operations as a scheduled commercial Bank in January 1995. The journey of HDFC Bank has always been centered around its stakeholders and their empowerment. It is a private limited Bank,

that is driven by the belief that real development of a country is possible only when its communities are empowered, the Bank encourages holistic growth with benefits accruing to all its stakeholders. While profit is important, it cannot come at the cost of ethics or by shortchanging the community. This in turn has ensured that HDFC Bank is committed to maintaining the highest levels of ethics, professional integrity, compliance and corporate governance.

Mission

To be a World Class Indian Bank.

Core Values



Distribution Network

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

4,787

Banking outlets

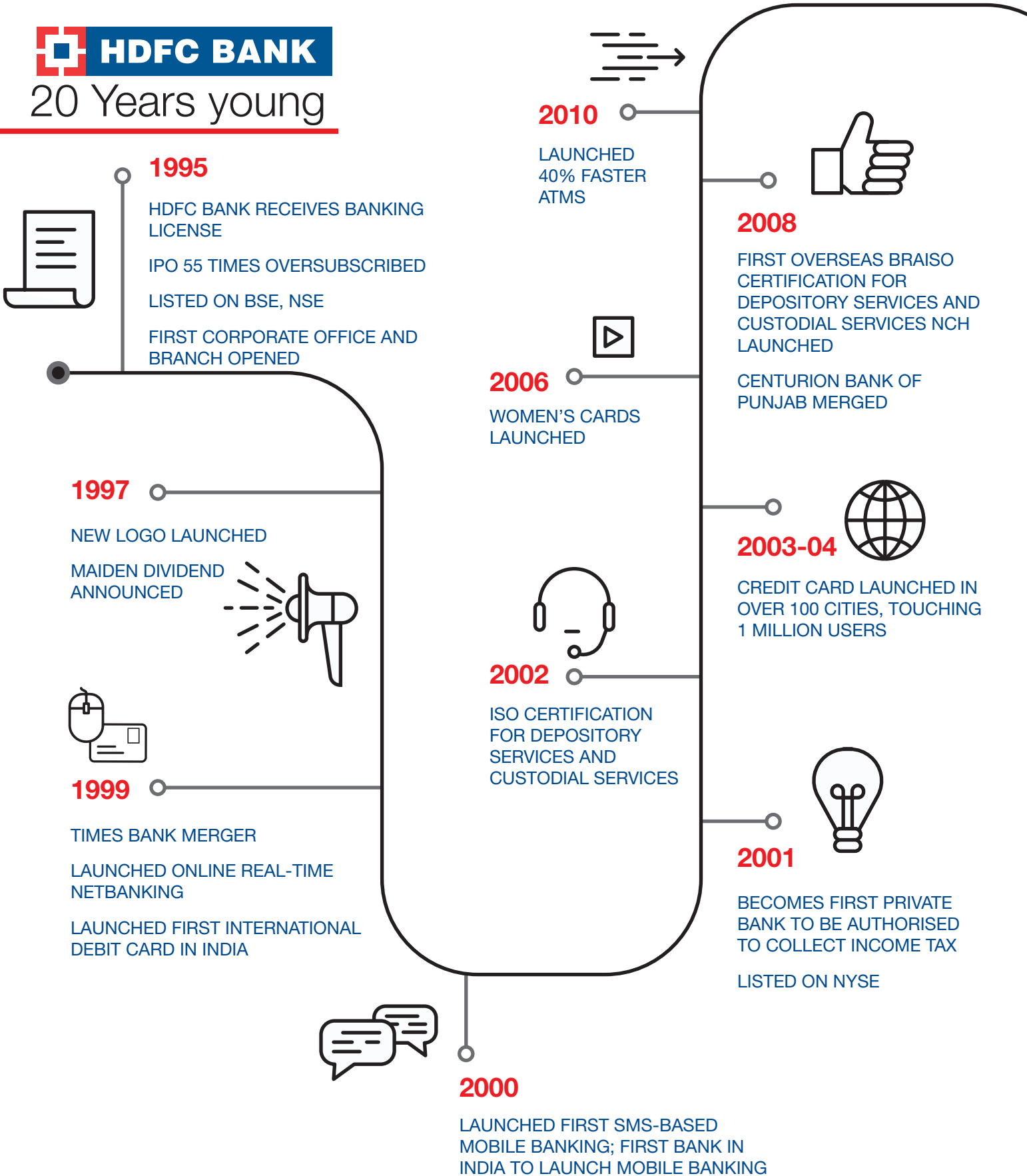
12,635

ATM's

2,691

Cities/Town

HDFC BANK
 20 Years young



2011



MARKET LEADERSHIP IN AUTO AND PERSONAL LOANS, CREDIT CARDS

2012



JOSH UNLIMITED LAUNCHED

2013



SLI TOUCHES 2 MILLION HOUSEHOLDS



2013-14

BECOMES THE MARKET LEADER IN ISSUING CREDIT CARDS

BLOOD DONATION CAMP WINS GUINNESS WORLD RECORD

LAUNCHED MISSED CALL BANKING

MOBILE/NETBANKING HAVE THE LARGEST NUMBER OF TRANSACTIONS ON OFFER (135+)

2015



HDFC MOBILE BANKING HAS LARGEST NUMBER OF MOBILE TRANSACTIONS

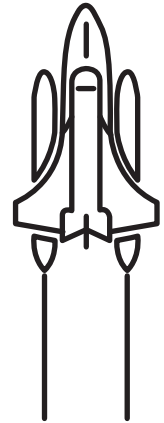
SHARE OFFERING OVERSUBSCRIBED OVER 4 TIMES

LAUNCHED ITS ANTHEM – MOGO

INTRODUCED 10-SECOND PERSONAL LOAN

LAUNCHED CHILLR AND PAYZAPP

2016



LAUNCHED MISSED CALL MOBILE RECHARGE SERVICE

LAUNCHED LOANS AT ATMS UTILITY

BECOMES THE #1 ISSUER OF CREDIT CARDS

10th ANNIVERSARY OF ALL-INDIA BLOOD DONATION DRIVE

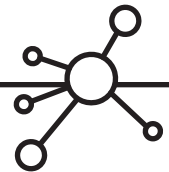
2017

IRA LAUNCHED

DIGITAL LAS LAUNCHED

JOSH UNLIMITED BECOMES A REGISTERED TRADEMARK

RECOGNITION OF OUR COMMITMENT

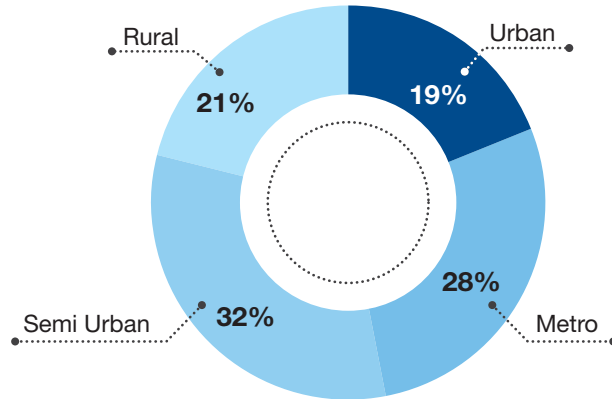


BUSINESS OPERATIONS

HDFC Bank’s operations are split into domestic and international operations. The Bank provides a wide range of banking services covering commercial and investment banking on the wholesale side, Transactional/Branch banking on the retail side and Treasury Operations.

Branch classification (Mar’18)

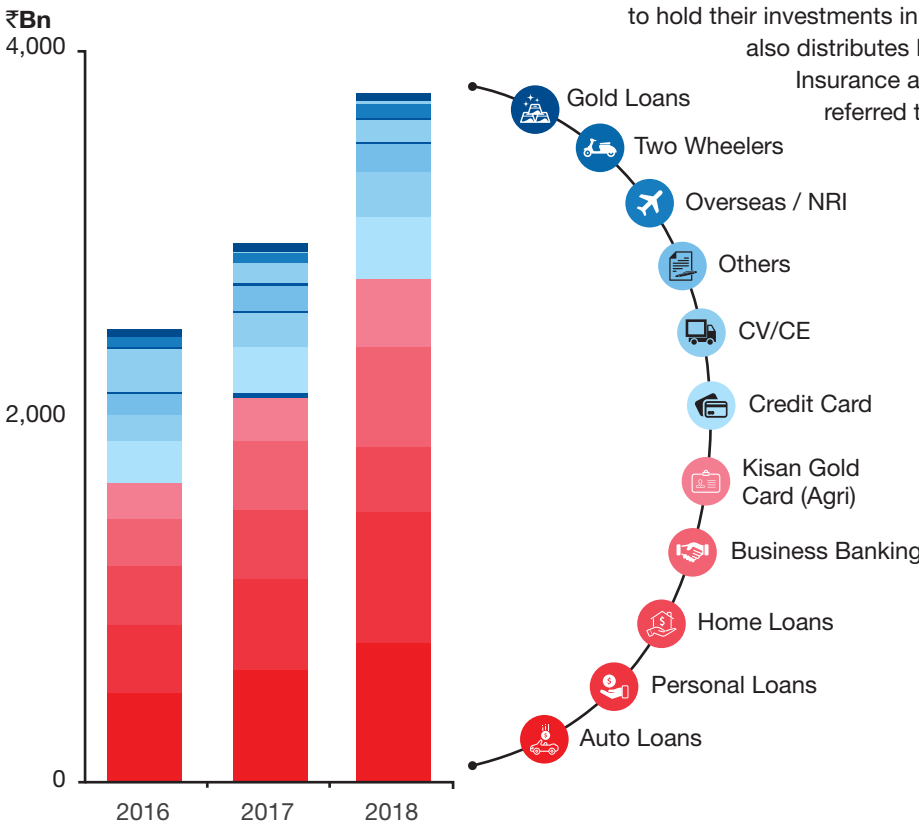
- 53% of total banking outlets in Semi-urban and Rural locations
- All branches linked online, real-time
- Customer base of over 4.3 Crore



Domestic Business / Retail Banking

This business offers its target market an extensive range of financial products and banking services. These are backed by world-class service and delivered through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking. The HDFC Bank Preferred program for high net worth individuals, the HDFC Bank Plus and the Investment Advisory Services programs have been


designed keeping in mind needs of customers who seek distinct financial solutions, information and advice on various investment avenues. The Bank also has a wide array of retail loan products including Auto Loans, Loans against marketable securities, Personal Loans and Loans for Two-wheelers. It is a leader in the Auto Loans Segment with a strong presence in commercial vehicle and two-wheeler financing. It is also a leading provider of Depository Participant (DP) services for retail customers, giving them the facility to hold their investments in electronic form. The Bank also distributes Life Insurance, General Insurance and Mutual Funds, often referred to as Third-Party Products.



- Well diversified product mix
- Leading player - balancing volumes & market share with margins and risk
- Loan losses for most products stable and within product pricing parameters

In FY 2017-18 the Bank's Retail Banking Business registered robust growth. The total Retail Deposits increased by 14.4 per cent to 5,80,006 Crore from 5,06,843 Crore in the preceding year while Retail Advances rose by 27.4 per cent to 3,76,167 Crore from 2,95,161 Crore.

The Bank has a lending policy clearly defining the target market, target segment, a basis which loan applications are processed. The hallmark of the Bank's risk management process function is its independence, with credit decisions being made by a credit underwriting vertical. Automated controls in the loan origination systems ensure that loan proposals are subject to various parameters which are specified in the lending manual. The Bank has a Board approved lending manual with credit monitoring benchmarks. The Risk team monitors these benchmarks on an ongoing basis and drives corrective action plan where needed. The performance is measured on various parameters like cheque bouncing, delinquency rate, NPA etc. The Bank disbursed ₹ 1,92,376 Crore through retail loans in the financial year 2017-18.

	Loan Products	Deposit Products	Other Products/Services
 Retail Banking	<ul style="list-style-type: none"> • Auto Loan • Personal Loans • Home Loans/Mortgages • Commercial Vehicles Finance • Retail Business Banking • Credit Cards • Loans Against Gold • 2-Wheeler/Consumer Durable Loans • Construction Equipment Finance • Loans Against Securities • Agri and Tractor Loans • Education Loans 	<ul style="list-style-type: none"> • Savings Accounts • Current Accounts • Fixed/Recurring Deposits • Corporate Salary Accounts • Escrow Accounts 	<ul style="list-style-type: none"> • Depository Accounts • Mutual Fund Sales • Private Banking • Insurance Sales (Life and General) • Non-resident Indian (INR) Services • Bill Payment Services • Point of Sale (POS) Terminals • Debit Cards • Foreign Exchange Services • Broking (HDFC Securities Ltd.)
		Loan Products Contd... <ul style="list-style-type: none"> • Self Help Group Loans • Joint Liability Group Loans • Kisan Gold Card 	

Domestic Business / Wholesale Banking

This business focuses on institutional customers such as the Government, Large and Emerging Corporates, and SMEs. The Bank's offerings in this segment include Working Capital and Term Loans as well as Trade Credit, Cash Management, Supply Chain Financing, Foreign Exchange, and Investment Banking services. The Wholesale Banking business recorded healthy growth, ending the year with a loan book size of approximately ₹ 2,88,000 Crore constituting about 43 per cent of the Bank's total book.

This was an increase of about 9.5 per cent over approximately ₹ 2,63,000 Crore recorded in the previous year. The performance in this segment must be seen in the wider context of an otherwise subdued credit environment and excess liquidity in the banking system, which exercised a downward pressure on interest rates for much of the year. The Bank was able to expand its share of the

customer wallet, primarily using sharper customisation and cross-selling.

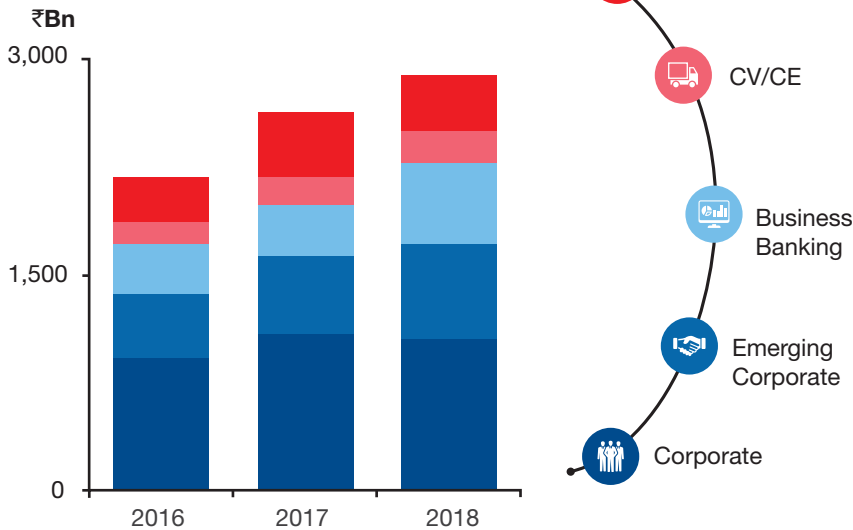
Bank leveraged its vast geographical reach, technology backbone, automated processes, a suite of financial products and quick turnaround times to offer a differentiated service, which has resulted in new customer acquisition as well as a higher share of the wallet from existing customers. The business continues to have a diversified portfolio in terms of both industry and geography.

The Bank lends to both small and emerging corporate based on its Credit Policy. The Relationship Manager (RM) assesses them on various parameters such as business model, financial performance, peer comparison within industry, management effectiveness, etc. prior to putting it across to the Credit Approver. The Credit Approver evaluates the credit and provides an approval. This process of credit

assessment accounts the social and environmental impact of lending to corporates in our portfolio. The corporate borrowers need to comply with all

applicable social, environmental, labour, health and safety laws and regulations for which they provide an undertaking to the Bank.

Wholesale Advances



- Leveraging relationships with large/emerging corporates and SMEs for multiple products
- Balanced mix between working capital financing, term loans and trade services
- Market leaders in cash management solutions
- Well diversified loan portfolio
- Investment banking capability across multiple industry segments and product verticals



Dealers
Distributors
OEM Customers

Leading provider of electronic banking services for supply chain management (SCM)

Commercial Banking	Transactional Banking	Investment Banking	Key Segments
<ul style="list-style-type: none"> Working Capital Term Loans Bill/Invoice Discounting Forex and Derivatives Wholesale Deposits Letters of Credit Guarantees 	<ul style="list-style-type: none"> Cash Management Custodial Services Clearing Bank Services Correspondent Banking Tax Collections Banker to Public Issues 	<ul style="list-style-type: none"> Debt Capital Markets Equity Capital Markets Project Finance M&A and Advisory 	<ul style="list-style-type: none"> Large Corporates Emerging Corporates Financial Institutions Government/PSUs Business Banking/SME Supply Chain (Suppliers and Dealers) Agriculture Commodities

HDFC Bank's pre-eminent position in the Wholesale Business was recognised in a survey conducted by Greenwich Associates, a leading global provider of market and intelligence services. It rated the Bank as number one in India in the middle market segment in terms of market penetration and number two in the large corporate segment.

Domestic Business / Treasury

The Treasury is the custodian of the Bank's cash / liquid assets and handles its investments in securities, foreign exchange and cash instruments. It manages the liquidity and interest rate risks on the balance sheet and is also responsible for meeting reserve requirements. The vertical also helps manage the treasury needs of customers and earns a substantial part of its revenues through fee income generated from transactions customers undertake with the Bank while managing their foreign exchange and interest rate risks.

Revenue accrues from spreads on customer transactions based on trade and remittance flows and demonstrated hedging needs. The Bank recorded revenue of ₹ 1,523.5 Crore from foreign exchange and derivative transactions in the year under review. While plain vanilla forex products were in demand across all customer segments, the demand for derivative products came mostly from large and emerging corporates. As a part of prudent risk management, the Bank enters into foreign exchange and derivative deals with counterparties after it has set up appropriate credit limits based on its evaluation of the ability of the counterparty to meet its obligations.

The Bank maintains a portfolio of Government Securities, in line with regulatory norms governing the Statutory Liquidity Ratio (SLR). A significant portion of these SLR securities are held in the 'Held-to-Maturity' (HTM) category, while some are held in the 'Available for Sale' (AFS) category. The Bank is also a Primary Dealer for Government Securities. As a part of this business, as well as otherwise, the Bank holds fixed income securities in the 'Held for Trading' (HFT) category.

The Bank is in the process of implementing a new Treasury solution provided by Murex. The first phase of implementation has gone live this year and full implementation will be completed in the next 12-18 months. This will be an integrated solution for front office, mid-office and back-office and will replace many existing software / systems.

Products/Segments	Other Functions
Foreign Exchange	Asset Liability Management
Debt Securities	Statutory Reserve Management
Derivatives	
Equities	

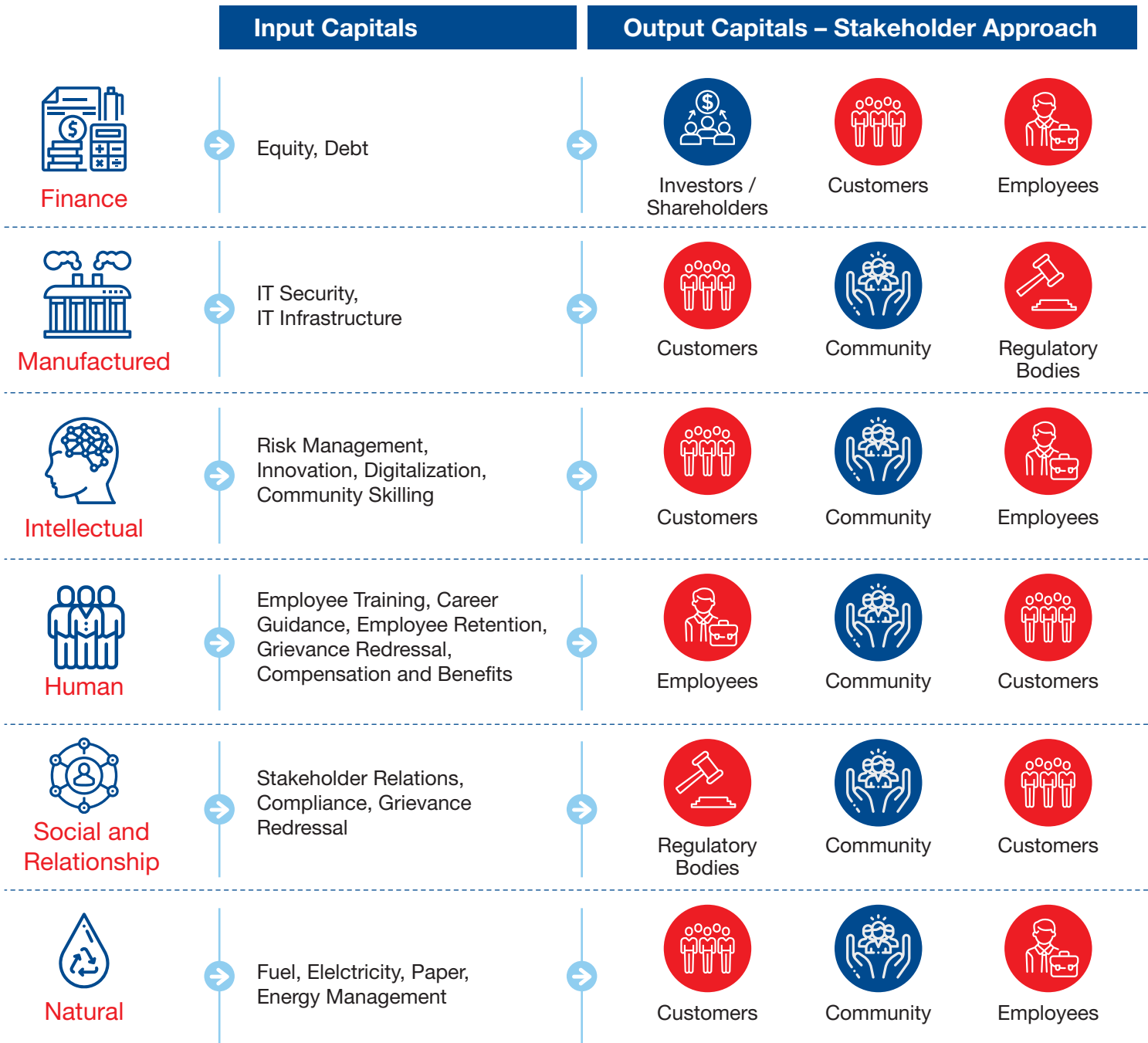
International Business

As on March 31st, 2018, the balance sheet size of this business was US \$4.13 billion. Advances constituted close to 3.1 per cent of the Bank's gross advances. The total income of the overseas branches constituted 0.86 per cent of the Bank's total income for the year. Though the number is small, what is significant is that the Bank is able to cater to a large and growing Indian diaspora.

As you would know, the Bank has overseas branches in Bahrain, Hong Kong and the Dubai International Finance Centre (DIFC). These branches cater to the needs of our overseas clients both corporate, and individual. They offer Banking, Trade Finance and Wealth Management (primarily for non-resident individual customers). In addition, the Bank has Representative Offices in Abu Dhabi, Dubai and Nairobi.

You will be happy to know that the Bank now has a presence in International Financial Service Centre (IFSC) at GIFT City in Gandhinagar, Gujarat. This unit, which opened in June 2017, is akin to a foreign branch. Customers can avail of products such as Trade Credits, Foreign Currency Term Loans including External Commercial Borrowings (ECB), and derivatives to hedge loans.

Value Creation Model - HDFC Bank



VALUE CREATION -STAKEHOLDERS APPROACH AND VALUES APPROACH


Investors / Shareholders

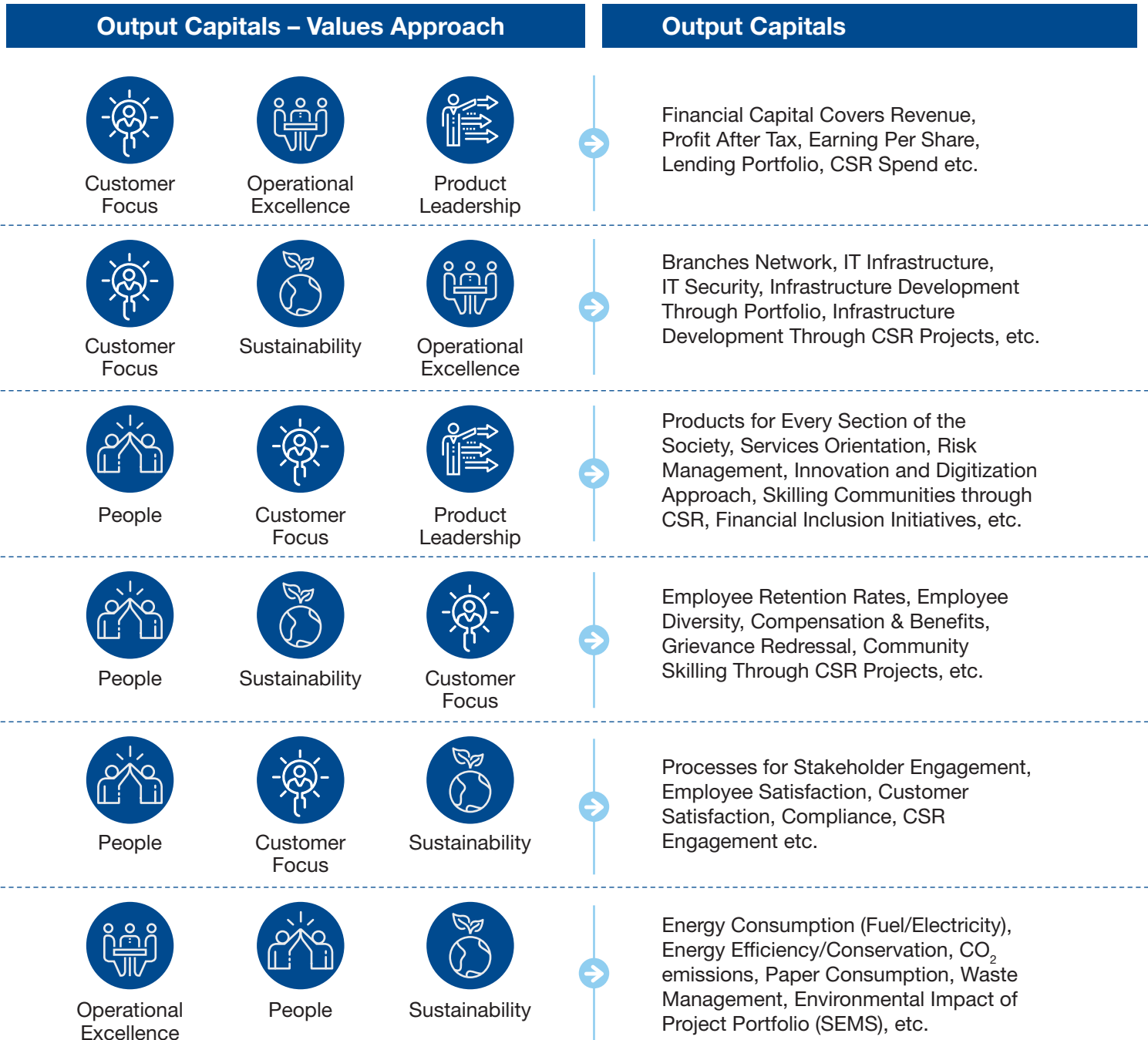

Community


Employees


Customers


Regulatory Bodies

Environment
Stakeholder Engagement
Risk and Opportunities
Governance



Strategy and Resources Allocation

Business Profile: Retail Banking, Treasury, Wholesale Banking

Internal and External



Mission, Vision and Values

People

Sustainability

Product Leadership

Operational Excellence

Customer Focus

VALUE CREATION STORY

The Bank's philosophy based on the five Values namely, Customer Focus, Product Leadership, Operational Excellence, Sustainability and People govern its sustainability practices to have an integrated approach to focus on People, Planet and Profit. The Bank aims at creating mutual value for its stakeholders through ethical governance practices.

The value creation model is built basis integrated thinking which pans out Bank's value creation and related aspects. The Bank is also in the process of enhancing its integrated approach towards value creation. Through this process, the focus is on

identifying and broadening the value creation for all stakeholders beyond the financial value generated.

The Bank uses capitals as stocks of value that are transformed by the business activities to produce outputs.

The Bank has identified various capitals it draws from the operating environment, the business model adopted for generating value and the outcomes delivered to stakeholders. Brief details of the various capitals are as below:

THE CAPITALS

Financial Capital – This capital refers to the pool of funds used by the Bank for providing its services. This also covers funds received through financing or generated through operations. Financial Capital covers Revenue, Profit After Tax, Earnings Per Share, Lending Portfolio and CSR Spend amongst others.

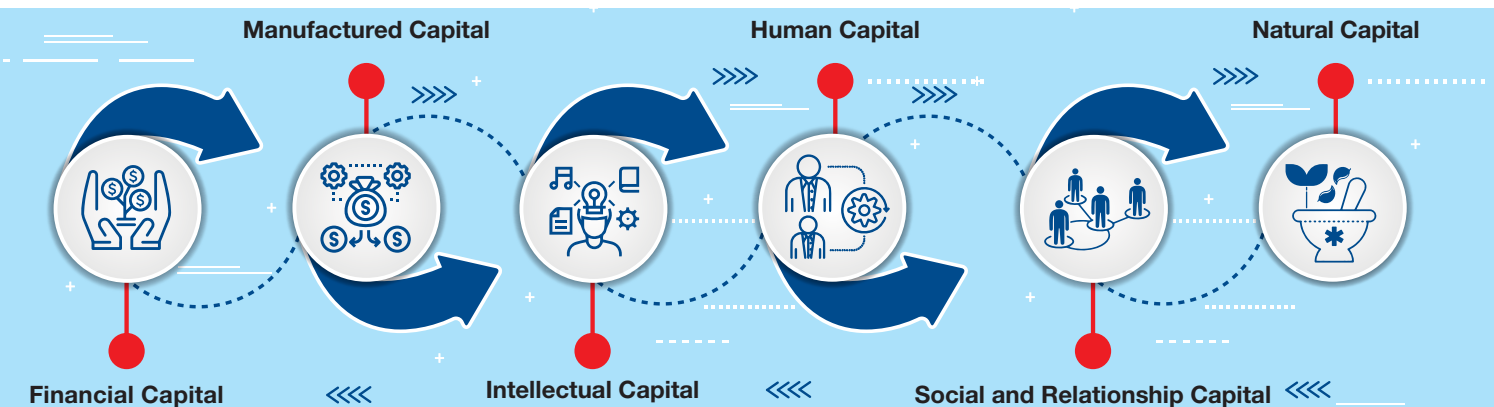
Manufactured Capital – This capital is an aggregation of all physical assets used by the Bank for delivering its products and services or are created by it. This includes Branches Network, IT Infrastructure, IT Security, Infrastructure Development through Portfolio and Infrastructure Development through CSR Projects.

Intellectual Capital – This capital covers the knowledge-based intangibles of the Bank, which help it gain competitive advantage. This capital also includes the initiatives of the Bank for improving financial inclusion. This capital can be substantiated by products for every section of the society, services orientation, risk management, innovation and digitisation approach, skilling communities through CSR, financial inclusion initiatives, etc.

Human Capital – This capital refers to the motivation, commitment and competency of the Bank's employees. This reflects in employee retention rates, employee diversity, training, appraisals and career guidance, compensation and benefits, grievance redressal, community skilling through CSR Projects. Also for the Bank, this capital covers the empowerment of communities.

Social and Relationship Capital – This capital covers the approach adopted by the Bank for developing and maintaining its relationship with multiple institutions and stakeholders. The Bank's performance on this capital can be understood through the processes of stakeholder engagement, employee satisfaction, customer satisfaction, compliance, CSR engagements, etc.

Natural Capital – This capital refers to the environmental resources used by the Bank for delivering its products and services. The impact of this capital can be understood through energy consumption (fuel / electricity), energy efficiency / conservation, CO2 emissions, paper consumption, waste management, environmental impact of the project portfolio.



Financial Performance

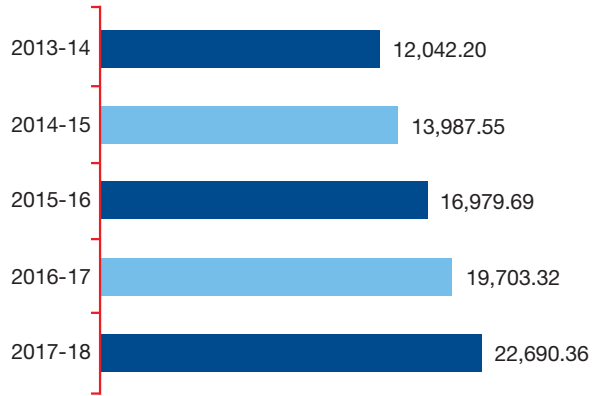


Financial Performance

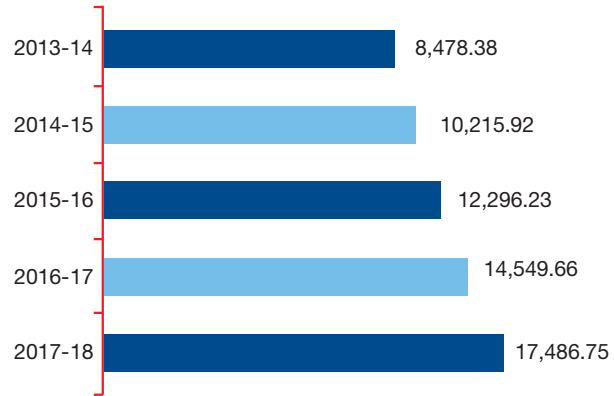
HDFC Bank is one of India's leading private sector Banks and has witnessed a robust growth on all key parameters like asset size, revenues and profitability in FY 2017-18. Sustainability of its business is driven by its business model and the interactions with the economy in which the business operates. The Bank

has created value for all its stakeholders in multiple ways. Some of this manifest in financial value while others bring about more intangible benefits and value creation in terms of social, human, natural or intellectual capital. Depicted below, are some of the key financial performance parameters of the Bank.

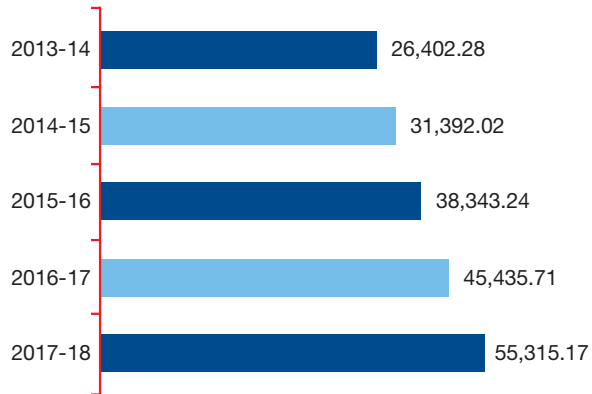
Operating Costs (₹ Crore)



Profit After Tax (₹ Crore)



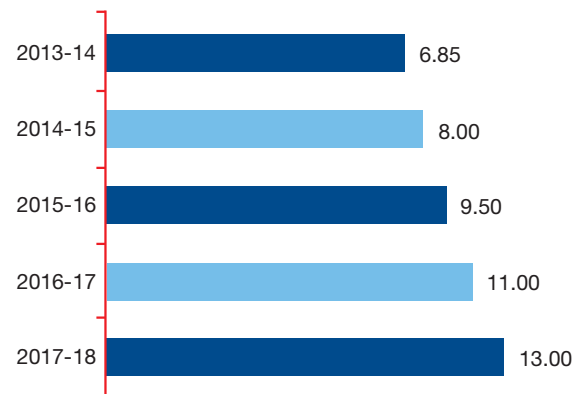
Total Net Revenue (₹ Crore)



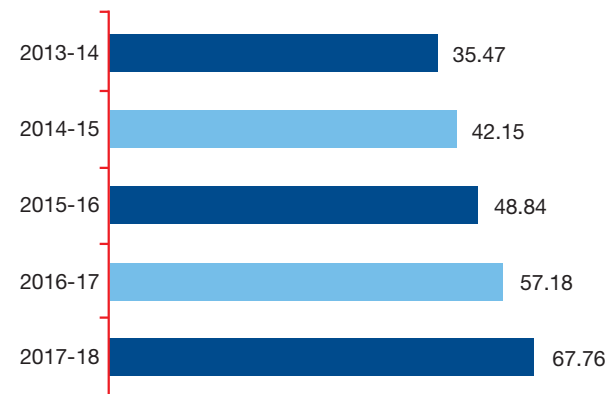
Balance Sheet Size (₹ Crore)



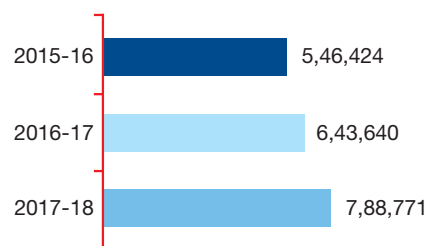
Dividend Per Share (₹)



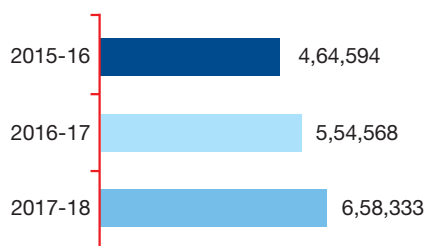
Earnings Per Share (₹)



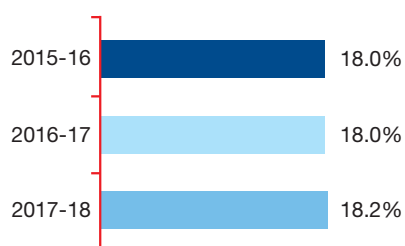
Deposits (₹ Crore)



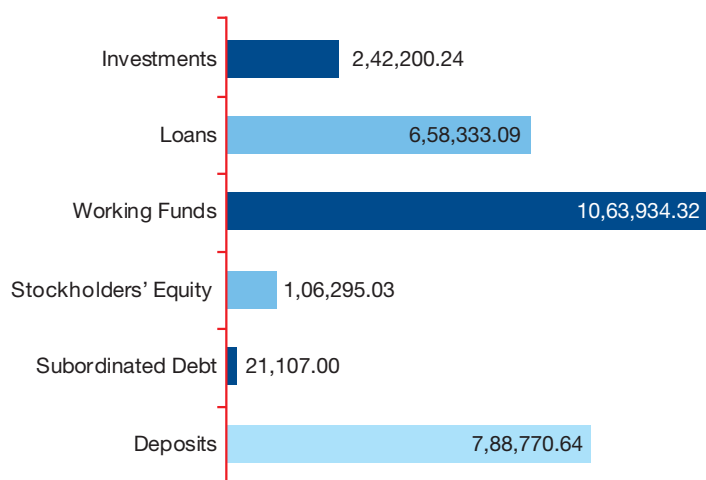
Advances (₹ Crore)



Return on Capital



Funds for FY 2017-18 (₹ Crore)



in Crore	FY 2017-18
Direct Economic Value Generated	55,315.17
Revenues	55,315.17
Economic Value Distributed	29,870.1
Operating Costs	22,690.36
Payments to and provisions for employees	6,805.74
Community Investments (Including CSR Expenditure)	374
Financial Assistance Received from Government	-
Economic Value Retained (Economic value retained is the difference between Direct Economic Value Generated and Economic Value Distributed)	25,445.07

A detailed financial overview is presented as part of the of the Annual Report for FY 2017-18, available online at https://www.hdfcbank.com/aboutus/cg/annual_reports.htm

Environmental Stewardship



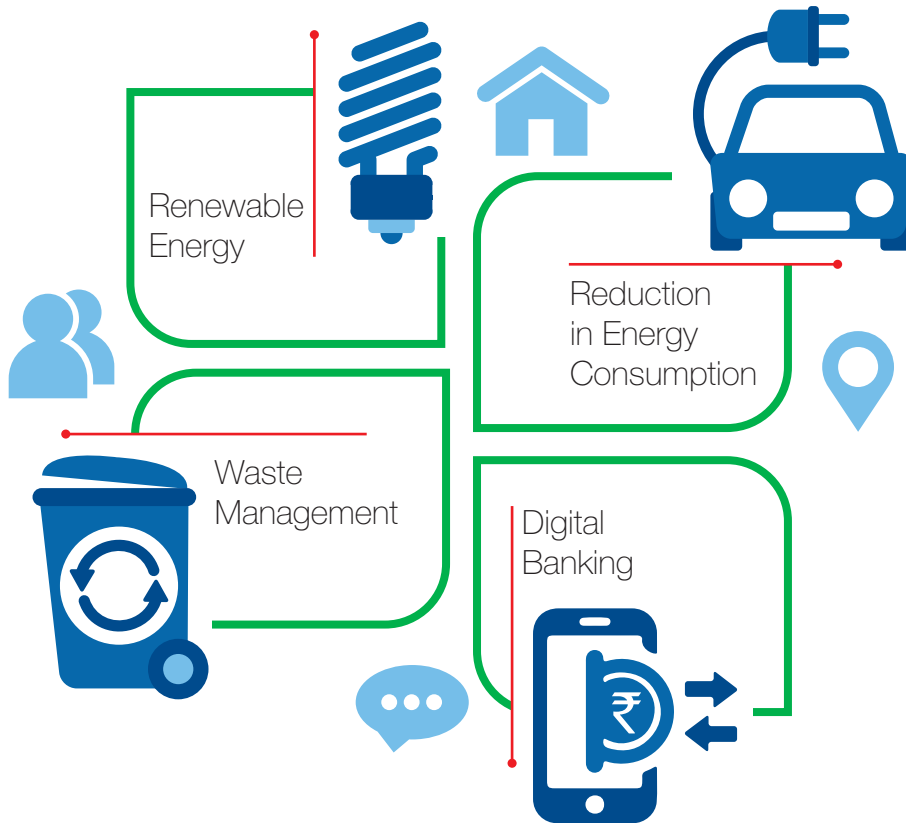
Environmental Stewardship



Maintaining a balance between natural capital and communities is now integral to the Bank’s functioning. The Bank continuously strives to strike a balance between economic, social and environmental aspects. In line with this and its core value of sustainability, it tries to minimise its environmental impact. As a part of this effort, many ATMs have gone paperless, facilitating a reduction of carbon footprint. The Bank has given this endeavour a further fillip by ensuring multi-channel delivery through Net Banking, Phone Banking and Mobile Banking. As a result, Carbon Emission is reduced, not only from operations, but also from decrease in client travel. Another source for reducing environmental footprint is solar ATMs, which

utilise rechargeable lithium ion batteries that decrease power consumption. All these efforts contribute to climate change mitigation and environmental conservation, which it regards as essential elements of a sustainable business.

In this respect, the Bank has taken several steps towards digital banking, renewable energy, waste management and energy reduction. Hence, the focus is to limit the dangers attributable to growing effects of climate change.



The Bank regards climate change mitigation and environmental conservation as essential elements of a sustainable business. This belief embodies the Bank’s approach on management of its resource footprint. The Bank has given this endeavour a further inducement by ensuring multi-channel delivery through Net Banking, Phone Banking and Mobile Banking. One of the initiatives taken to reduce carbon footprint in FY 2017-18 is transitioning the ATMs to go paperless. The total amount of paper consumed in the

operation of the Bank is 62625 Tonnes. This resulted in carbon emission reduction not only from operations, but also due to decrease in client travel. Another source for reducing environmental footprint is solar ATMs, which utilise rechargeable lithium ion batteries that decrease power consumption. In FY 2017-18 there were no fines, non-monetary sanctions or cases brought forward regarding non-compliance with environmental and social laws and regulations against the Bank.

Resource Efficiency

- Washrooms installed with proximity sensors
- Usage of reusable cups and plates
- Motion sensors to switch off the lights in unoccupied rooms

Waste Management

- Responsible E-Waste disposal methods
- Waste water recycling facility at one of the hub locations

IT Initiatives

- Automated server and desktop shutdown to reduce consumption of energy
- Video conferencing, video chatting to reduce emissions as a result of air travel

Renewable Energy

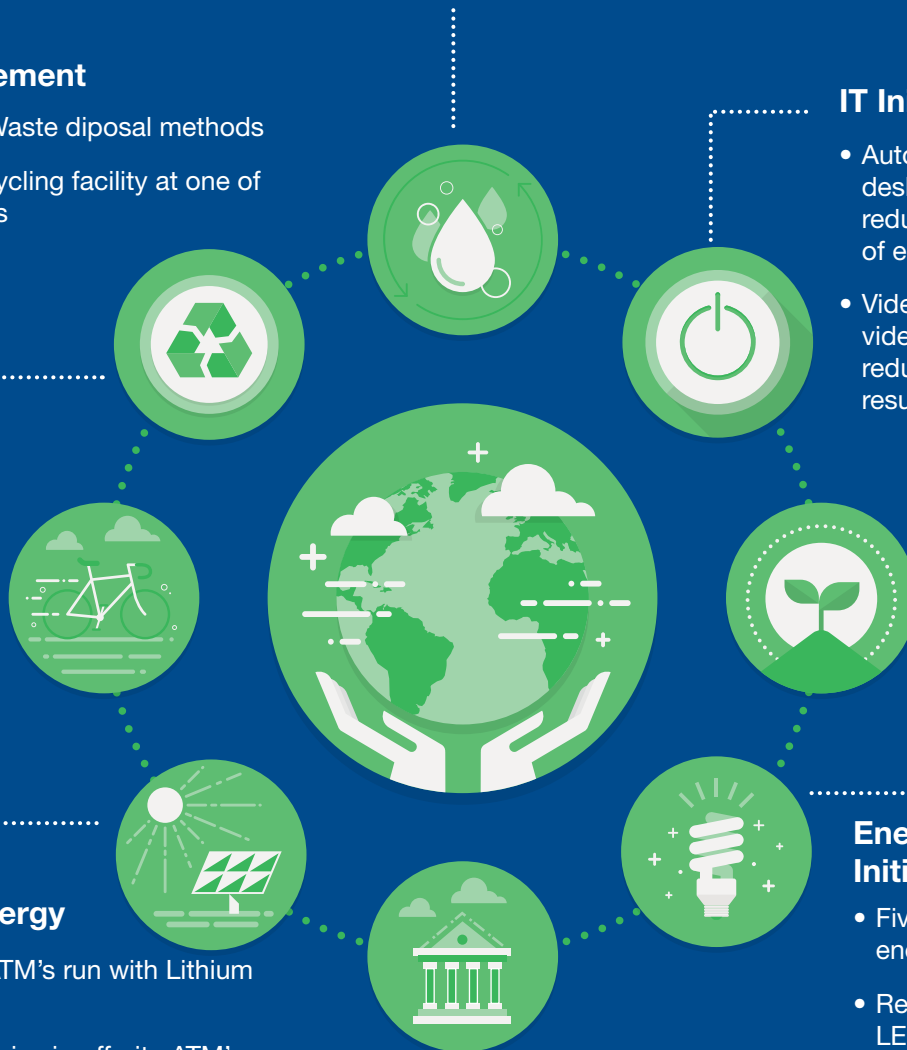
- Solar powered ATM's run with Lithium ion batteries
- Lithium ion batteries in off-site ATM's

Energy Saving Initiatives

- Five Star rated and energy efficient ACs
- Replacement with LED lights in the office, replacement of old chillers
- Energy Management Module

Digital Banking

- Conversion of statements into e-statements
- Numerous other administration focus on paperless exchanges
- Carbon footprint calculator



1. DIGITAL BANKING

Innovation is the common thread that runs through the multiple businesses and functions in the Bank. Besides products, it manifests itself in levels of concepts and ideas.

HDFC Bank has a passion to excel in its innovation, which is the common thread that runs across its different businesses/functions. A testament to this is the fact that more than 85 per cent of the transactions in the year under review occurred over the Internet and Mobile. The amount transacted through phone banking is ₹ 7,118.89 Crore and through net banking is ₹ 18,35,876.71 Crore. The Bank's engagement with start-up and fintechs moved to the next level through the 'Industry Academia Initiative', which helps in mentoring them. The annual Digital Innovation Summit continues to generate interest among the start-up community and benefits the Bank through useful solutions. The Bank's focus on leveraging Artificial Intelligence (AI) and Machine Learning (ML) has started yielding results. Eva, the virtual assistant on the Bank's website; and Bank on Chat, the bank's Facebook Messenger chat bot, have elicited encouraging response from customers. For instance, Eva handled over 30 lakh queries on the website with an accuracy ratio of over 85 per cent. In just 12 months, the Facebook app garnered over three lakh users, who used it for making bill payments, movie / travel bookings and mobile recharges. To encourage digital payments, the Bank has launched all-in-one DigiPoS machines that enable UPI, Bharat QR, SMS, and PayZapp transactions on a single machine.

Another innovative product the Bank has launched is the SmartHub, an umbrella digital platform for online payments to government departments, educational institutions and small merchants. It has also introduced an Instant credit card, which is issued electronically within an hour and can be used by the customer to make purchases online. Over three lakh

Instant credit cards were issued during the Financial Year 2017-18. In the unsecured loan segment, the Bank's digital acquisition solution, 10 seconds loans, continued to delight customers. To further enhance the customer experience and improve cost management, the Bank is now developing a platform for end-to-end digital acquisition of business.

HDFC Bank has the distinction of being the first bank in the country to introduce Digital Loan Against Shares (LAS). In the automobile segment customers continued to buy cars and two-wheelers through online services such as Zip Drive and Quick Money.

To sum up, the Financial Year 2017-18 under review has seen an ample demonstration of 'Go Digital, Bank Aapki Muththi Mein' strategy.



1.1 Carbon Footprint Calculator

The Bank spreads awareness about energy conservation through its Carbon Footprint Calculator. Aimed at visitors to the Bank's website, this calculator enables an individual or a family to calculate their carbon footprint based on their travel and residence. Additionally, it shows methods to offset this footprint.





2. ENERGY REDUCTION

HDFC Bank has adopted Energy Efficient Management Systems (EnMS) to improve energy efficiency in its operations and systematically manage energy use. This structured approach aims at mitigating climate change by reducing energy consumption. The major sources of energy consumption are fuel for owned vehicles, DG sets and electricity.

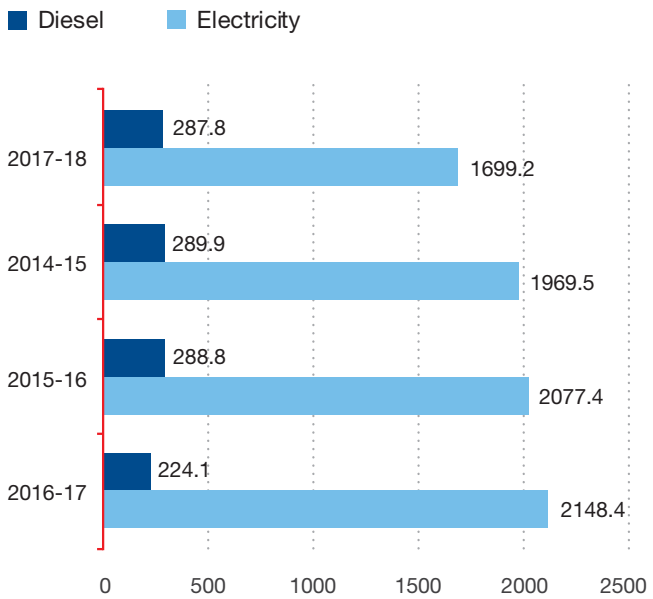
The Bank has undertaken several initiatives in these areas:

- For energy saving and supporting go-green initiative green locks and AC controllers are installed in conditioning machines
- For controlling the power factor and to reduce energy consumption, energy capacitors are installed in high consumption offices
- Switching of all main signboards in branches after 10 pm is practised
- For energy saving contract demand has been lowered and CFL lamps have been replaced with LED fixtures at Kanjurmarg Hub
- For energy saving, provision of LED lamps at branches and offices has been made. provision of solar panels for captive power generation at Pune and Bhubaneswar offices has been made
- The predictive Energy Management Module was rolled out to additional 460 branches
- The collocation of ATM and Server Room was done to reduce the number of individual air-conditioning units
- Capacitor banks have been installed in all the premises
- For bringing about further energy reduction VRF/VRV AC's were preferred over conventional AC's in all new back offices also star rated AC's as per BEE standards were installed in the Bank's branches and the proposal is in pipe line to roll out inverter-based AC's.
- For achieving energy optimisation, monitoring of air conditioning set point temperature has been adopted and the process of installing occupancy sensors in the new back offices has been initiated

- At 4 branches Lithium Ion based inverter system has been piloted in place of Diesel Generator
- Green / Green certified products like carpets, false ceiling etc. have also been put to use in some large projects
- Diesel Generator Sets are procured compliant to CPCB II Norms.

These initiatives lead to an overall reduction in GHG and energy consumption. The Bank is currently setting up systems to capture and report the quantum of these initiatives.

Energy Consumption by Source ('000 GJ)



Note: The base data is collected centrally, and the factors used for calculation have been taken from India GHG Program, 2015.

In FY 2017-18, the energy consumption per employee is 26.88 GJ, with a decrease of 4.2% of energy consumed per employee, in comparison to FY 2016-17.



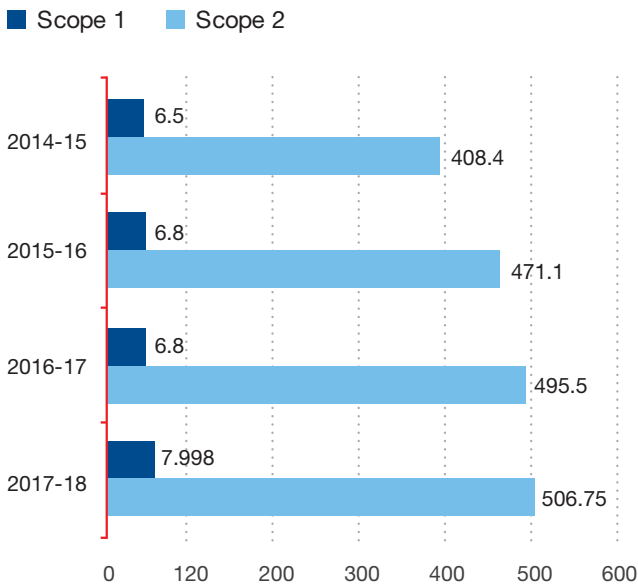
2.1 Emissions Management

Global warming and climate change effects are visible across nations. The most significant impacts are weather pattern changes, rise of the oceans and sea levels and the extremes in climate. The Bank believes that through digitalisation and judicious use of resources it can contribute its bit towards emission reduction. The Bank is making gradual and sustained efforts towards paperless banking, by digitising paper-based products and processes.

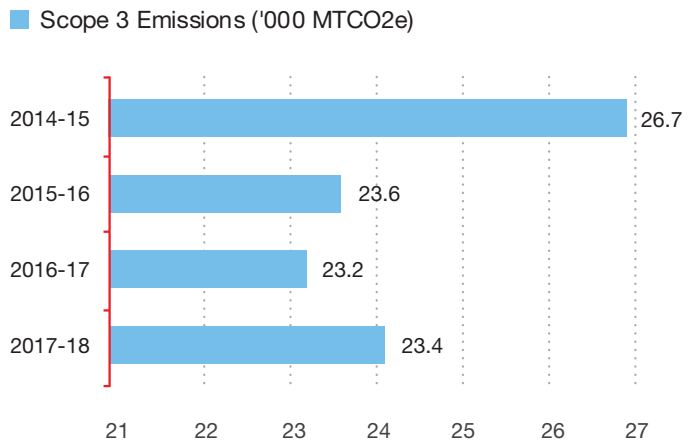
In FY 2017-18, there was a 2% increase in combined scope 1 and scope 2 emissions due to increase in number of branches and increase in the magnitude of the Bank’s operations. The Bank undertook various

efforts to sensitise employees and customers on various emission reduction initiatives. Details of emission reduction initiatives are currently not captured and will be reported from the next cycle. These efforts include adoption of digital banking channels, energy efficiency initiatives and paper conservation measures. Emissions other than Scope 1, 2 and 3 for example SOX, NOX and SPM are not material to the Bank as it operates in the service sector. Currently the measurement of coolant leaks as scope 1 emissions and GHG reduction has not been captured, the process for recording the measurement is in progress and will be reported in the next reporting period.

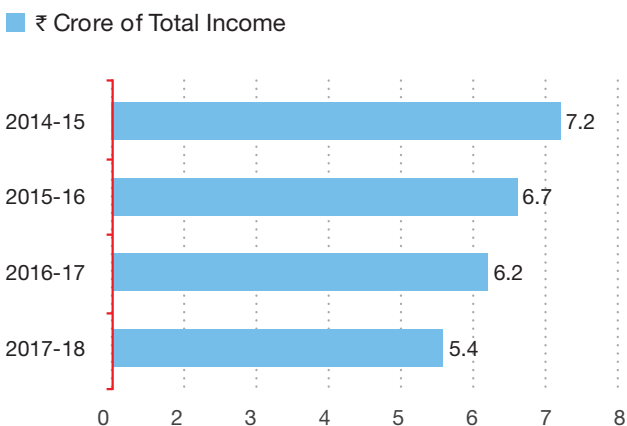
Scope 1 and Scope 2 Emissions ('000 MTCO2e)



Scope 3 Emissions ('000 MTCO2e)



MTCO2e per ₹ Crore of Total Income



Note:

1. Scope 3 data includes Business Travel by the employees (Air and Rail), Taxi hire, Paper consumption, and E waste. The emission factors have been taken from India GHG Program, 2015. The total amount of distance travelled for the various sectors is determined to calculate the emissions generated by Business Travel.
2. Scope 2 emissions include MTCO2e emissions from electricity consumption and diesel consumption by gensets at HDFC Bank. The emission factors have been taken from CEA's (Central Electrical Authority) CO2 database and India GHG Program, 2015. The cost of electricity consumed pan bank is converted in quantities of electricity consumed by using state level tariffs. Grid Electricity Consumed has been calculated from the electricity bills for all locations.
3. Scope 1 emissions include CO2, N2O and CH4 emissions from HDFC Banks owned vehicles. The emission factors and GWP (Global Warming Potential) values have been taken from India GHG Program, 2015. The cost of diesel consumed pan bank is converted in the quantities consumed by using state level diesel prices.

Note: The emission intensity is calculated considering Combined Scope 1 and Scope 2 emissions

3. WASTE MANAGEMENT

The Bank has identified waste reduction and its management as one of the focus areas towards improving its operational efficiency. There have been numerous initiatives put in place for waste management, which would help the Bank strive to minimise its impact on the environment. The wastes generated through the Bank’s operations are e-waste, dry waste (primarily paper waste) and wet waste (primarily from the cafeteria). The Bank operates in the service sector and therefore there is no hazardous waste being generated due to its operations. There are no spills as the Bank operates in the financial service sector, also the e-waste which is generated is handed over to authorized waste recyclers, therefore transportation of hazardous waste is not material to the Bank.

3.1 Going Paperless

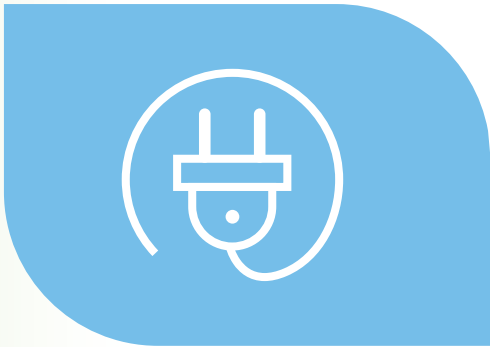
Reducing paper consumption is a key ingredient of the Bank’s sustainability strategy. In line with this, the Bank has established systems to reduce paper consumption in all its offices, where a centralised stationary desk manages most requirements. Printing of emails has been restricted unless strictly required. Additionally, several other initiatives have been carried out at the individual and the group level. Currently data on the quantum of paper being recycled is not being tracked, but the Bank is in the process of setting up a mechanism for tracking the same.

Initiatives	Stakeholder Impacted
Tracking employee paper consumption using a unique ID	Employees
Communicating quantities of paper usage per employee through internal reports	Employees
Email printing for bills above ₹ 1 lakh	Employees
No Pen and Paper policy on Phone Banking and Credit Policy releases	Employees, Customers
Discontinuation of paper receipts at the ATM’s	Employees, Customers, Suppliers

The ATMs at HDFC Bank have gone paperless, enabling reduction of its carbon footprint. The Bank has given this effort a further fillip by ensuring multichannel delivery through Net Banking, Phone Banking and Mobile Banking. This reduces carbon emission from operations as well as by reducing customer travel requirements.

Over the years, these initiatives have helped to reduce paper consumption significantly. HDFC Bank continues to make efforts with the aim of making all operations paperless.





3.2 Dealing with E-waste

In the banking sector, there is limited scope for using recycled material as processed inputs. Nonetheless, the Bank is constantly seeking out opportunities to recycle waste. E-waste is the primary component of waste generated by the Bank comprising computers, monitors, modems, switches, laptops, scanners, routers, printers, and UPS systems. In FY 2017-18, the Bank generated 49.19 tonne of e-waste which was disposed by handing over to authorised recyclers.

3.3 Effluent Management

The Bank understands its responsibility towards environment friendly operations, despite being a low resource intensive sector. Considering the magnitude of operational activities and manpower employed, the Bank's Central Processing Unit located at Kanjurmarg, Mumbai is the largest operating location. Due to the large manpower in this location, the Bank generates domestic effluents from support facilities like pantry and washrooms etc. These effluents are treated in the Effluent Treatment Plant before being released into the municipal sewer systems. As there is no wastewater generated by the operations of the Bank other than the domestic waste, there is no scope of waste water to affect the water bodies.



3.4 Water

Water is not material to the Bank, as it is a part of the service sector and usage of water is only for domestic purposes. Yet, the Bank takes appropriate precautions to conserve the resource. Sensor-based urinals are being provided in all new back offices. In addition, sensor-based taps have been provided for wash basins in the Bhubaneswar office building.





4. RENEWABLE ENERGY

The Bank in order to control its environmental footprint has introduced solar ATMs. These use rechargeable Lithium Ion batteries which use solar energy for their functioning, thereby reducing the consumption of conventional energy. In FY 2017-18, two solar plants were commissioned: one of 58.5 KWp Solar Plant at MIT Marathon, Pune and the other of 25KWp at Bhubaneswar.

ATMs are the key to expansion in rural areas. The challenge is to ensure that they run efficiently 24*7. HDFC Bank has done this by using renewable energy to power ATMs in areas with fluctuating power supply.



Responsible Lending

HDFC Bank is committed to Responsible Financing and refrains from funding projects that have an adverse impact on Environment, Health and Safety (EHS). EHS is an integral part of the bank's overall credit risk assessment and monitoring process. Every project funded has to pass the Bank's muster in terms of the EHS risk it entails, potential impact and mitigation measures in place or proposed. All projects which are financed have the clause on not using child, compulsory or forced labour.

The key aspects of the assessment process are:

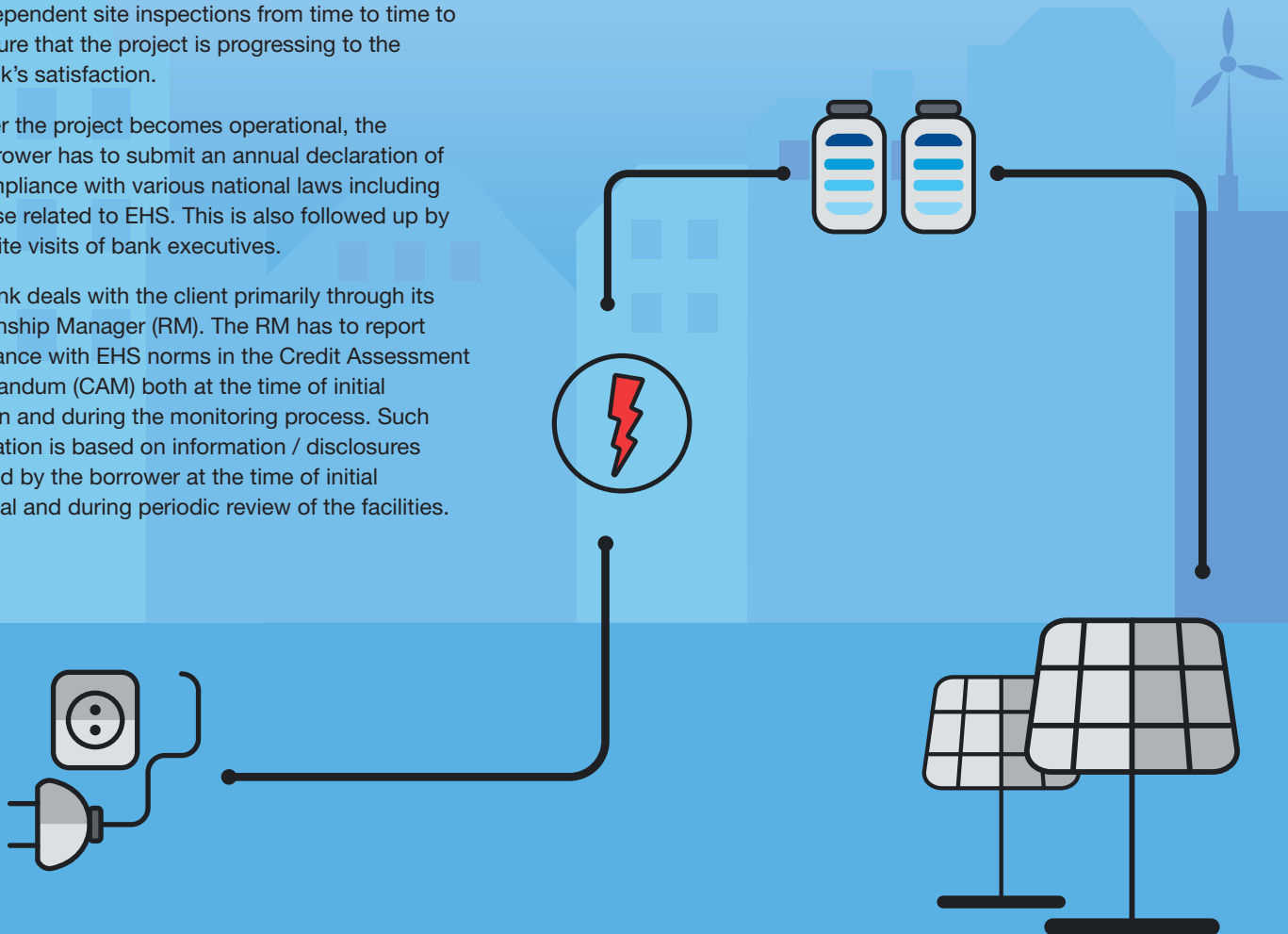
- For all loans exceeding ₹ 10 Crore in the amount and five years in tenure, borrowers have to submit a declaration of compliance with EHS norms.
- In select large-ticket projects, the Bank appoints a Lender's Independent Engineer (LIE) who conducts due diligence across several parameters including EHS. The findings of the LIE's assessment report are then discussed with the client to ensure compliance.
- The LIE regularly monitors such projects during the construction period through site visits and reports progress which includes status of approvals and relief and rehabilitation measures undertaken. The Bank officials also conduct independent site inspections from time to time to ensure that the project is progressing to the Bank's satisfaction.
- After the project becomes operational, the borrower has to submit an annual declaration of compliance with various national laws including those related to EHS. This is also followed up by onsite visits of bank executives.

The Bank deals with the client primarily through its Relationship Manager (RM). The RM has to report compliance with EHS norms in the Credit Assessment Memorandum (CAM) both at the time of initial sanction and during the monitoring process. Such certification is based on information / disclosures provided by the borrower at the time of initial appraisal and during periodic review of the facilities.

The RM records outstanding EHS issues if any, and follows them up with the client for prompt resolution. The Bank levies penal interest in case of deviations and, thus, ensures compliance with the agreed EHS norms. If there are significant deviations that could affect the viability of the project, the Bank reserves the right to either reduce its exposure or recall the loan. Most significantly, the Bank, as part of its credit policy, requires all projects perceived as carrying high or unusual EHS risk to be approved by an authority no less than the Head - Wholesale Credit Risk or Chief Risk Officer or the Deputy Managing Director or the Managing Director as the case may be.

In FY 2017-18, project loans to 337 corporate clients were screened for compliance with EHS framework.

Investors can access the disclosure and updates regarding environmental and social risks and opportunities in the relevant portions of the annual and the sustainability report. Training is provided on a continuous basis to employees in wholesale credit risk on EHS policies and procedures to update knowledge. The monitoring of a client's compliance with the Bank's SEMS policy of the Bank is the joint responsibility of the credit team and the relationship managers.



Stakeholder Engagement & Materiality



Stakeholder Engagement & Materiality

Social and Relationship Capital covers the approach adopted by the Bank for developing and maintaining its relationship with multiple institutions and stakeholders. The Bank's performance on this capital can be understood through the processes of stakeholder engagement, employee satisfaction, customer satisfaction, compliance, CSR engagements, etc. The Bank understands the perspective and priorities of its stakeholders and is determined to create long term value by addressing their expectations. These are then integrated into the Materiality Matrix, which highlights relevant and priority economic, social, environmental and governance topics of the Bank and its stakeholders

The stakeholders are identified based on their influence on the Bank and the Bank's impact on them. Below are the key stakeholders of the Bank.

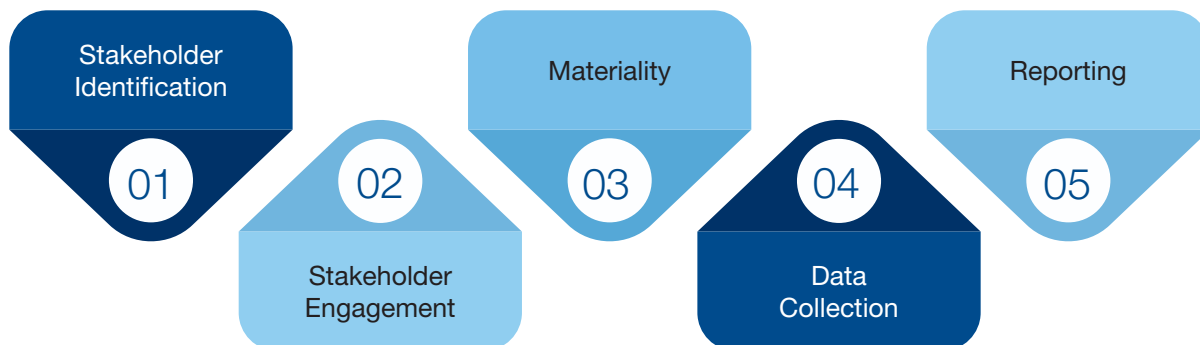
HDFC Bank key Stakeholders



The Bank identifies its material issues by identifying the concerns and expectations of its stakeholders and its senior management through regular and planned engagements. The process followed by the Bank for materiality assessment starts with identifying a broad set of topics relevant to the Bank and its stakeholders and then shortlisting the most material topics for stakeholder engagement. This is done in consultation with the management. Shortlisted topics are then shared with the stakeholders for prioritisation.

The stakeholder engagement process is depicted below:

Stakeholder Engagement Process



The engagement happens through multiple channels including online surveys, interactive voice response systems and personal interactions. Stakeholders provide useful insights on the issues of greater

importance to them. These insights also facilitate the Bank's ability to create value for all its stakeholders in the long run.

■ External Stakeholders ■ Internal Stakeholders

Stakeholder	Frequency of Engagement			Key Concerns	HDFC Bank Response
	Annual	Periodic	Need Basis		
Customers	-	Online Communication, Customer Satisfaction Feedback	-	<ol style="list-style-type: none"> 1. Ease of Transacting Across Channels 2. Innovative Technology Applications 3. Data Security 4. Advanced Analytics 	<ol style="list-style-type: none"> 1. Enable new Products / Channels including Apps such as Chillr, Payzapp for one click payment 2. Making personalised recommendations with virtual RM 3. Awareness on data security and privacy
External/ Shareholders	General Meetings	Quarterly Reports, Investor Meets, Press Releases	-	<ol style="list-style-type: none"> 1. Compliance 2. Governance and Ethical Practices 3. Economic Performance 	<ol style="list-style-type: none"> 1. Growth and Profitability 2. Policies for Ethical Conduct
Employees	Performance Appraisal	Training Programmes, Employee Wellness Programmes	Volunteering Activities	<ol style="list-style-type: none"> 1. Training and Career Progression 2. Wellness and Safety 3. Employee Benefits 	<ol style="list-style-type: none"> 1. Regular Behavioural and Technical Training 2. Employee Engagement and Wellness Programmes Conducted
Community	Regular Meetings	Project Monitoring and Reviews	Focus Group Discussions	<ol style="list-style-type: none"> 1. Training and Inclusive Growth 2. Financial Literacy 	<ol style="list-style-type: none"> 1. Holistic Rural Development Programme, Sustainable Livelihood Initiative 2. Financial Literacy Camps
Regulatory Bodies	Regular Meetings	Policy Updates and Ministry Directives, Mandatory filings with regulators including RBI and SEBI		<ol style="list-style-type: none"> 1. Aadhar Linkages 2. Social Security Schemes 	<ol style="list-style-type: none"> 1. Awareness generation on Aadhar linkages and PMJDY

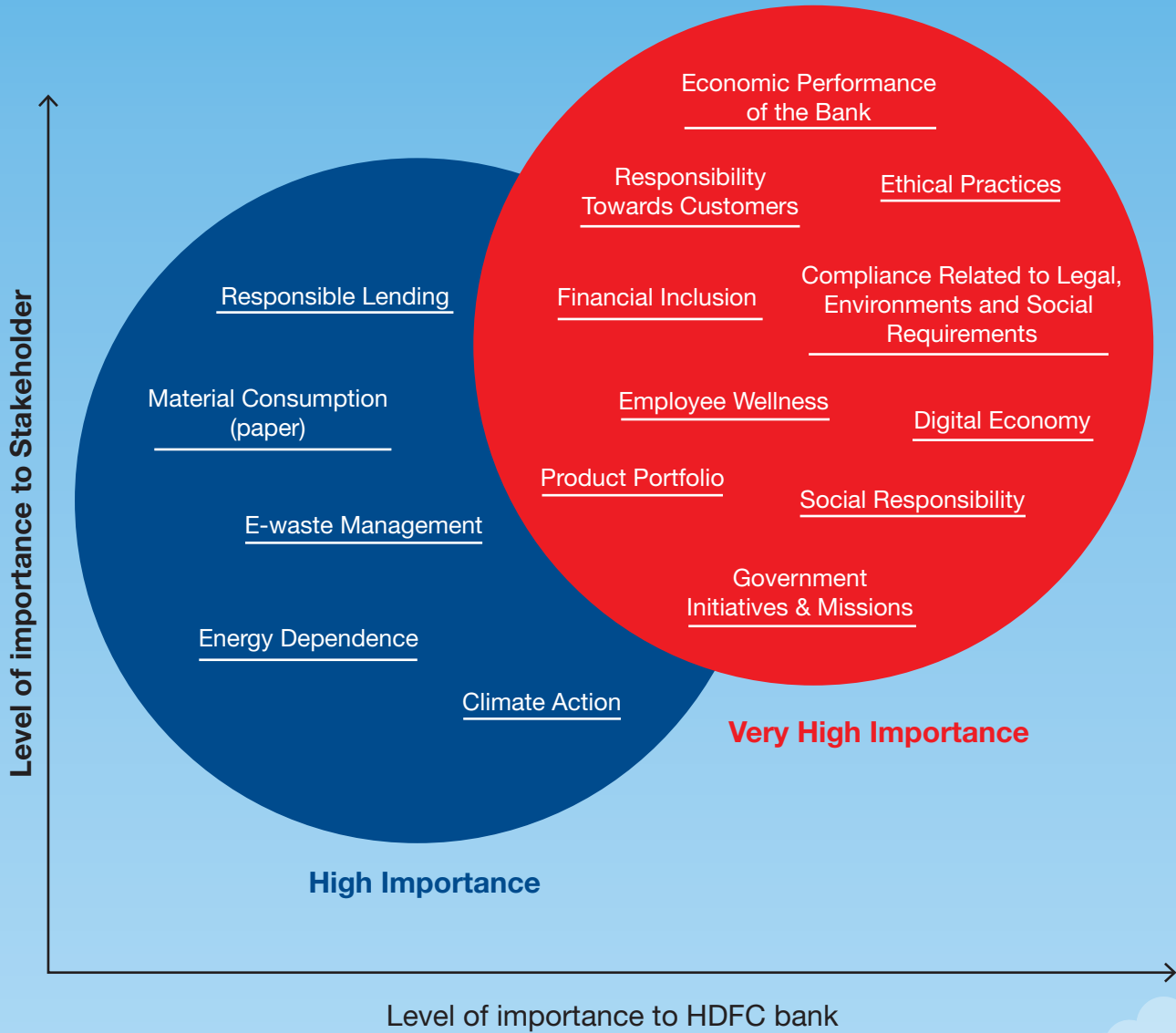
After having identified the material topics, they are prioritised based on the scoring done once the responses are received from stakeholders. Then, the Materiality Matrix is developed, reviewed and validated by the CSR Committee of the Board. Materiality Matrix depicted below plots all the material aspects for the Bank and its stakeholders.



Materiality Matrix FY 2017-18

After having identified the material topics, they are prioritised based on the scoring done of the responses received from stakeholders, the Materiality Matrix is developed, reviewed and validated by the

CSR Committee of the Board. Materiality Matrix depicted below plots all the material aspects for the Bank and its stakeholders.



GRI Category	Material Topic	GRI Topic	Boundary	Impact on HDFC
Economic	Economic Performance of the Bank	GRI: 201: Economic Performance	Internal	Direct and Indirect
	Digital Economy	GRI: 201: Economic Performance	External	Direct and Indirect
	Climate Action	GRI: 201: Economic Performance GRI 305: Emissions	Internal and External	Direct and Indirect
Environment	Energy Dependence	GRI 302: Energy	Internal	Direct
	E-Waste Management	GRI 306: Effluents and Waste	External	Direct
	Material Consumption (Paper)	Non-GRI	Internal	Direct
Social	Responsibility toward Customers	GRI 418: Customer Privacy	Internal and External	Direct and Indirect
	Financial Inclusion	GRI 413: Local Communities	External	Indirect
	Employee Wellness	GRI 401: Employment GRI 404: Training and Education	Internal	Direct
	Government Initiatives and Missions	GRI 413: Local Communities	Internal and External	Direct and Indirect
	Product Portfolio	GRI 417: Marketing and Labeling	Internal and External	Direct and Indirect
	Ethical Practices	GRI 205: Anti-corruption GRI 206: Anti-competitive behaviour	External	Indirect
	Responsible Lending	GRI 419: Socioeconomic Compliance	External	Indirect
	Social Responsibility	GRI 413: Local Communities	External	Indirect
	Compliance Related to Legal, Environmental and Social Requirements	GRI 306: Environmental Compliance GRI 419: Socioeconomic Compliance	External	Indirect

The Sustainable Development Goals (SDGs) came into effect in January 2016. SDGs are a collection of 17 global goals set by the United Nations. They are universal targets for sustainable development globally till 2030. The SDGs focus on the sustainable development elements, namely economic growth, social inclusion and environmental protection. Nations, businesses and community-based organisations and non-governmental institutions from all over the globe have aligned to or are in the process of aligning their operations with the SDGs. India is also amongst the nations that have adopted the SDGs.

The Bank as a responsible organization is aware of its role to contribute in India's journey of achieving the SDGs. There are numerous operations and initiatives of the Bank which are aligned with the SDGs. The Bank's alignment with the Global SDGs have been highlighted at the beginning of each chapter.

Engaging with Workforce



Engaging with Workforce

HDFC Bank's success is directly linked to its **Human Capital** identified by motivation, commitment and competency of the Bank's employees. This reflects in employee retention rates, employee diversity, training, appraisals and career guidance, compensation and benefits, grievance redressal and community skilling through CSR Projects. This capital covers the empowerment of communities for the Bank.



The Bank's business philosophy is based on five core values; 'People' being one of them. The Bank is extremely proud of its values, integrity and ethics, which is demonstrated by the culture that promotes these values. This culture within the Bank ensures that the people with the right values are hired, groomed, encouraged and retained through a combination of financial and non-financial incentives. The Bank has an institutionalised Code of Conduct to which every employee adheres to.

The five pillars of HDFC Bank's People strategy are as follows:

1. RECRUITMENT:

In order to meet ever growing demands of the banking industry the Bank deploys skilled professionals through its agile hiring mechanism. This often entails leveraging online portals, social media, campus hiring and internship programs. The Bank has also started scaling up on a digital job ready model to attain scale and quality and has a battery of assessment tools, like AMCAT, Assesshub and Talview to strengthen its selection process.

In collaboration with TimesPro (a Times of India Group initiative) the Bank has introduced a 2-month Modern Banker Program. This programme enables the student to be proficient in customer management and banking operations. The out-turn banker acquires skills to match the high service delivery levels that are expected from an HDFC Bank employee.

2. CAREER MANAGEMENT:

The Bank's core career philosophy is to create opportunities for employees to develop and grow. The Bank aims at achieving this through systematic investment of time in career discussion with employees, competency assessment and intensive functional and behavioural training, through **Gurukul**, an in-house programme. The Bank also facilitates inter-departmental job switches for employees to help them stay motivated, productive and content. The Performance Management System aligns organization goals with key objectives for each business. All employees receive role-based scorecards coupled with managerial feedback. This provides clarity and support to the employees and helps them excel.



3. EMPLOYEE ENGAGEMENT:

The Bank conducts employee engagement at both local and national levels. Some of these engagement events are open for the families of the employees as well. Some of the popular events are:



a. Josh Unlimited:

Pan-India sports event conducted in 29 cities, covered a population of more than 60,000 employees



b. Stepathlon:

An employee wellness initiative which witnessed participation of more than 550 employees

c. Hunar:

Pan-India in-house talent competition

d. HDFC Bank Voice Hunt Contest:

Singing talent search in association with Shankar Mahadevan Academy



e. Corporate Photography Contest:

An inter-corporate event for photography



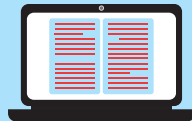
f. Xpressions:

Pan-India in-house drawing competition for the employees and their children



g. Corporate Online Library:

A knowledge resource available to all employees which provided access to nearly 1.5 lakh books.



Some of the other initiatives of the Bank on learning side are:

'Kwiz Kat'- a banking quiz competition open to all employees.

'Learning fest'- focuses on strengthening employee skills on subjects such as Happy Parenting, Magical Marriages, Health & Fitness, Financial Planning and Team Building.

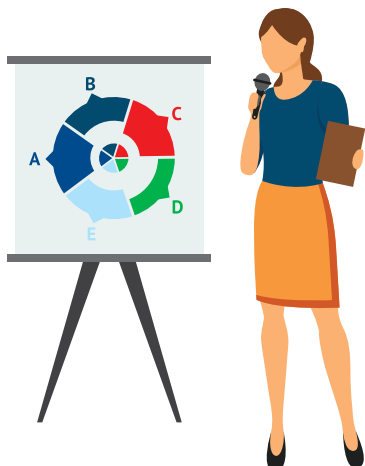


4. TRAINING AND DEVELOPMENT:

Training and development is an integral part of the growth and enrichment for the workforce. Therefore, the Bank has always assigned high importance towards development of the Human Capital. Regular trainings are held with an objective to continuously update skill sets and build expertise.



In consultation with business leaders, training plans are developed based on the needs identified for businesses. Extensive training programmes covering on-boarding, product and process training, advanced programmes and behavioural trainings are conducted for employees. The on-boarding training ensures that new employees are trained comprehensively and equipped with necessary know-how on the Bank's governance structure, policies and practices, as well as functional and behavioural skills required for the role. Also training on Corruption/AML is imparted to all the employees during the on-Boarding training as well as part of several other product/business specific trainings. The general training programmes also has modules on human rights, prevention of sexual harassment etc.

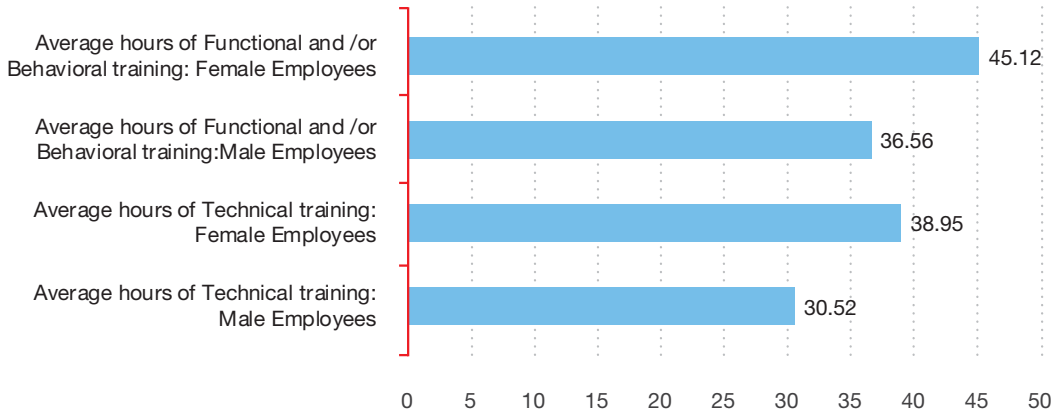


The Bank provides behavioural and functional training specific to the roles and responsibilities at each grade and area of business. Behavioural training comprises of guidance on leadership, personal effectiveness, and strategic thinking while functional training included modules on technical parameters. Product training and advanced programmes enable skill development, regular updates and build expertise. Cross functional training also encourages all round development of the employees. An e-learning platform with various courses is provided for self-learning as well.



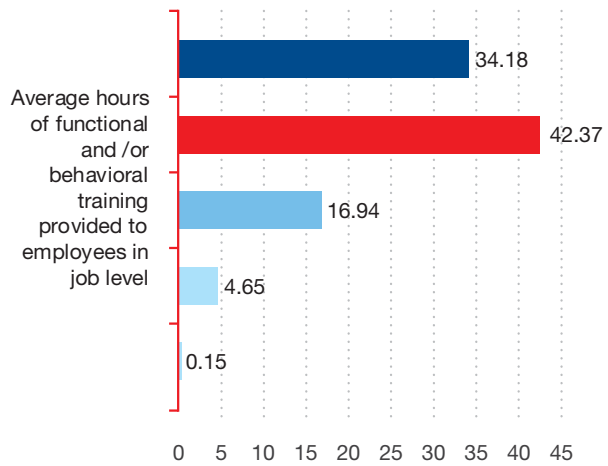
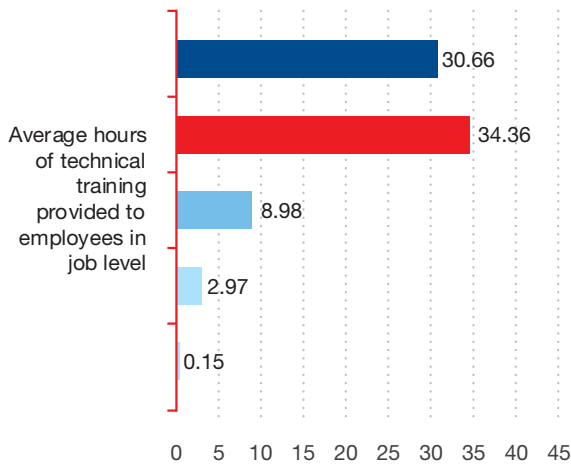
The training methodology has evolved to application-based training including simulations, case studies, and games. Leveraging technology, many of the class room programmes have been delivered online. Role-specific learning plan ensures effective use of blended learning method. In addition to this, to ensure that employees are assisted on the job, there is a helpline 'Ask the trainers' which responds to any clarification on a banking query within 24 hours of its initiation.

Average Hours of Training



Training Hours by Job Level

■ E1 and below ■ E2 - D1 ■ D2 - D4 ■ D5 and above ■ IBA



The Job levels are described as follows -

- E3 and below: Non-supervisory staff and Sales Officers
- E4- D1: Junior Management
- D2-D5: Middle Management
- C1 and above: Senior Management
- IBA

There is a matured Business Continuity and Disaster Recovery plan in place for the Bank’s operations. The plan is periodically tested to ensure that it can meet any operational contingencies. There is a Security Policy which governs this process, and approved by the Board. Also, there is an independent Information Security Group responsible to address risks related to information security. In addition, employees are periodically mandated to undergo information security training and complete modules linked to Data Security.

5. REWARDS AND RECOGNITION:

HDFC Bank has in place, Rewards and Recognition programs which are based on a sound performance management system. The Bank has imbibed a pay-for-performance culture that is purely based on meritocracy.

In FY 2017-18, the Bank launched ICON Awards to recognise employees for demonstrating individual, leadership and collaborative excellence in driving customer focus and operational excellence.

Employee Benefits



1. Employee Stock Option Scheme ('ESOS'):

The Employee Stock Option Scheme provides the Employees with the grant of options to acquire equity shares of the Bank. The options granted to employees vests in a graded manner and these may be exercised by the employees within a specified period

2. Gratuity:

The Bank provides gratuity to all employees who have completed five years of service. It is in the form of a lump sum payment to employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies.

3. Superannuation:

Employees above a prescribed grade are entitled to receive retirement benefits under the Bank's Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the whole time Directors and for certain eligible erstwhile Centurion Bank of Punjab ('eCBoP') staff) to insurance companies, which administer the fund.

4. Provident Fund:

All employees of the Bank are entitled to receive benefits under the provident fund in accordance with

law. The Bank monthly contributes an amount at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount equal to 8.33% of employee's basic salary up to a maximum salary level of ₹ 15,000/- per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC'). The balance amount is contributed to a fund set up by the Bank and administered by a Board of Trustees.

5. Leave Encashment/Compensated Absences:

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under Indian Banks' Association ('IBA') structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the balance sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

6. Pension:

With respect to pension payable to certain eLKB employees under IBA structure, which is a defined benefit scheme, the Bank contributes 10% of basic salary to a pension fund set up by the Bank and administered by the Board of Trustees and the balance amount is provided based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary.

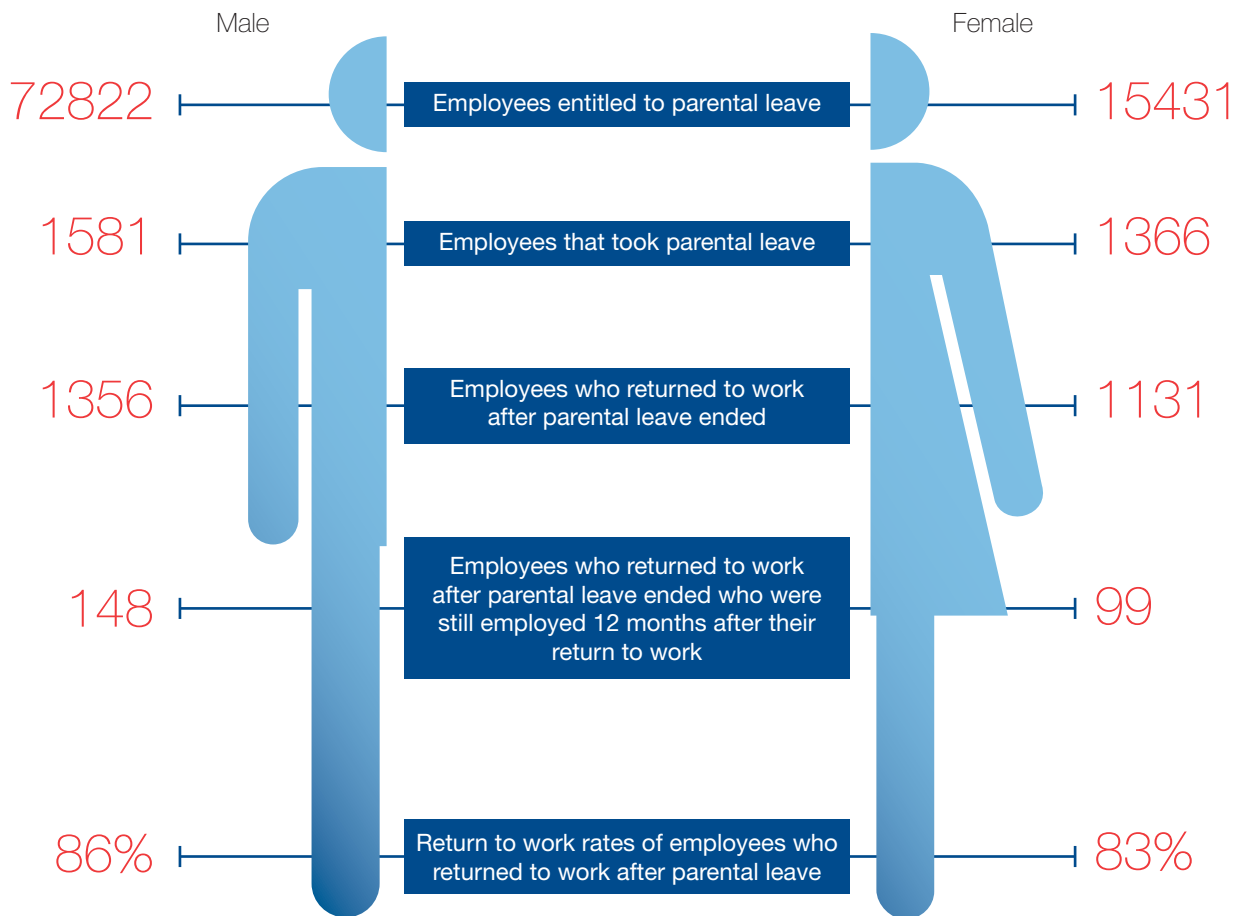
Further information is provided in the Annual Report FY 2017-18 – page no. 181, 130-131

Employee Diversity

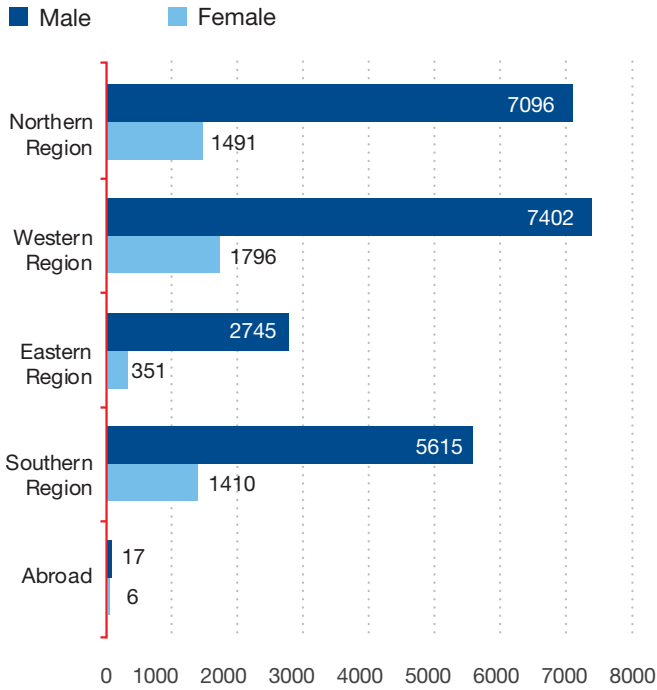
The Bank has a strong and dedicated workforce having diverse talents, perspectives and backgrounds. As on 31st March 2018, the Bank has 88,253 employees. This included 15,431 women employees comprising about 17% of the total workforce. The Bank considers the inclusion of women as a priority. In this regard, the Bank has facilities such as extended maternity leave, onsite crèche for young children at one of the main locations, special workshops and seminars for its women employees.

Another step in this direction is ensuring safety of women at the workplace. In this regard, the Bank creates a positive environment where women feel safe. It is made sure that women working late hours, are not alone and are accompanied by a colleague if not a team. The Bank has an internal complaints committee to address cases related to sexual harassment and treats these with great sensitivity. There are two cases pending from the 14 cases of POSH registered in FY 2017-18.

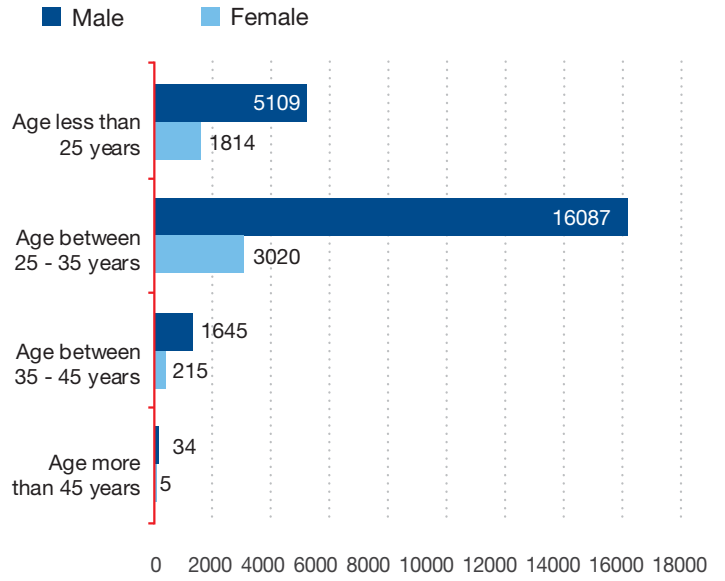
The Bank is an equal opportunity employer and follows a non-discriminatory policy in recruitment. Remuneration is assessed through a performance management system, irrespective of the employee's gender. At the Bank, inclusion extends to the differently-abled workforce as well. The Bank ensures this by providing ramps and staircases with railings wherever feasible for access. 449 branches/office locations of the Bank have ramps for wheelchair access. Further, in large back offices, there are designated toilets for the differently abled.



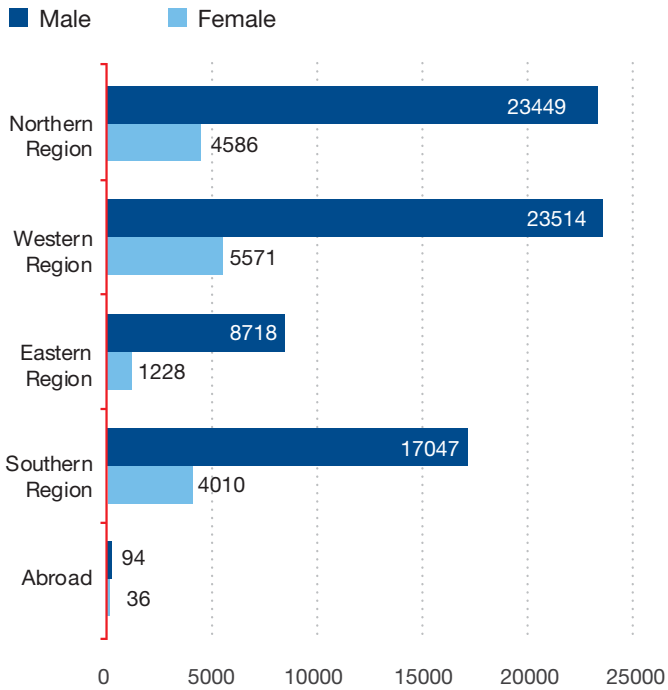
Employee Diversity hired by Region



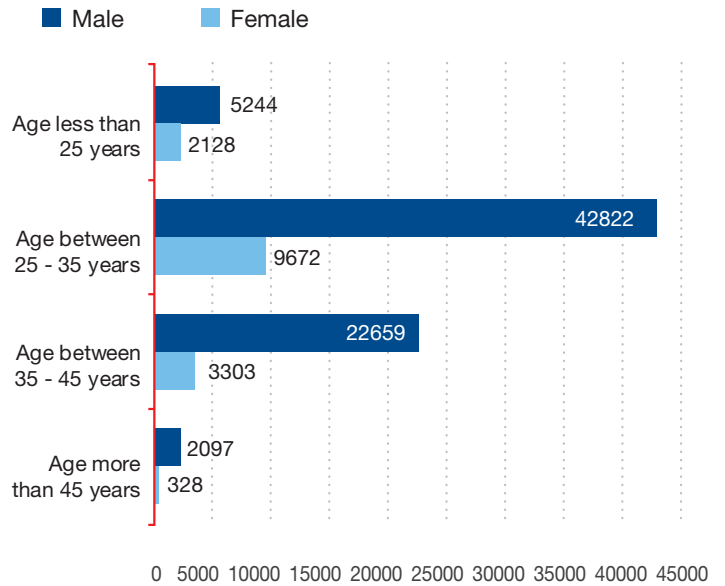
Employee Diversity hired by Age



Total Employee Diversity by Region

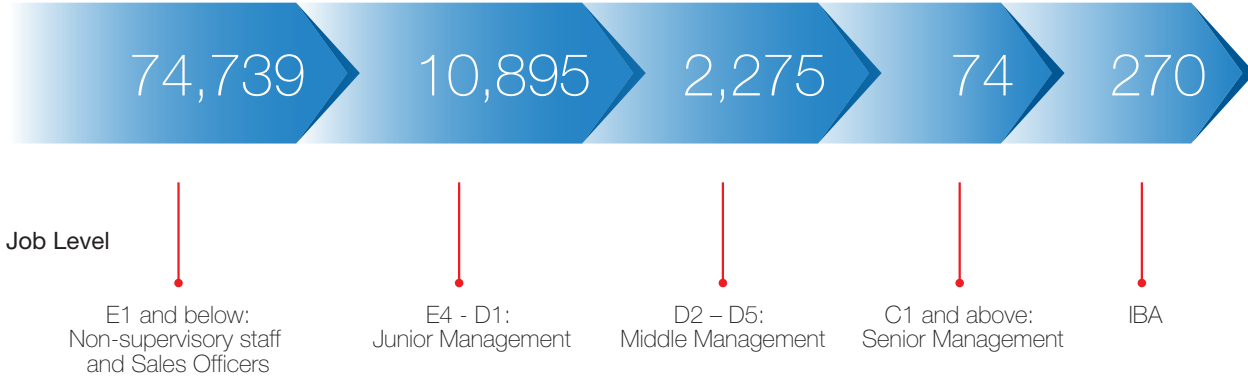


Total Employee Diversity by Age

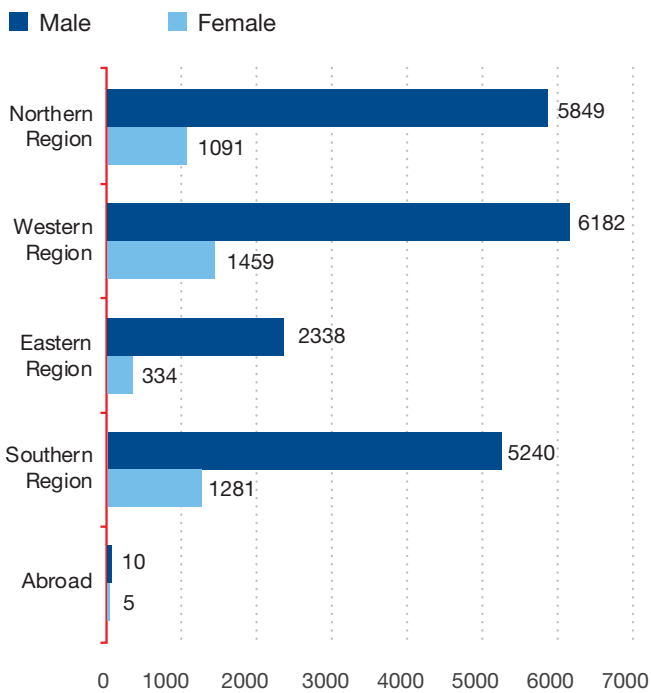


Total number of employees (as on 31st March 2018)

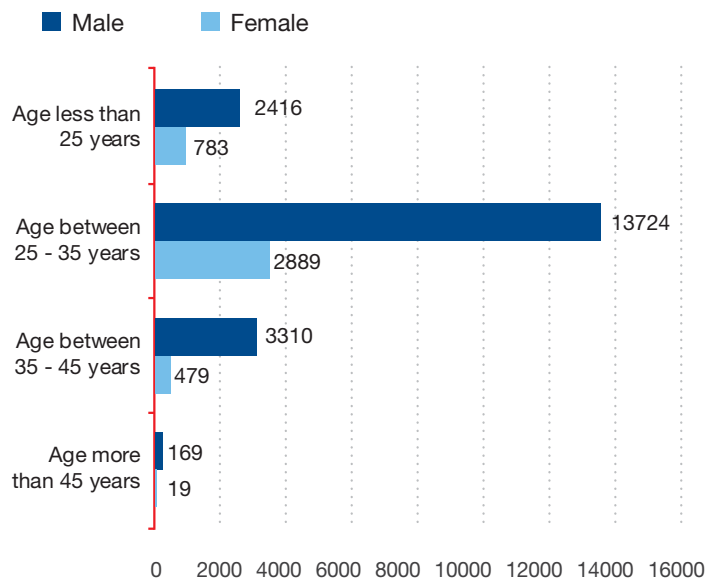
Total Employees



Employee Diversity Turnover by Region



Employee Diversity Turnover by Age



The rate of hiring at the Bank is 3.15 and the rate of turnover is 3.7. The information on the number of differently abled is currently not tracked. Systems to gather this data are being put in place and will be reported in the coming years. The notice period for all the employees is three months. There is an employee association that is recognized by the management and about 0.31% permanent employees of the Bank are members of this association.

Engaging with other Stakeholders



Engaging with other Stakeholders

Harmonious relationship with key stakeholders continues to be of paramount importance for the Bank. Any successful relationship is built on working together towards common goals as there is an interdependence between the Bank and its Stakeholders. Therefore, the satisfaction of the stakeholders is critical for the success of the Bank.

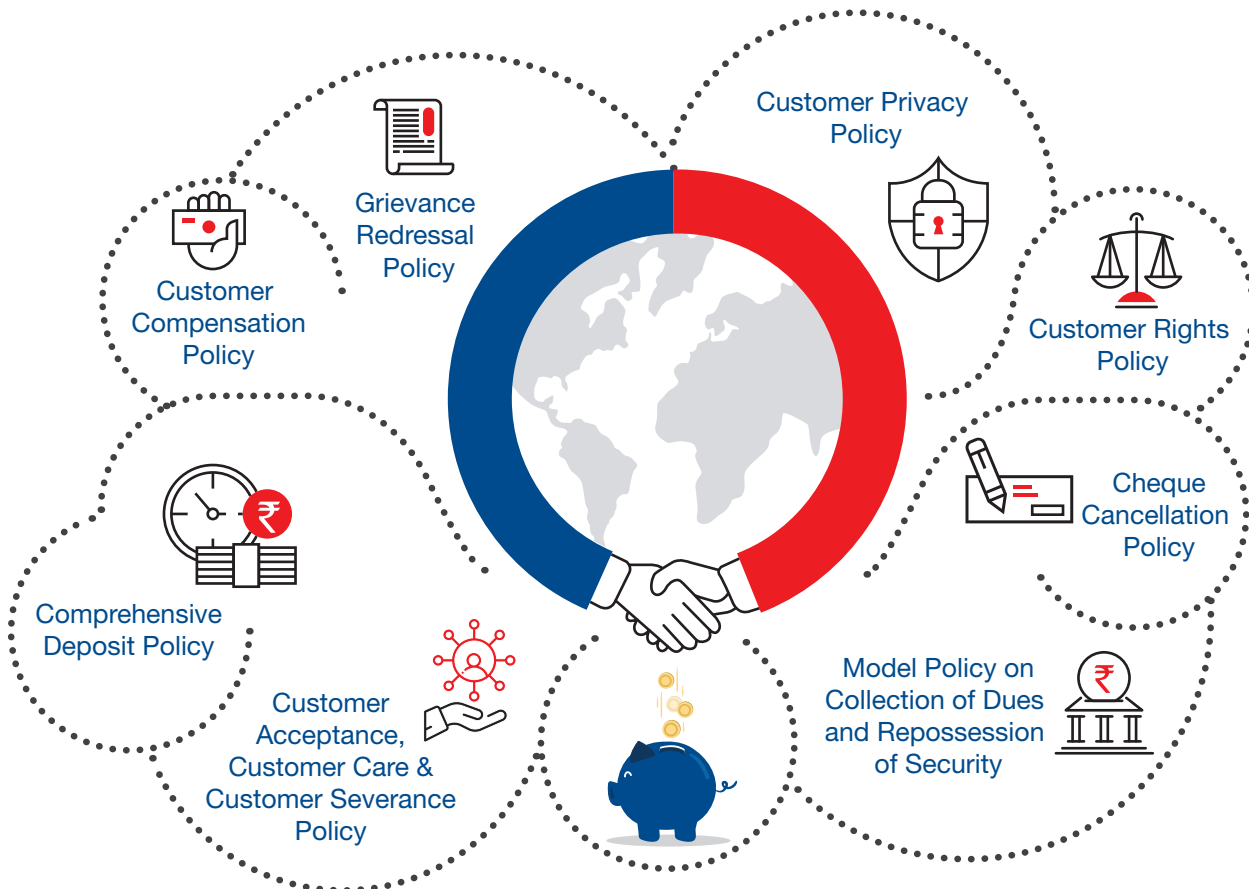
The Bank establishes open communication with its stakeholders and strives to serve their interests and mitigate their issues/concerns. Regular and planned engagements are conducted with all identified stakeholder groups through various formal and informal channels of communication. Critical Concerns with respect to customer complaints & grievances, cyber-security threats and investor complaints are appraised to respective board level committees, details of which have been provided in the sub-sections ahead.

CUSTOMERS

HDFC Bank works towards aligning the interests of their business with the interests of their customers, thus creating value and building long term viable relationships. The Bank ensures enhanced banking experience by providing products and services, suited to the needs of the customer. The Bank's tagline -

'We understand your world' says it all. The Bank maintains and continuously expands its private database of customer information.

The Bank has in place the following policies, to protect customer rights:



Customer Security with emphasis on Cyber Security

The Bank aims to deliver a differentiated banking experience to its customers. The Bank has formulated a Code of Conduct and Ethics Manual for Customer privacy and confidentiality of data. The Bank follows well defined standard procedures for maintaining data security, including the 'Code of Bank's Commitment to Customers' as prescribed by the Banking Codes and Standards Board of India (BCSBI). Additionally, the Bank's citizen's charter outlines the guiding principles with respect to formulation of various products offered by the Bank and terms governing the conduct of the account. The Bank has in place a 'Customer Service Committee' which monitors the quality of services rendered to the customers and ensures implementation of directives received from the RBI in this regard. All customers are well informed of the details and Terms & Conditions during the sale of products and services.

The Bank has an effective framework in place to manage cyber security. To protect customer data, the Bank follows the CIA pillars of Information Security. CIA stands for Confidentiality, Integrity and Accuracy. The primary role of the Information Security team is to secure the Bank and to secure the customer transactions. There are various policies and policy frameworks adopted by the Bank to manage the security of its information and data. This encompasses requisite manpower, machine and training. The Chief Information Security Officer (CISO) is the person responsible for information security at the Bank. There is also a committee of the Board which, dedicatedly looks into cyber security issues and preparedness.

Data leakage prevention is achieved through imparting awareness, encryption and decryption facilities that help to secure the network and laptops, desktops and asset management which help in providing end point security. There are various teams which monitor and strengthen the systems of the Bank and protect the information from perennial and emerging threats. The Board is sensitized on a half yearly basis about the IT threats and their mitigations etc. and trainings are also imparted to the senior management.

In the year under review, the Bank has enhanced its cyber security protocol by constituting a RED Team. The RED team is a designated group of individuals that test the security posture of the organisation. The Bank also widened coverage of Security Incident and Event Management (SIEM), which provides a comprehensive and centralised view of the security scenario of IT infrastructure. Deception Technology Solution has been deployed to detect, analyse and

defend against advanced attacks often in real-time. In the case of the Bank, it also covers emails and endpoints, besides the network.

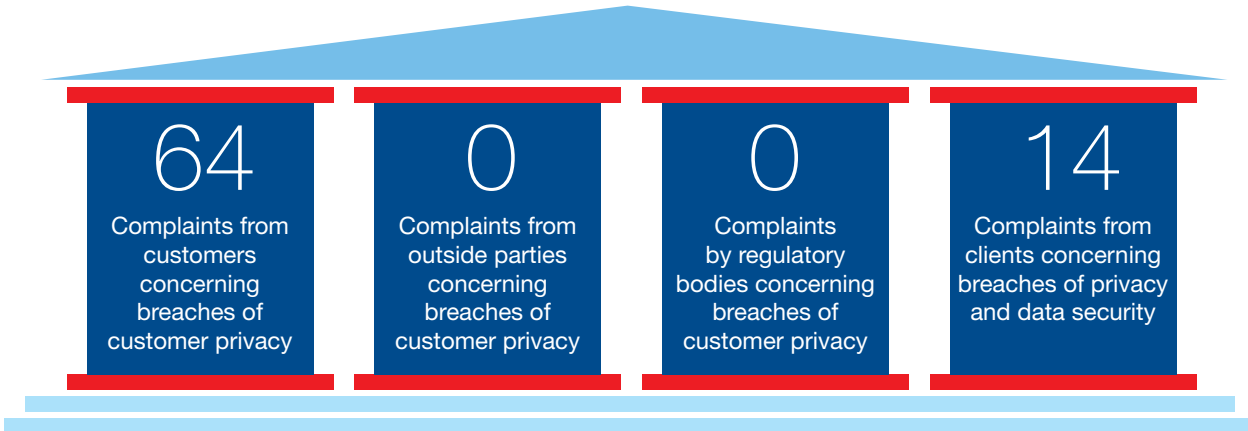
Firewalls have been upgraded to the Next Generation with deep packet inspection (DPI) ability. DPI analyses 'packets' which are nothing, but parcels of digital information transmitted across the web in a formatted piece of structured data. Protection against malware, ransomware and denial of service attacks have been strengthened further.

Regular tests to assess the vulnerability of the IT infrastructure and applications and remedy where necessary are routine. As are anti-phishing services that help in shutting down phishing sites and protecting the customers from fraud. Risk engine and transaction monitoring systems monitor suspicious transactions on Internet Banking, ATM and e-commerce channels.

The Bank has PCI DSS 3.0 and ISO 27001 certifications. PCI DSS is a proprietary information security standard for organisations that handle credit card information and transactions. It is meant to increase controls around cardholder data to reduce fraud. In layman's terms the certification is an assurance that the Bank's card customers enjoy a very high level of safety while transacting with it. The ISO 27001 certification pertains to best practices with respect to information security.

On building awareness, the bank has a regular program for both employees and customers. Employees are imparted awareness during onboarding through a comprehensive course, pledge and videos shown. Also, refreshers are given for the same during on-job trainings. The awareness is imparted in such a manner that not only, the employee, but also their families are benefitted with it. Quizzes are held on a quarterly basis, phishing surveys are conducted, ad-hoc campaigns are held, classroom trainings are imparted, and calendars are distributed to employees, to keep them updated on Information Security. Global mailers are also sent out to impart awareness to vendors and on-premise consultants of the Bank. The Bank also makes this awareness, reach its customers in an interesting and easily available manner. Some of the methods employed include, ATM screens, website, emails and printed communication such as account statements.

To protect critical assets from cyber-attacks, the Cyber Security Operations Center (SoC) operates on a 24*7 basis. In FY 2017-18, there were 23 incidents of customer data loss.



Customer Grievance Redressal Mechanism

The Bank has various lines of businesses. In a highly competitive environment, ensuring product quality, and service delivery is vital for business growth.

At a macro level, The Bank seeks to achieve this by regularly reviewing service levels and capturing feedback from customers.

Moreover, in line with regulatory norms, the Bank has constituted three committees at different levels to monitor customer service - Branch Level Customer Service Committees, Standing Committee on Customer Service and Customer Service Committee of the Board.

Against the backdrop of increasing digital frauds, RBI issued a circular during the year, on 'Customer Protection - Limiting Liability of Customers in Unauthorised Electronic Banking Transactions.' In this, RBI has clearly defined customer liability clearly to ensure that customers feel secure while conducting digital transactions. The regulator has also mandated banks to formulate a Board Approved Customer Protection Policy. Accordingly, The Bank has fortified its existing processes and is augmenting its training and skill development mechanism to empower employees to boost its service quality.

In addition to the aforementioned measures, in compliance with regulatory guidelines, the Bank has appointed a senior retired banker as Internal Ombudsman. Its sustained efforts to improve service delivery have been noted and the Bank has received written appreciation from several Banking Ombudsmen appointed by RBI, across Andhra Pradesh, Gujarat, Kerala and Lakshadweep, Punjab, Rajasthan, Tamil Nadu, Puducherry, West Bengal and Sikkim.

At a micro level, the Bank has a well-defined Grievance Redressal Mechanism for logging complaints across customer facing front-end channels: Branch/Phone Banking/Email Management Support Unit - Customers can approach any of the above front channels for registering their complaint. A complaint docket number is given to the customer as an acknowledgement. If the resolution is not available on the same day, the complaint is logged into the CRMnext system.

The Bank insists on logging complaints in CRM so that an end to end resolution can be tracked and monitored. Adequacy checks are done on complaints closed in CRM to ensure that a proper resolution is arrived at. Feedback is shared with respective units for improvement. The turnaround time for customer complaints set in CRMnext system varies between 1 to 15 days depending on the type of complaint. Complaints on transaction disputes, investigation, charge backs etc have a greater turnaround time. An escalation matrix is built into this system to ensure customer complaints are closed adequately within stipulated timeliness.

The average turnaround time, the Bank has been able to achieve for the resolution of complaints is 8 working days. Major areas of customer complaints in FY 2017-18 were related to:

- Cash not dispensed or less cash dispensed in the Bank's ATMs
- Phishing/Unauthorized usage through Debit Card online
- Transaction dispute related – credit cards
- Phishing/Unauthorized usage through Debit Card done at another Bank ATM's
- Sales Related (Credit Cards)

ASPECT	For the Year ended March 2018			For the Year ended March 2017			For the Year ended March 2018	For the Year ended March 2017
	Other than ATM Transaction Disputes	ATM Transaction Disputes on HDFC Bank's ATM	ATM Transaction Disputes on other Bank's ATM	Other than ATM Transaction Disputes	ATM Transaction Disputes on HDFC Bank's ATM	ATM Transaction Disputes on other Bank's ATM	Total No. of Complaints	Total No. of Complaints
No. of Complaints Pending at the beginning of the year	2,349	145	1,464	651	101	1,118	3,958	1,870
No. of Complaints Received during the year	1,20,439	19,105	1,27,307	96,454	12,703	95,415	2,66,851	2,04,572
No. of Complaints Redressed during the year	1,18,724	19,025	1,26,218	94,756	12,659	95,069	2,63,967	2,02,484
No. of Complaints Pending at the end of the year	4,064	225	2,553	2,349	145	1,464	6,842	3,958

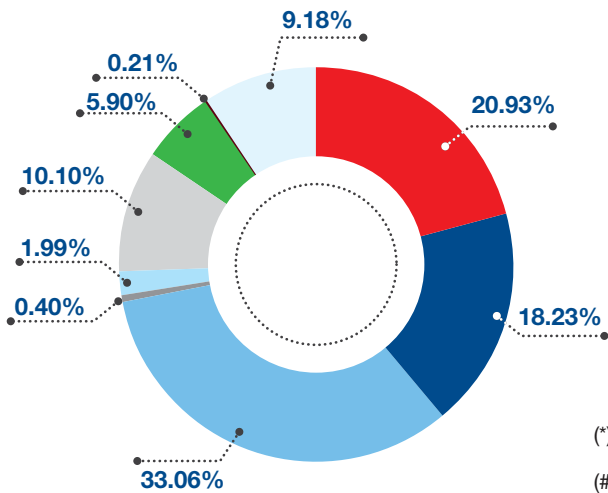
In the event of any queries/complaints, banking customers can directly approach the Branch Manager or can call on the dedicated Customer Helpdesk number or write to the Bank or fill up the "Complaint Form" available in the Annual Report and at the Banks website.

In FY 2017-18, there were no cases filed by any stakeholder against the Bank regarding unfair trade practices, 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.

Investors and Shareholders

Investors and shareholders have a financial stake in the Bank and are therefore key stakeholders. The Bank must safeguard their interests, maintain a healthy relationship and create value for them. The Bank communicates with them on all major issues and their suggestions/recommendations, are placed

directly before the Board. Shareholders also get to interact with the Board at Annual General Meetings (AGM) and open houses. The relevant issues are taken up by the Board for further discussion. The categories of Shareholders as on March 31st, 2018:



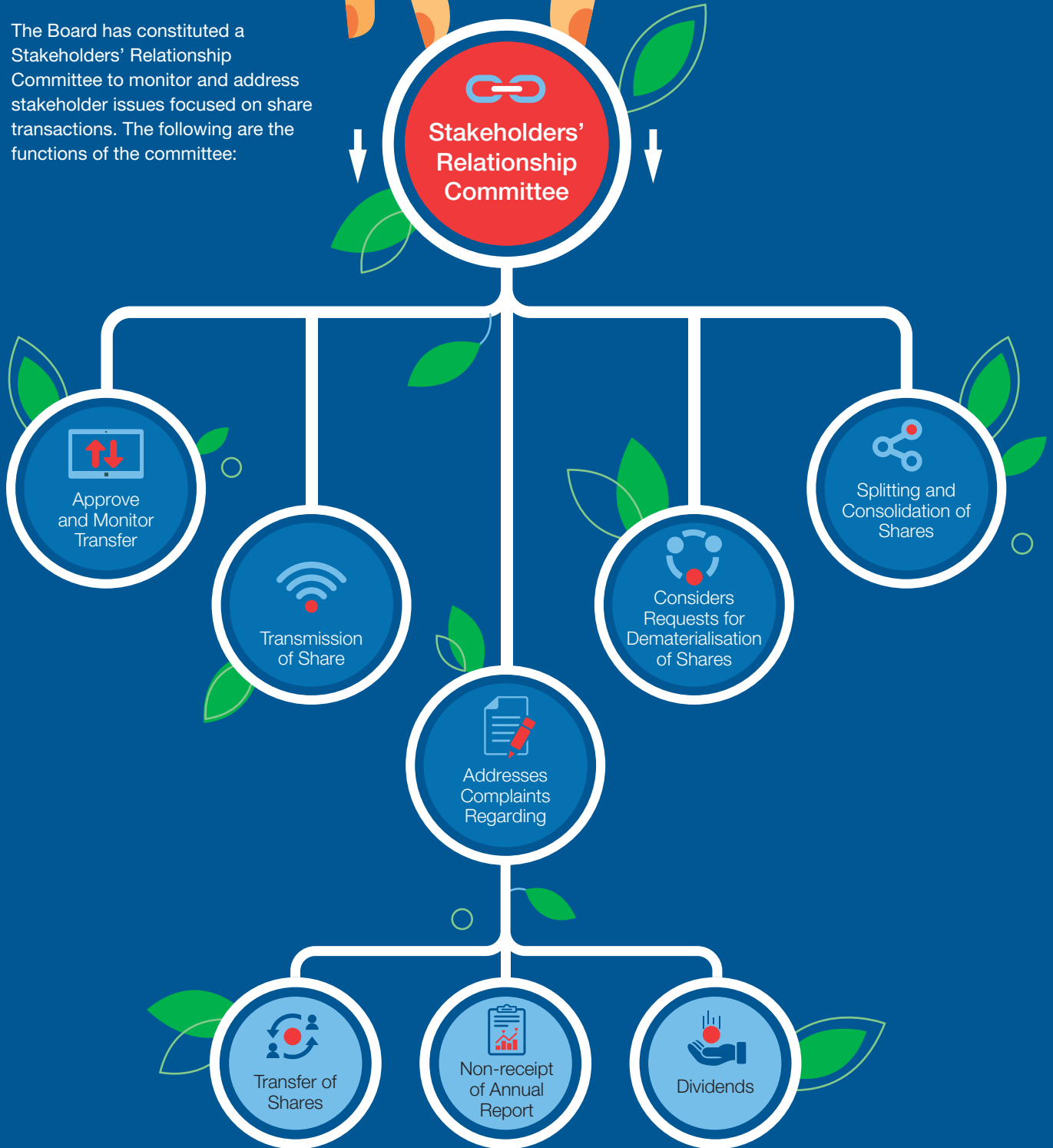
- Promoter*
- ADS & GDRs*
- Foreign Institutional Investors
- Overseas Corporate Bodies, NRIs, Foreign Bodies
- LIC of India and its Subsidiaries
- Bank, Mutual Funds, Financial Institutions and Central Government
- Indian Companies
- Other Insurance Corporations
- Other

(*) None of the equity shares held by the Promoter Group are under pledge.

(#) JP Morgan Chase Bank is the Depository for both the ADS (461557764 underlying equity shares) & GDRs (11430383 underlying equity shares).

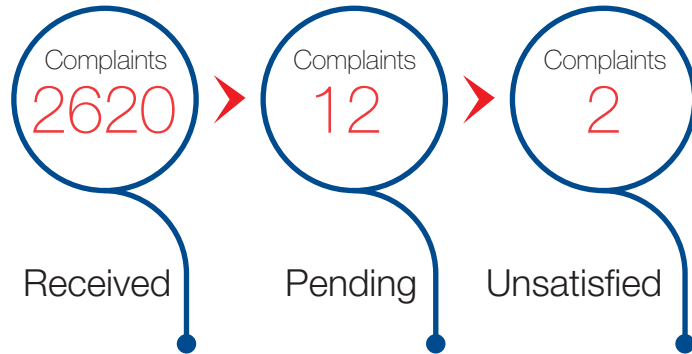


The Board has constituted a Stakeholders' Relationship Committee to monitor and address stakeholder issues focused on share transactions. The following are the functions of the committee:

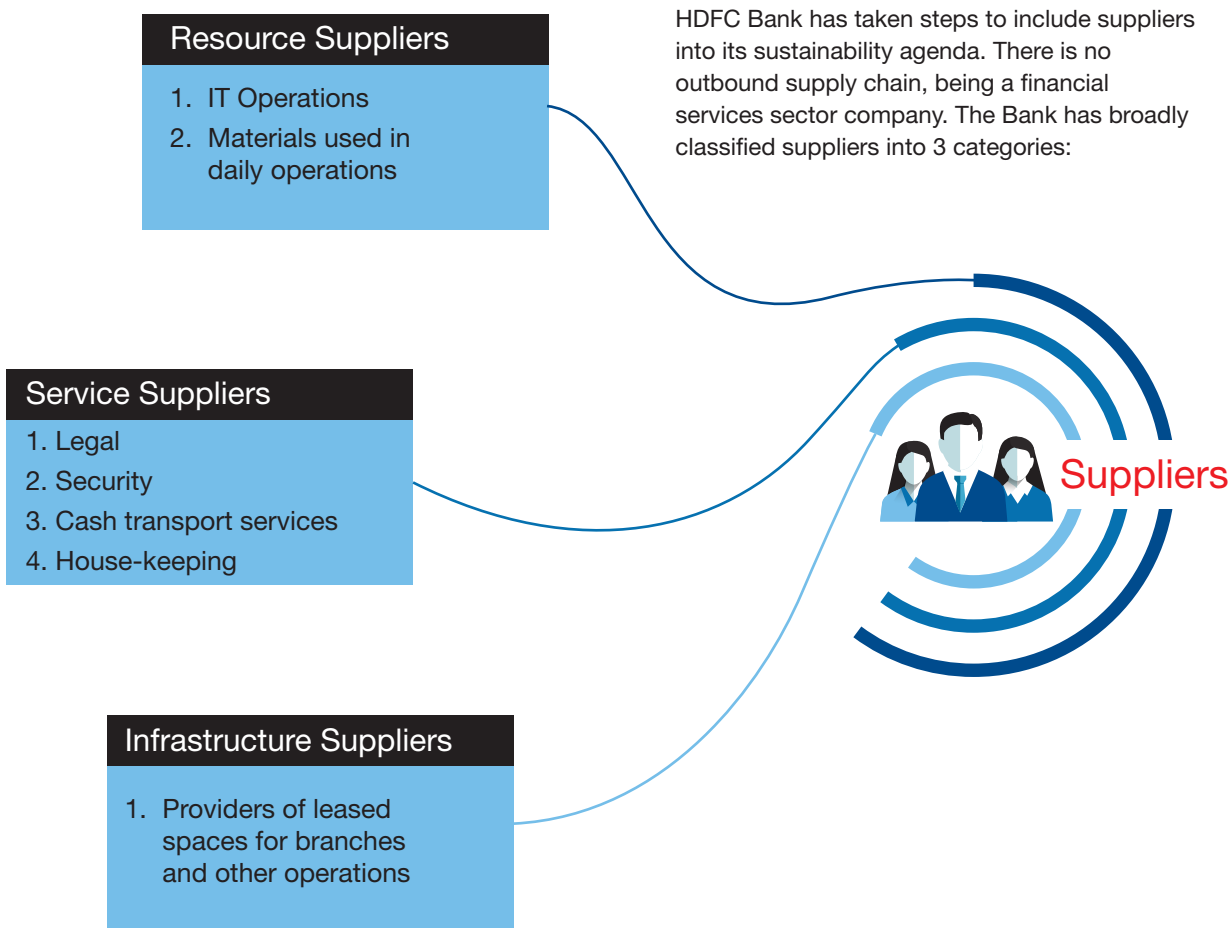


Investor grievances are attended and processed by the office of Registrars and Transfer Agents. This year, the Bank attended to all the complaints.

The Bank has a dedicated email id: shareholder.grievances@hdfcbank.com, to address queries relating to operational and financial performance. The status of complaints received from shareholders during the year 2017-18 is as follows:



SUPPLIERS



Suppliers are screened using environmental, social, labour criteria and other statutory requirements applicable to the laws of the land. The Bank has a policy for Vendor Selection and Procurement. This policy defines the procedure for vendor selection and termination. The Bank gives preference to procuring product and service requirements from local suppliers (local geography defined as India) and engages with suppliers situated in the proximity of its

branches. But their presence in the relevant geography and footprint is also taken into consideration. They are communicated regarding the Bank’s Code of Conduct, anti-corruption and anti-competitive policies and frameworks that they should comply with. There have been no significant changes in the Bank’s supply chain in the last reporting period.

Engaging with Communities



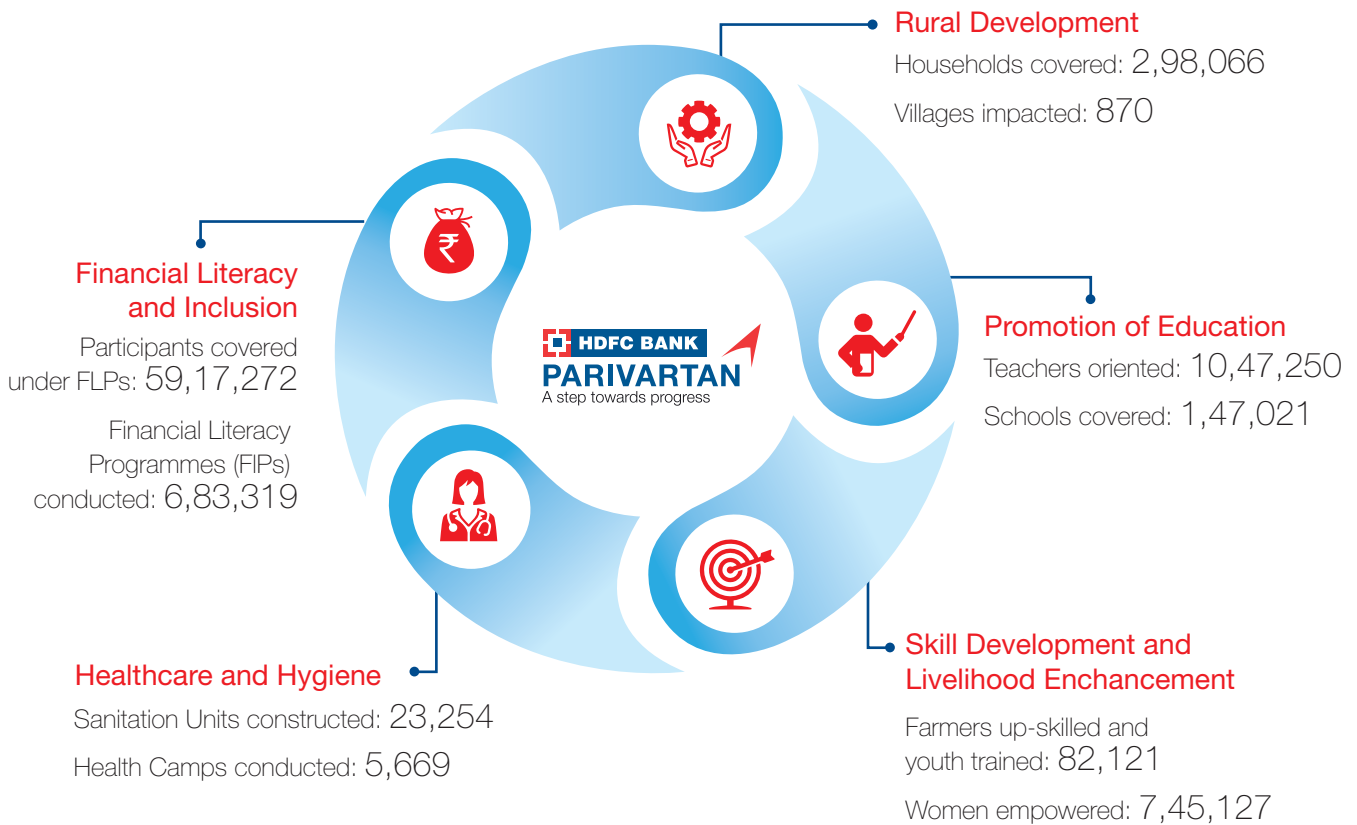
Engaging with Communities

The Bank believes that the progress of any country begins when its communities are empowered to attain sustainable means of livelihood. As a step towards progress, the Bank, through Parivartan is reaching out to communities to help them shift from a vicious cycle of poverty to a pattern of growth and empowerment. The Bank endeavors to empower millions of people to be self-reliant and contribute to the growth of the nation. The CSR initiatives of HDFC Bank are driven by the ideology of giving back to the society in a meaningful way.

Development in a country like India has its own set of challenges, foremost being translating economic growth to sustainable development. Through its Community Engagement initiatives, the Bank encourages marginalised communities and businesses to incorporate social and environmental elements in their operations. The Bank works directly through its businesses and in partnership with various Non-Governmental Organisations (NGOs) to create social value. The Bank's operations do not have any negative impact on local community. With an aim to build powerful partnerships with society for sustainable development Parivartan addresses the need for socioeconomic empowerment through its five distinct areas of intervention:



Total impact in the area



1. FINANCIAL LITERACY AND INCLUSION

The Bank considers financial literacy and awareness as crucial to bringing about financial inclusion in the country. It conducts financial literacy workshops to enable the weaker sections of the society make smart financial decisions and becoming self-sufficient.

The Bank informs and educates people, to help them make informed financial decisions. Lakhs of people have learnt about the fundamentals of savings, investment and organised finance. In FY 2017-18, over 19 lakh participants have benefitted through workshops held at literacy camps and banking outlets conducted by Business Units as well as NGO partners.

Financial literacy guides and posters act as standard curriculum materials to educate the target audience. To make the programme more inclusive, material is available in multiple languages, allowing participants to learn in the language they are comfortable with. Key interventions under Financial Literacy and Inclusion are financial literacy camps as well as promotion and capacity-building of Self-Help Groups. The Bank has structured financial literacy programs to help educate those in backward areas. It also has representation in various formats in these areas to ensure product & service delivery

1.1 Flagship Project- Digidhan or Dhanchayat

Digidhan or Dhanchayat is the Bank’s financial literacy programme on wheels. Through this programme, people in rural areas are educated about the risks of borrowing from the unorganised sector. Through this, they are also informed about the benefits of digital banking. Awareness is imparted through a film created by the Bank under

the aegis of its Swachh Banking CSR initiative. The Dhanchayat vans are equipped with micro-ATMs and biometric facility which enable instant e-KYC and Re-KYC using Aadhar Card while visiting the villages. This programme is often conducted at high-footfall pockets such as bazaars, mandis and bus-stands.



6+ lakh
Financial Literacy
Camps

59+ lakh
Households





1.2 Multifunctional Terminals or Milk-to-Money ATMs

Multi-function Terminals (MFTs), popularly known as Milk-to-Money ATMs were developed as a unique solution to improve the efficiency of dairy supply chain. These are deployed in dairy societies to facilitate transparency in the milk procurement and payment process. The MFTs link the milk procurement system of the dairy society to the farmers account to enable faster payments. MFTs have cash dispensers that function as standard ATMs. The transparency in the milk collection process, including the quality of milk and benefits both farmers and society. Payments are credited without the difficulties associated with the cash distribution process. A credit history is created that can then be used as the basis for accessing Bank credit.



1.3 Financial literacy for SME's

The Bank has extended its financial literacy programme to the general public as well as SME entrepreneurs. Under this initiative, the Bank conducts financial literacy camps in various states to bring SMEs into the traditional banking fold. Advances to the MSME segment as on March 31st, 2018 stood at 89,042.1 Crore as against 85,166.6 Crore a year ago. Its advances to the Micro Enterprises alone stood at 40,644.7 Crore. The Emerging Enterprises and Business Banking Groups cater to the Micro Enterprises and SME segments respectively.

1.4 Digital Literacy

The campaign 'Bank Aapki Mutthi Mein' was the starting of the digital journey of the Bank.

Digitization within the Bank has certainly given customers, a convenient banking experience while also decreasing the Bank's carbon footprint by minimizing footfalls and physical transactions at ATMs and Branches.

Digital literacy camps are conducted across villages to ensure that the rural population are also capacitated with online banking.



2. RURAL DEVELOPMENT

Holistic Rural Development Programme (HRDP) is the Banks flagship project within Parivartan. It was developed with the belief that Rural Development is central and significant to the nation's economic development. The programme identifies and addresses the critical needs of each village adopted as part of the programme. There are multiple interventions designed in consultation with the village community and other stakeholders. The programme works on improving school infrastructure and promoting quality education, construction of individual household sanitation units, promoting health through health camps and awareness sessions, training and demonstration of sustainable agricultural practices, awareness creation and initiatives in soil and water conservation, creating access to water for drinking and irrigation, promoting alternate energy sources like solar, biogas and biomass, promoting financial literacy, job-oriented youth training, creating alternate sources of livelihood such as livestock management and entrepreneurship activities like embroidery, masala making, toy manufacturing, etc. These initiatives are in line with the Adarsh Gaon Abhiyan of the Government of India.

These are often multi-pronged interventions. Some are explained below:

- Soil conservation also encompasses educating people about the use of organic fertilisers.
- Water management includes construction, renovation and maintenance of water harvesting structures for improving surface and ground water availability.
- Likewise, educating people on renewable energy often forms part of the natural resource management efforts.

Spread over 16 states, the programme covers over 2.9 lakh households across 870 villages. Over 18,000 acres of arable land have been treated to enhance productivity. In FY 2017-18, Umpathaw in Meghalaya became the 750th village to be covered under this programme.



Stories of Change

FOOD SECURITY THROUGH GRAIN BANKS- UTTAR PRADESH

47 Grain Banks have been set up to mitigate food security problems across 21 villages from 4 districts

Grain Banks were set up across 21 villages with the aim of providing greater food security. Initially, 2 kg of wheat/rice were contributed per household, and five members were elected for the grain bank committee. HDFC Bank provided a 5-quintal container and the initial grains (4 quintals of wheat/rice). In times of need, members can borrow grains and return it post-harvest with an additional 25 per cent. So far 2,350 families are members of this initiative and 246 families have borrowed grains. Borrowing is done even to cater for big functions in the community such as a marriage or cultural ceremony.

BRINGING WATER TO VILLAGERS MEGHALAYA

97 households in Upper Balian village now have regular supply of potable water and better sanitation

Residents of Upper Balian, a village in Ri-Bhoi district, had to trek several kilometers each day to fetch water from distant sources. HDFC Bank worked with the residents to install a gravity-based water delivery system that now supplies potable water to 97 homes. The village, with the greatly improved water supply, now has improved sanitation and health conditions as well. WASH training sessions are conducted in the village to create awareness about safe sanitation practices and 17 water delivery points (tap points) have been constructed. A check dam has also been constructed and water pipeline laid.

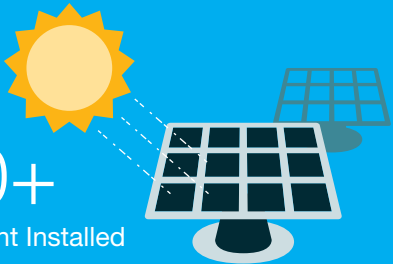


Overall impact numbers are mentioned below:




870
villages
Under HRDP
Across 16 States

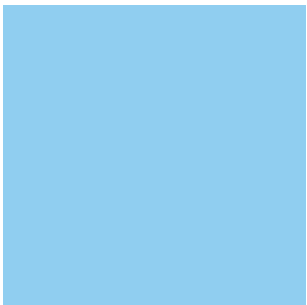
16,000+
Kitchen Gardens
Promoted



5,500+
Solar Street Light Installed



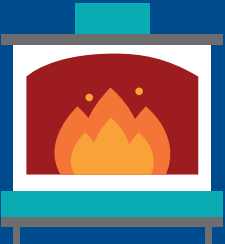
980+
Schools



29,550+
Farmers Trained



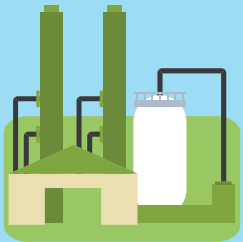
900+
Water
Conservation
Structures
Constructed



9,800+
Biomass Stoves
Deployed



1,000+
HHs Provided
with Biogas



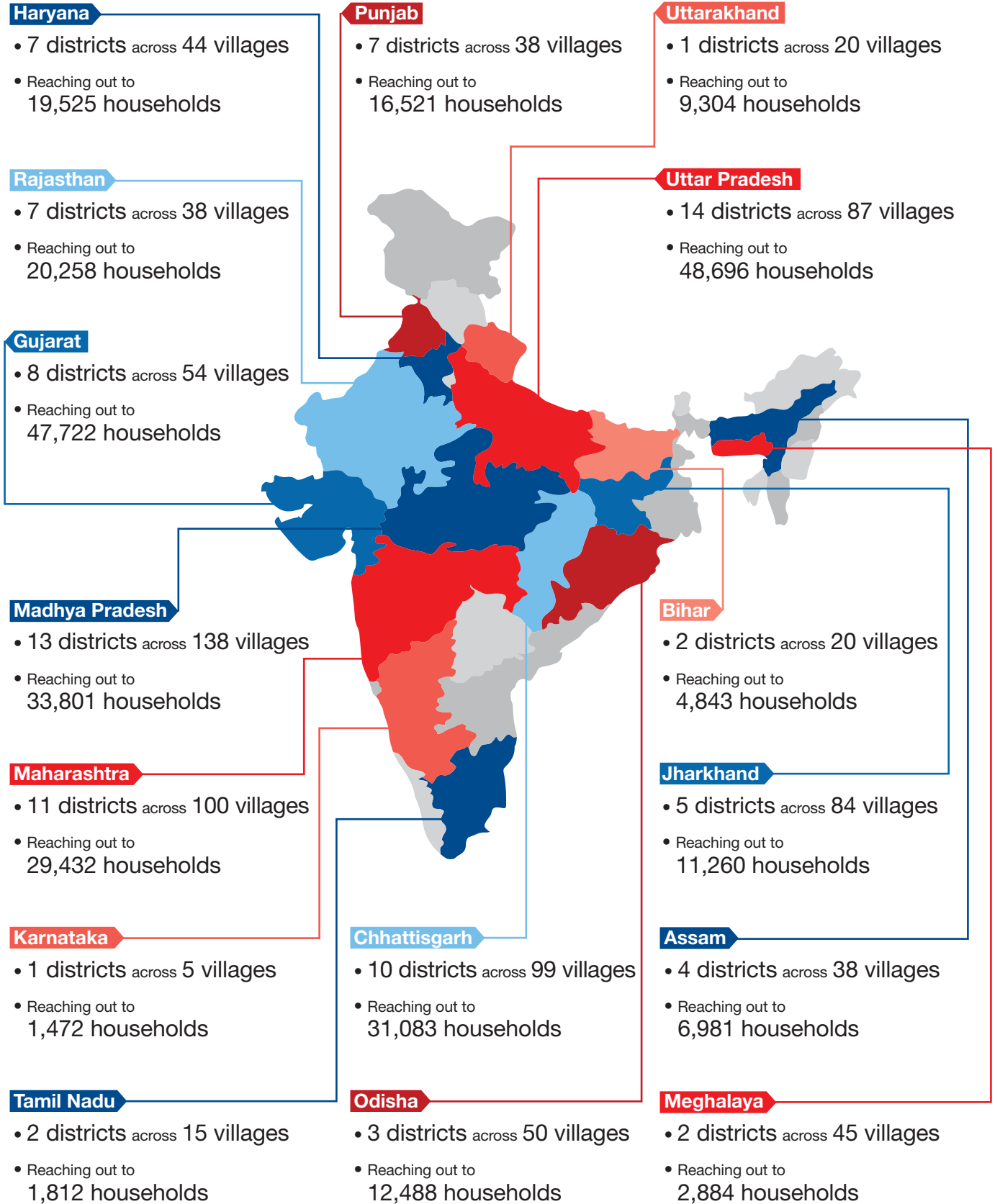
2,100+
SHGS Trained



5,500+
Health Camps Conducted



HDFC Bank's Holistic Rural Development Programme (HRDP) initiatives state wise



3. PROMOTING EDUCATION

Education is the bedrock of development, so there is no better gift to humanity than education. Therefore, the Bank emphasizes on conducive and effective learning environment in schools in areas of teacher training, scholarships and career guidance. The programmes focused on teacher training encompass training in alternate pedagogy and soft skills, promoting innovation through identification, replication of innovative practices and Teacher Learning Material. The initiative works towards improving quality of education through remedial

classes, learning camps, special scholarships etc. It also helps in improving school infrastructure through refurbishment, library set up, science labs, sports material provision, building toilets in schools and improving classrooms. This programme is in line with the Sarva Shiksha Abhiyan of the Government of India.

At the community level, the Bank creates awareness on water, sanitation and hygiene (WaSH), road safety and healthy financial practices.

Stories of Change

FOSTERING INNOVATION IN EDUCATION UTTAR PRADESH

A zero-investment idea on 'Community Participation' by a village teacher at Prathmik Vidyalaya has been adopted in more than 12,500 schools

In her village, godmen fooling the villagers with magic tricks was a common phenomenon. Primary school teacher, Champa Singh, took it upon herself to raise community awareness about the magic of science. "These godmen pretend to have divine powers to pinch money from innocent, illiterate villagers. I felt I had a responsibility to make them more aware." With this motivation, Champa has been organising science-based magic shows in her school for children and for community members. After refining her idea during the week-long ZIIEI trainings, Champa has been able to organise her shows better, ensure community participation, and even start a new campaign to create 'best out of waste'.



MAKING LEARNING FUN IN CHHATTISGARH

Through 57 Masti ki Paathshalas, over 5,450 children are being educated and engaged

Bhumika Rajwade attends the government middle school in Kanki village, in Korba district. During summer holidays Bhumika, as most students in her class, whiles away their time at home. To give these children an opportunity to spend their time constructively, HDFC Bank supports 'Learning made fun' sessions. Children attend the three-hour sessions to learn something new through interactive activities. They learn to paint, recycle old material into crafts and more. "In the holidays we forget what we learned in school. Here we get to revise and learn new things too," shares Bhumika.



3.1 Flagship programme- Zero Investment Innovations for Education Initiatives (ZII EI)

ZII EI is one of the largest programmes of the Bank under education. It is a platform to recognise and encourage innovation in education across state-run schools. Started in 2016 as a pilot project in Uttar Pradesh, has now extended to 12 states and 1 Union territory. Under this programme, the Bank is committed to train 15 lakh teachers in 6.2 lakh government schools. Till date, more than 10.4 lakh

teachers have been trained and close to 3.5 lakh innovative zero-cost ideas have been identified. This 'Teaching the Teacher' programme (3T) gives teachers a platform to come up with innovative ideas to generate new teaching solutions to transform teaching scenario in government schools across India. This in turn is expected to benefit the pupils and result in reduced dropout rates.

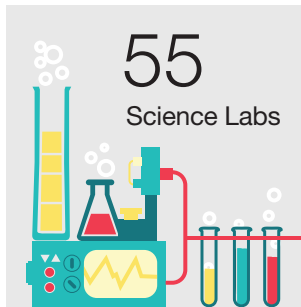
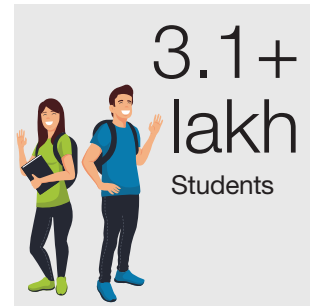
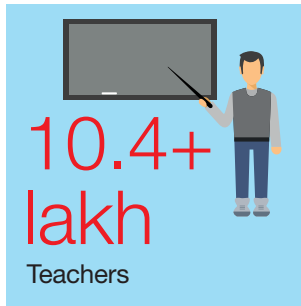
3.2 Project Disha

The Bank intends to improve the quality of education for students of government schools in remote locations through Project 'Disha'. To implement this, the Bank has partnered with Magic Bus India Foundation.

Project 'Disha' started in 2016 and has now spread across 4 states – Chhattisgarh, Maharashtra, Madhya Pradesh and Rajasthan. The Programme covers 172 schools and has impacted around 17,723 children. This initiative has made various subjects interesting to learn and has built self-belief and resilience among students to help them imbibe academic knowledge better. As an extension of this project, 55 Science Labs have been set up to enhance learning through interactive sessions.

Outcome of the project:

- Higher learning levels in numeracy, reading and science
- Reduction in drop outs and class progression
- Completion of Formal Education



3.3 Educational Crisis Scholarship Support (ECSS)

The Bank believes that the overall economic and social development of a nation depends on improved education of the country. Therefore, to ensure this objective, the Bank chose to educate the children who were economically and socially disadvantaged under its ECSS programme.

The programme ensures that children do not drop out of schools due to financial hardships or crisis in family. ECSS has been conceptualised to aid such students so that their families can deal with difficult

situations without any adverse effect on children's education. This programme aids school students between classes VI to XII and students pursuing Under-Graduate/Post-Graduate Full-time/Part-time Degree/Diploma/Vocational training courses (recognized by UGC/AICTE), who are unable to continue with their education and are at risk of leaving school prematurely due to personal or financial constraints. In FY 2017-18, 556 students were provided financial support through the programme.



4. Skill Training and Livelihood Enhancement

To upskill people and to enable beneficiaries earn a living, the Bank initiated the Skill Training and Livelihood Enhancement programme. This programme is focused at people in rural India especially women and youth, with the objective to help these people find jobs locally, enhance their income and prevent migration. Various tailor-made skill and competency building programmes such as oriented training and placement, capacity building, promoting entrepreneurial activities and upskilling for

agricultural and allied practices are taken up based on specific needs of the community. The programmes empower disadvantaged sections of society to gain access to better economic opportunities. The nationwide program has benefitted over 51,000 individuals. Another aspect of the program is, imparting placement linked training to youth and career counseling to young school students. So far over 3,000 have received skill development training

4.1 Sustainable Livelihood Initiative (SLI)

Sustainable Livelihood Initiative is a unique programme of the Bank, which aims at 'Creating Sustainable Communities' by empowering women and helping them break the vicious circle of poverty. The Bank believes that empowering women is equivalent to empowering families. Under the guidance of the Banks employees, community women form Self Help Groups (SHGs) or Joint Liability Groups (JLGs). They are given training on occupational skills, financial literacy, credit counselling and livelihood finance and market linkage.

The Bank has a target set by its Board to cover 1 Crore households through the programme. Till date,

81.8 lakh households have been covered. Key features of the programme are mentioned below:

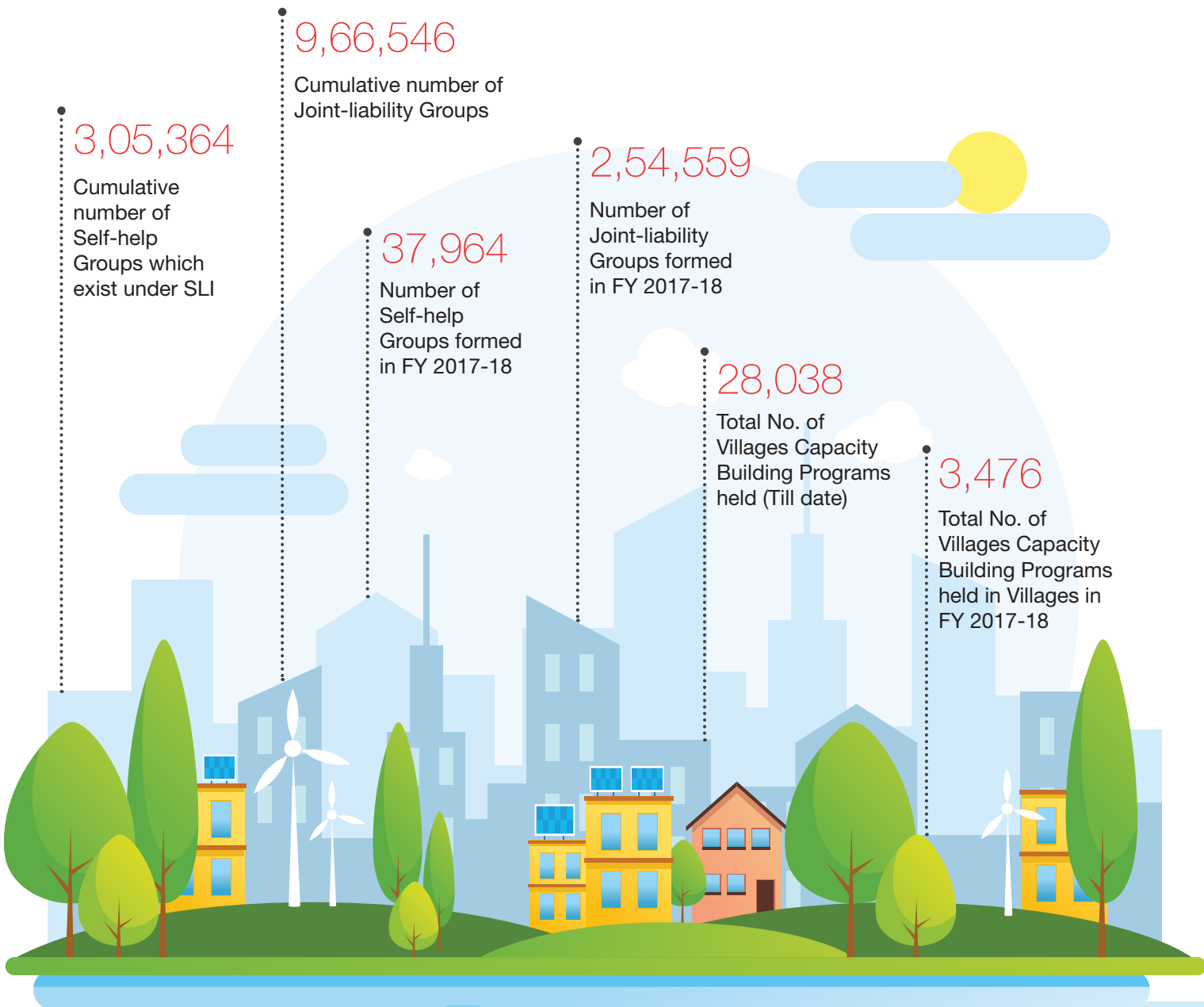
- 1) It's an all-women's programme
- 2) It covers womenfolk across the length and breadth of a country as vast as India. It is present in 27 states and over 400 districts
- 3) With 81 lakh women or households (81.8 X 4 = 3.27 Crore individuals) impacted, this is one of the world's largest such programmes
- 4) Over 9,000 dedicated, passionate Bank employees are running the programme



SLI aims to empower people by providing a package of financial and non-financial services. The Bank strongly believes that cash flow alone can't be the reason for exclusion; but their lack of banking acumen and lack of motivation equally contributes for the exclusion which leads to financial deprivation and poor quality of life. SLI's uniqueness is that the above hindering factors are addressed by a holistic approach which encompasses financial literacy and credit counselling aimed at enhancing banking acumen through customized products like savings accounts with facilities like ATM card, cheque book, micro recurring deposits & fixed deposits. This encourages banking habits, smoothen cash flow to meet life cycle / consumption needs, secures insurance cover aimed at managing uncertainties

arising out of loss of life & assets, credit support for enterprise development, training & capacity building services to enhance skills which lead to increased income. Nearly 100% of the SLI's customers are women as the Bank strongly believes that upliftment of the household starts with financial empowerment of the women of those households. The same will also lead to social empowerment of women. The model in which SLI operates is time tested and among the most successful financial intervention models. Each location has a dedicated manager who has 8 to 10 field officers providing all the above services within a radius of 25 KM. The potential customers are selected through a well-structured engagement program. The Bank offers group-based credit to enterprising customers.

SLI has impacted a total of 27,104 villages since inception, 9,373 villages specifically during FY 2017-18. The total number of households reached out to, under SLI are 81,87,936 and during FY 2017-18 it is 14,04,945 households.



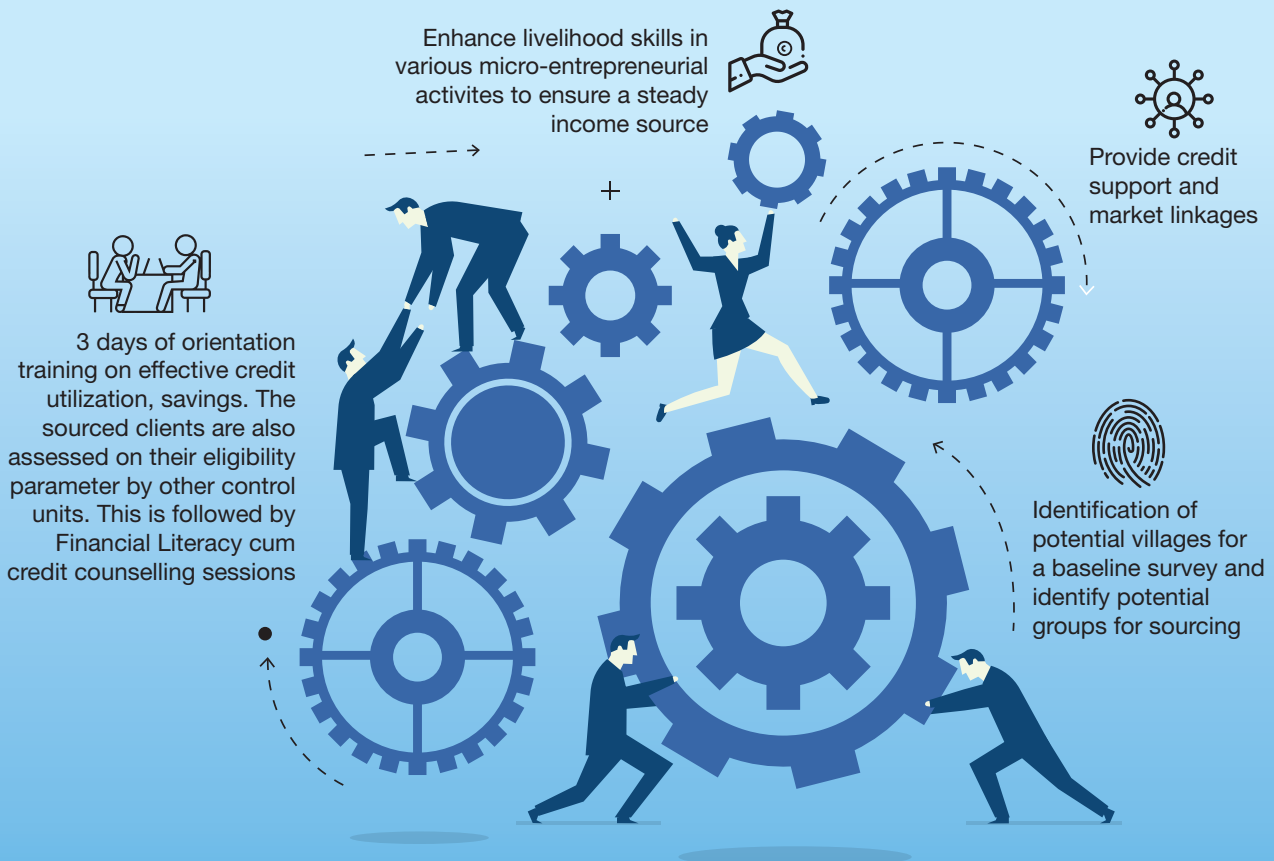


More than 7 lakh women have been reached through the Capacity Building Program aimed at upskilling these women in various trades. Today, SLI is harnessing the collective power of women's groups to make an impact in village communities by implementing health and sanitation programs.

Under SLI Programme, the Bank provides Financial Products and Non-Financial services. The Financial Products include Basic Savings Bank Deposit Account (BSBDA) which is a "ZERO BALANCE Accounts" provided to SHG/JLG groups and their members, Recurring and Fixed Deposit and Insurance. The Non-Financial services include Credit Counselling, Capacity Building and providing support during distress situations like floods, fire and other natural calamities.



The SLI model followed is summarised as below:



5. Healthcare and Hygiene

The Bank invests in working towards fostering behavioural change among communities to improve the prevailing Health and Hygiene situation in India. The Bank's initiatives are focused on both schools as well as communities. The core programs are community-led sanitation campaigns that promote hygienic conditions in rural areas through appropriate wastewater and sewage disposal. These initiatives are supplemented by construction of toilets and provision of clean drinking water. Over 16,521 households and 924 schools in rural India have been covered under

this program so far. The Bank also organizes health camps, nutrition programs, and vaccination drives.

Under Healthcare and Hygiene, the key interventions are focused on championing Government of India's National Health Mission and Swachh Bharat Abhiyan through creating awareness on behavioural change, construction of toilets, promoting health through camps and generating awareness on nutrition, providing clean drinking water and conducting blood donation drives.



5.1 Annual blood donation drive

The Annual blood donation drive of the Bank has been recognised by Guinness World Records as the largest effort of its kind for collecting the highest units of blood in a single day. In FY 2017-18, approximately 2,19,000 units were collected which was almost 30 per cent higher than the previous year. The Drive was conducted at schools, colleges, employees of private and public sector, both State and Central Governments and the defense establishment.

While the Bank's employees are central to this effort, out of the 3,045 camps held across the country, a majority was held offsite; almost 1,100 camps in colleges and 475 in companies.



5.2 School Sanitation and Hygiene

The Bank acknowledges the importance of holistic development of our youngest generation and clean and hygienic conditions at schools are musts. The Banks projects work on setting up separate sanitation units for boys and girls in schools, ensuring adequate water supply in the units and bringing about behavioural change in students through the WASH program.



Corporate Governance and Ethics





Corporate Governance and Ethics

The Bank recognizes Ethics and Governance to be topics of paramount importance. Through its Corporate Governance Policy, the Bank has embedded good Governance practices in its culture. The policy provides direction and a framework for managing and monitoring the Bank's ethical conduct across all its engagements. The Corporate Governance framework complies with the Indian Companies Act, the regulations and guidelines of the Securities and Exchange Board of India ("SEBI") and the requirements of the listing agreements entered into with the Indian stock exchanges ("Listing Agreement"). The Bank is listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), it also has American Depository Shares ("ADSs") listed on the New York Stock Exchange (the "NYSE") and in compliance with standards of corporate in Section 303A of the NYSE's Listed Company Manual.

The Bank has in place policies and guidelines to ensure high governance standards. The policies include:



CORPORATE GOVERNANCE PHILOSOPHY

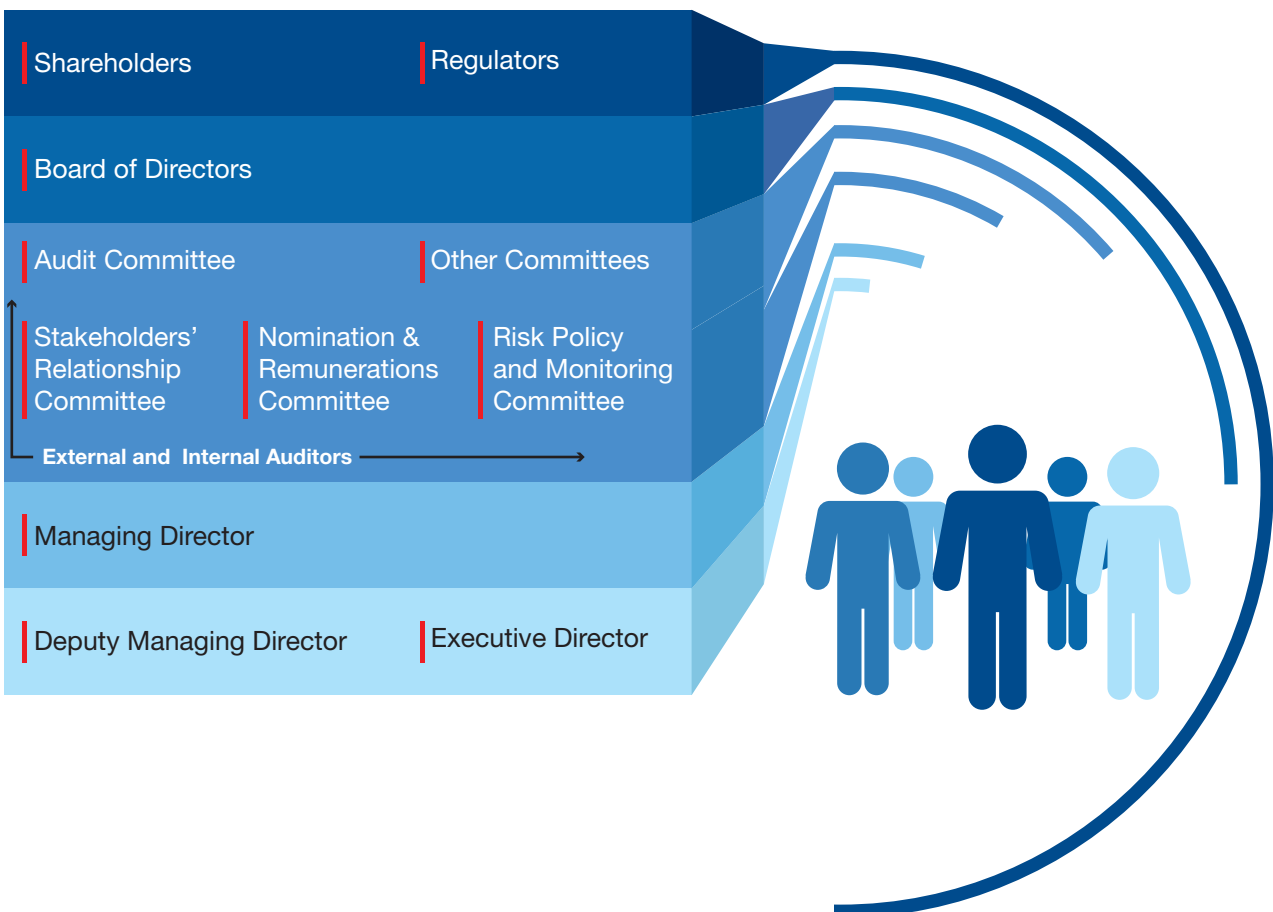
The Bank believes in adopting and adhering to the best recognized corporate governance practices and continuously benchmarks itself against such practices. The Bank understands and respects its fiduciary role and responsibility towards its shareholders and strives hard to meet their expectations. The Bank believes that best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value. The Bank has infused the philosophy of corporate governance into all its activities. The philosophy on corporate governance is an important tool for shareholder protection and maximization of their long-term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, sustainability, etc. serve as the means for implementing the philosophy of corporate governance in letter and in spirit.

The Bank is a member of the Indian Banks' Association (IBA) and is actively involved in consultation/discussion forums where the government and other bodies in the banking industry take public policy positions. All operations of the Bank are assessed for risks related to corruption. The significant risks related to corruption are identified through the risk assessment mechanism. But, the aggregate number of concerns raised during FY 2017-18 cannot be disclosed due to confidentiality reasons. The Board is sensitised on various upcoming topics periodically. The Board also approves and reviews the policies keeping in mind the dynamic scenario.

There are no incidents of anti-competitive behavior and violations of anti-trust and monopoly which have been reported in FY 2017-18.

CORPORATE GOVERNANCE FRAMEWORK

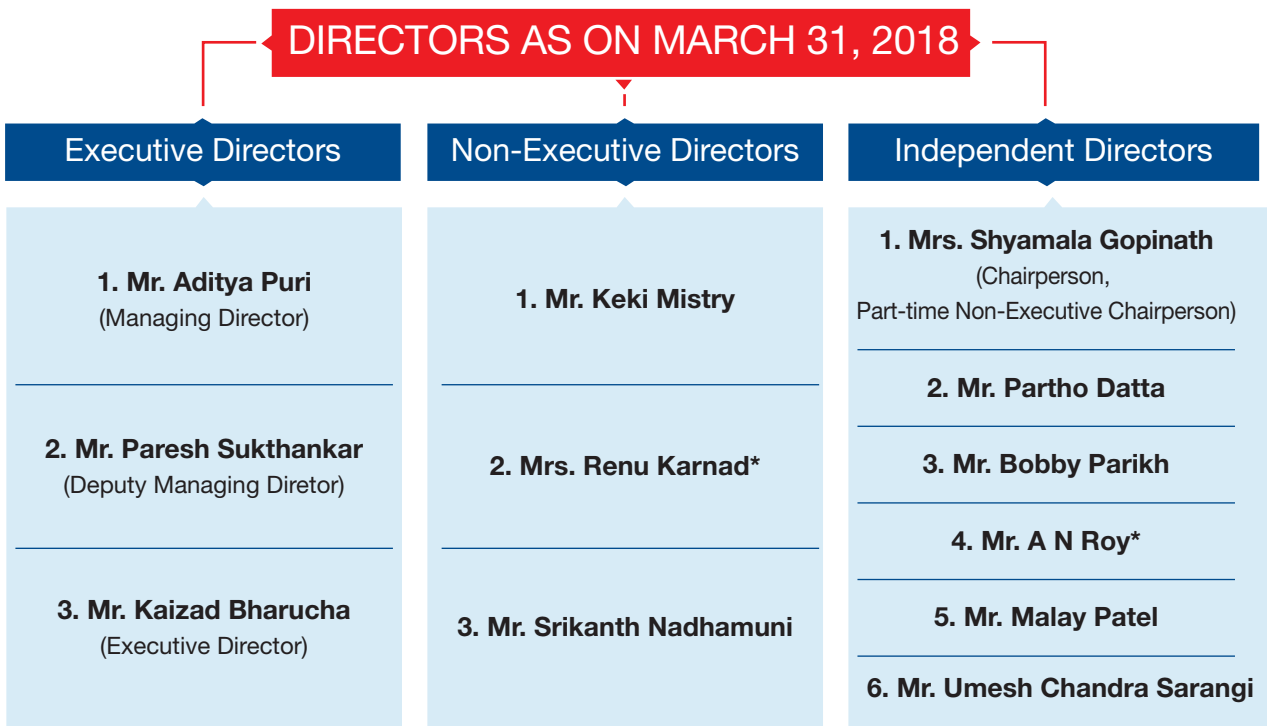
The Board of Directors of the Bank are the ultimate custodians of governance and are accountable to various stakeholders. The Board has constituted several committees, each with defined roles and responsibilities.



Board of Directors

The Bank's Board of Directors comprises of renowned individuals with a vast experience in public policy, administration, industry and commercial banking. The Bank is focused on recruiting and retaining the best talent in the industry as it believes that its people are its major strength. The Board of Directors are the highest governance body exercising

the powers pursuant to Section 134 (3) (c) read with Section 134 (5) of the Companies Act, 2013. In FY 2017-18, the Board comprised of 10 Directors (one woman Director), headed by the Chairperson. 8 Board meetings were held in FY 2017-18 to evaluate the performance of the Bank and to make strategic decisions.



* Mrs. Renu Karnad and Mr. A.N. Roy resigned as Directors of the Bank with effect from January 20, 2018 and January 31st, 2018 respectively.

Succession Planning

HDFC Bank's Nomination and Remuneration Committee (NRC) oversees matters of succession planning of its Directors, Senior Management and Key Executives of the Bank. As the tenure of the current Managing Director is ending in October 2020, the Board will have to identify a successor and work to ensure that this is done in a manner that will allow appropriate time for an effective transition of responsibilities.

Appointment and Remuneration

The Nomination and Remuneration Committee (NRC) recommends the appointment of Directors to the Board based on their academic background, previous experience, track record and values. Each Director has vast and immense experience in their respective roles in the Financial sector. The remuneration of the whole time Directors is

governed by the Compensation Policy of the Bank, framed in accordance with RBI guidelines. Nomination and Remunerations Committee and the Bank's compensation policy governs the remuneration of the Board of Directors. The remuneration is set in line with the RBI norms.

Board Performance Evaluation

The Nomination and Remuneration Committee (NRC) has approved a framework / policy for the evaluation of the Board, Committees of the Board and the individual members of the Board (including the Chairperson), which is reviewed annually by the NRC. A questionnaire for the evaluation of the Board, its Committees and the individual members of the Board (including the Chairperson), designed in accordance with the said framework and covering various aspects of the performance of the Board and its Committees, including composition and quality, roles and responsibilities, processes and functioning, adherence to Code of Conduct and Ethics and best practices in Corporate Governance was sent out to the Directors. The responses received to the questionnaires on evaluation of the Board and its Committees were placed before the meeting of the Independent Directors for consideration. The assessment of the Independent Directors on the performance of the Board and its Committees was subsequently discussed by the Board at its meeting.

The Bank has in place a process wherein declarations are obtained from the Directors regarding fulfilment of the 'fit and proper' criteria in accordance with RBI guidelines.

The declarations from the Directors other than members of the NRC are placed before the NRC and the declarations of the members of the NRC are placed before the Board. Assessment on whether the Directors fulfil the said criteria is made by the NRC and the Board on an annual basis. In addition, the framework / policy approved by the NRC provides for a performance evaluation of the Non-Independent Directors by the Independent Directors on key personal and professional attributes and a similar performance evaluation of the Independent Directors by the Board, excluding the Director being evaluated. Such performance evaluation has been duly completed as above.

Policy on Appointment and Remuneration of Directors and Key Managerial Personnel

The NRC recommends the appointment of Directors to the Board. It identifies persons who are qualified to become Directors on the Board and evaluates criteria such as academic qualifications, previous experience, track record and integrity of the persons identified before recommending their appointment to the Board.

The remuneration of whole time Directors is governed by the compensation policy of the Bank. The same is available at the weblink <https://www.hdfcbank.com/aboutus/cg/codes-and-policies.htm>. The compensation policy of the Bank duly reviewed and recommended by the NRC has been articulated in line with the relevant Reserve Bank of India guidelines.

The Bank's compensation policy is aimed to attract, retain, reward and motivate talented individuals critical for achieving strategic goals and long-term success. Compensation policy is aligned to business strategy, market dynamics, internal characteristics

and complexities within the Bank. The ultimate objective is to provide a fair and transparent structure that helps the Bank to retain and acquire the talent pool critical to building competitive advantage and brand equity.

The Bank's approach is to have a pay for performance culture based on the belief that the Performance Management System provides a sound basis for assessing performance holistically. The compensation system should also take into account factors such as roles, skills / competencies, experience and grade / seniority to differentiate pay appropriately on the basis of contribution, skill and availability of talent on account of competitive market forces. The details of the compensation policy are available in the Annual Report.

Ratio of remuneration of each Director to the median employees' remuneration for FY 2017-18:

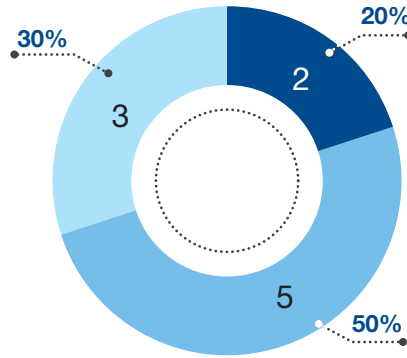
Ratio	98:1	118:1	209:1
Designation	Executive Director	Deputy Managing Director	Managing Director

Board Composition and Committees

The Committees are constituted by the Board to make informed decisions in the best interest of the Bank. The Economic, Environmental and Social aspects of the Bank’s operations are monitored by respective Board committees.

None of the Directors on the Board is a member of more than 10 Committees and Chairperson of more than 5 Committees across all public companies in which he / she is a Director.

All the Directors have to make necessary disclosures regarding Committee positions occupied by them in other companies.



Board Composition

- Independent Directors
- Executive Directors
- Non-Independent, Non-Executive Directors

Classification	Director's Name	Audit	Nomination & Remuneration	Stakeholders' Relationship	Corporate Social Responsibility	Risk & Policy Monitoring	Fraud Monitoring	Customer Service	Credit Approval	Premises	Review: Willful Defaulters' Identification	Review: Non Co-operative Borrowers	Digital Transactions Monitoring	IT Strategy*
Non Executive Directors	Mrs. Shyamala Gopinath	■	■			■	■	■			■	■		■
	Mr. Bobby Parikh	■	■		■						■	■		■
	Mr. Partho Datta	■	■		■	■	■				■	■		
	Mr. Malay Patel			■	■		■	■	■	■			■	
	Mr. Srikanth Nadhamuni					■		■					■	■
	Mr. Keki Mistry						■	■	■	■				
	Mr. Umesh Chandra Sarangi	■		■	■		■							
Executive Directors	Mr. Aditya Puri			■	■	■	■	■	■	■	■	■	■	
	Mr. Paresh Sukthankar			■	■	■							■	■
	Mr. Kaizad Bharucha							■						

* Not a Board level Committee

■ Chairperson ■ Member



Indo-Global
Social Service Society



HDFC BANK

We understand your world

ग्रहणी दाल उद्योग

ग्राम - कुण्डी

IGSSS संस्था एवं HDFC BANK द्वारा



We understand your world



CSR Governance Process

The Bank follows a top down approach while creating the CSR and Sustainability agenda. The Board of Directors is directly involved in bringing about empowerment of marginalised communities and creating a conducive growth environment. The Bank has constituted a Board level CSR Committee to govern the implementation of the Policy. It constitutes of the following members:

Mr. Umesh Chandra Sarangi,
Chairman (Independent Director)

Mr. Malay Patel,
(Independent Director)*

Mr. Partho Datta,
(Independent Director)

Mr. Paresh Sukthankar

Mr. Bobby Parikh,
(Independent Director)

Mr. Aditya Puri



The CSR Committee confirms that the implementation and monitoring of the CSR activities of the Bank are in compliance with the CSR objectives and the CSR Policy of the Bank. The Bank's CSR focus areas are promoting Education, Healthcare & Hygiene, Skill Training & Livelihood Enhancement, Natural Resource Management and Financial Literacy & Inclusion. The initiatives are monitored and reported on a regular basis.

(Mrs. Renu Karnad ceased to be the Chairperson and a member of the Committee pursuant to her resignation as Director of the Bank with effect from January 20, 2018)

* Inducted as a member effective March 27th, 2018

The above information is relevant for 2017-18 only

Vigil Mechanism

The Bank encourages an open and transparent system of working and dealing amongst its stakeholders. The Code of Conduct governs the ethical behavior and organizational integrity. It is approved by the Board. Advice about ethical behaviour & organizational integrity is sought from the immediate manager or reporting manager, in case of dissatisfaction it can be sought from the regional HR. The Bank has also adopted a "Whistle Blower Policy" which encourages its employees and various stakeholders to bring to the notice of the Bank any issue involving compromise / violation of ethical norms, legal or regulatory provisions, actual or suspected fraud etc., without any fear of reprisal, discrimination, harassment or victimization of any kind.

The Chief of Internal Vigilance receives these concerns through a dedicated email ID or by way of letters, etc. All such complaints are enquired into by the appropriate authority within the Bank while ensuring confidentiality of the identity of such complainants. On the basis of their investigation, if the allegations are proved to be correct, then the Competent Authority shall recommend to the appropriate Disciplinary Authority to take suitable action against the responsible official. Complaints received, and the functioning of the Whistle Blower mechanism are reviewed periodically by the Audit Committee of the Board. During the financial year 2017-18, a total of 46 complaints were received and investigated.

Note:

For further details on Corporate Governance, Board of Directors and their functioning, kindly refer to the Annual Report Page no 144-150, 210 – 222

And for details on Collective knowledge of highest governance body kindly refer the Annual Report Page no 102-124

Risks and Opportunities



Risks and Opportunities

The sector out of which the Bank operates, makes it prone to several kinds of risks. Acknowledging risks and identifying potential opportunities that could arise from risks, ensure substantial and steady growth. Key risks identified for the Bank include, Credit Risk, Market Risk, Liquidity Risk and Operational Risk. These risks not only have a bearing on the Bank's financial strength and operations but also its reputation. To manage these risks, the Bank has put in place, a Board approved risk strategy and policy, the implementation of which is guided by the Board's Risk Policy and Monitoring Committee (RPMC). Risk levels and direction, portfolio composition, status of impaired credits and limits for treasury operations are regularly reviewed by the committee. The hallmark of the Bank's risk management process function is its independence, with credit decisions being made by a credit underwriting vertical. The Bank identifies and assesses the potential gamut of risks associated with its operations and business which are discussed below:

RISKS



Natural Calamities

Natural calamities such as flash floods and unforeseen events may affect customers, which would be a risk to the Bank's credit exposure

Other Regulatory Drivers

Regulators may restrict the fund flow for non-environment friendly projects or allocate funds for projects with specific requirements, which may cause a functional slowdown

Reputation

Given the wide range of stakeholders associated with the Bank, its responsibility towards addressing their concerns and expectations is very high and can lead to a reputational risk

Credit Risk

This is the risk of loss arising from a default and is, therefore, also known as default risk. HDFC Bank has distinct policies and processes for managing credit risk in both its retail and wholesale businesses

Market Risk

Market risk arises largely from the bank's statutory reserve management and trading activity and is managed through a well-defined Board-approved Investment Policy and Market Risk Policy that caps risk in different trading desks or various securities through trading risk limits / triggers

Digital lending and Credit Risk

Digital lending enables customers to secure loans at the click of a button in a matter of minutes. However, there are also attendant risks associated with it and HDFC Bank has put in place appropriate checks and balances to manage these risks

International Agreement

Development in the international policy domain have direct implications on the Bank as it can increase operational costs

Renewable Energy Regulation

Potential Risk arising out of regulations requiring the Bank to meet a part of its energy requirements from Renewable Energy sources

Emission Reporting Obligations

With ABRR as a regulatory requirements, there could be developed which increase complexity of reporting and the cost of reporting can go up

Compliance Risk

It is the risk of the Bank's integrity, leading to damage to its reputation, legal or regulatory sanctions, or financial loss, as a result of a failure (or perceived failure) comply with applicable laws, regulations and standards. The Bank has a dedicated team in Compliance department and a Compliance Policy to ensure highest standards

Cap and Trade Scheme

The Bank has a credit exposure to many of the companies under PAT scheme. The impact on the Financial health of these companies may have an impact on its risk exposure

Fluctuating Socio- Economic Conditions

There are huge risks to lend to the agriculture and farming related sectors due to the uncertainty in the business scenario poses a huge risk on the investment in that sector

Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank has detailed framework and process, Internal Control, Information Technology and Security Practices and Fraud Monitoring and Control manage this risk

Liquidity Risk

Liquidity Risk is the risk that a bank may not be able to meet its short-term financial obligations due to an asset-liability mismatch or interest rate fluctuations. HDFC Bank's Framework for liquidity and interest rate risk management is spelled out in its Asset Liquidity-Management policy that is implemented, monitored and periodically reviewed by the Asset Liability Committee (ALCO)



OPPORTUNITIES

Emission Reporting Obligations

The Bank has collaborated with external sustainability and carbon consultant for assistance in measuring the carbon footprint of the entire organization with the help of IT platform

International Agreement

International agreements have a scope to enhance business opportunity. The Bank has a structured internal mechanism to identify and monitor such developments

Cap and Trade Scheme

Cap and Trade schemes have opportunities for developing a marketplace for financial instruments, which can be leveraged by the Bank

Renewable Energy Regulation

Based on the regulatory requirements the Bank could purchase renewable energy from third parties, government or invest in renewable energy assets

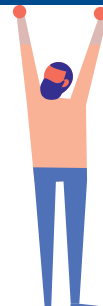


Natural Calamities

The Bank's business contingency group assess such risk and actions for mitigation are initiated

Fluctuating Socio-Economic Conditions

The Bank provides innovative financial solutions aimed at addressing the social and economic developments, which provide customers with flexible choices of products and services



Emerging Trends in the Regulations

The Bank ensure that business is balanced across sectors. The Bank also engages with customers on developing trends in the regulations

Reputation

The Bank takes steps to ensure that stakeholder expectations are addressed and has developed an appropriate stakeholder engagement mechanism to communicate effectively



Inspite of the banking industry reeling under the threat of NPAs and cyber crimes, HDFC Bank has emerged strong and is geared to face emerging challenges – especially on the digital front, the effects of which will only intensify in the future. The challenge is in managing transformationally, a complex and sophisticated ecosystem. The Bank has fine-tuned its strategy and capitalised on new opportunities to grow the business. The Bank is selective about who they deal with and put their proposals and projects through a good amount of risk evaluation.

The Bank is geared up for the next phase of growth, given the looming market opportunities and its strong positioning in each of its major franchises.

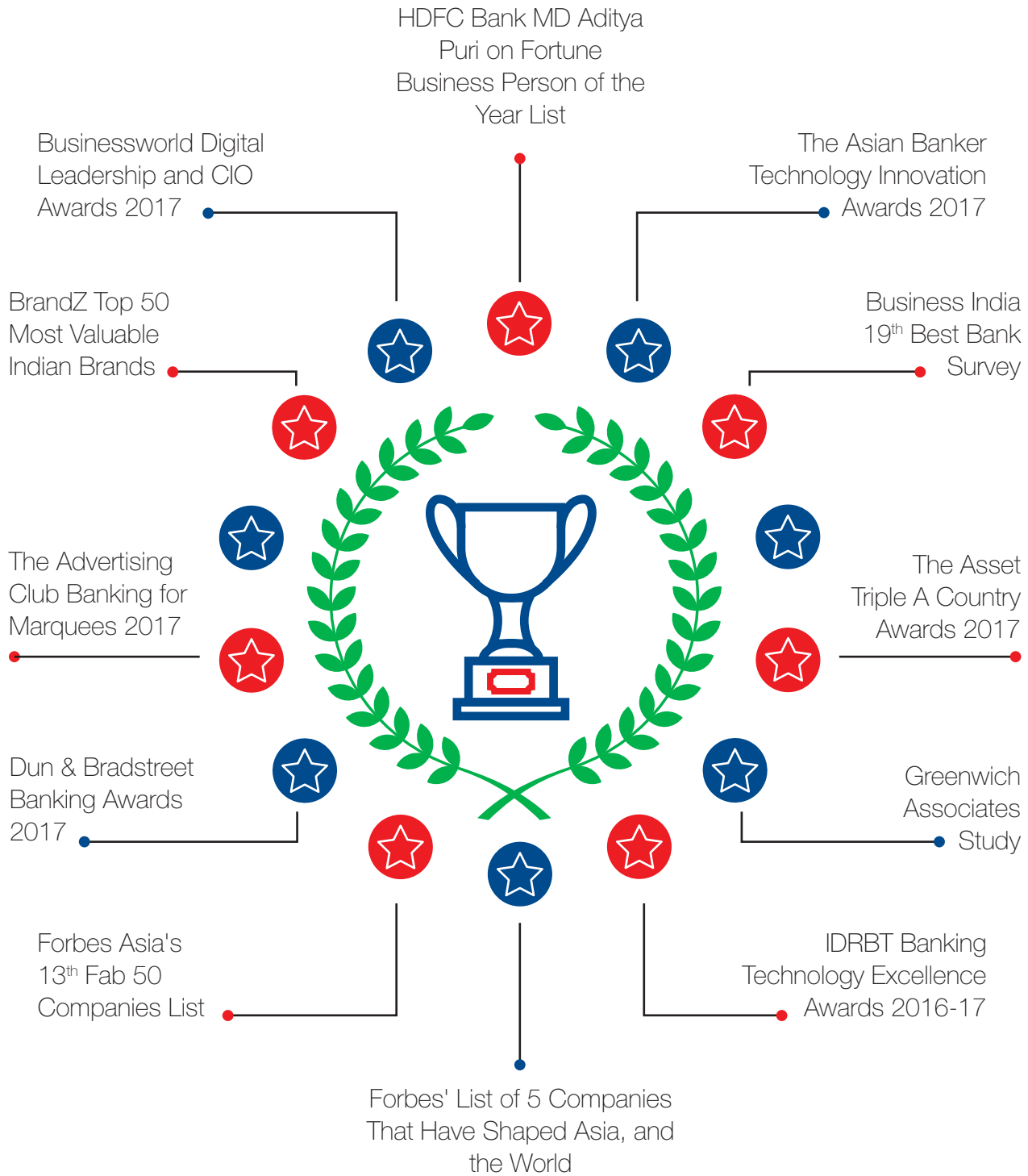
Achievements of the Year



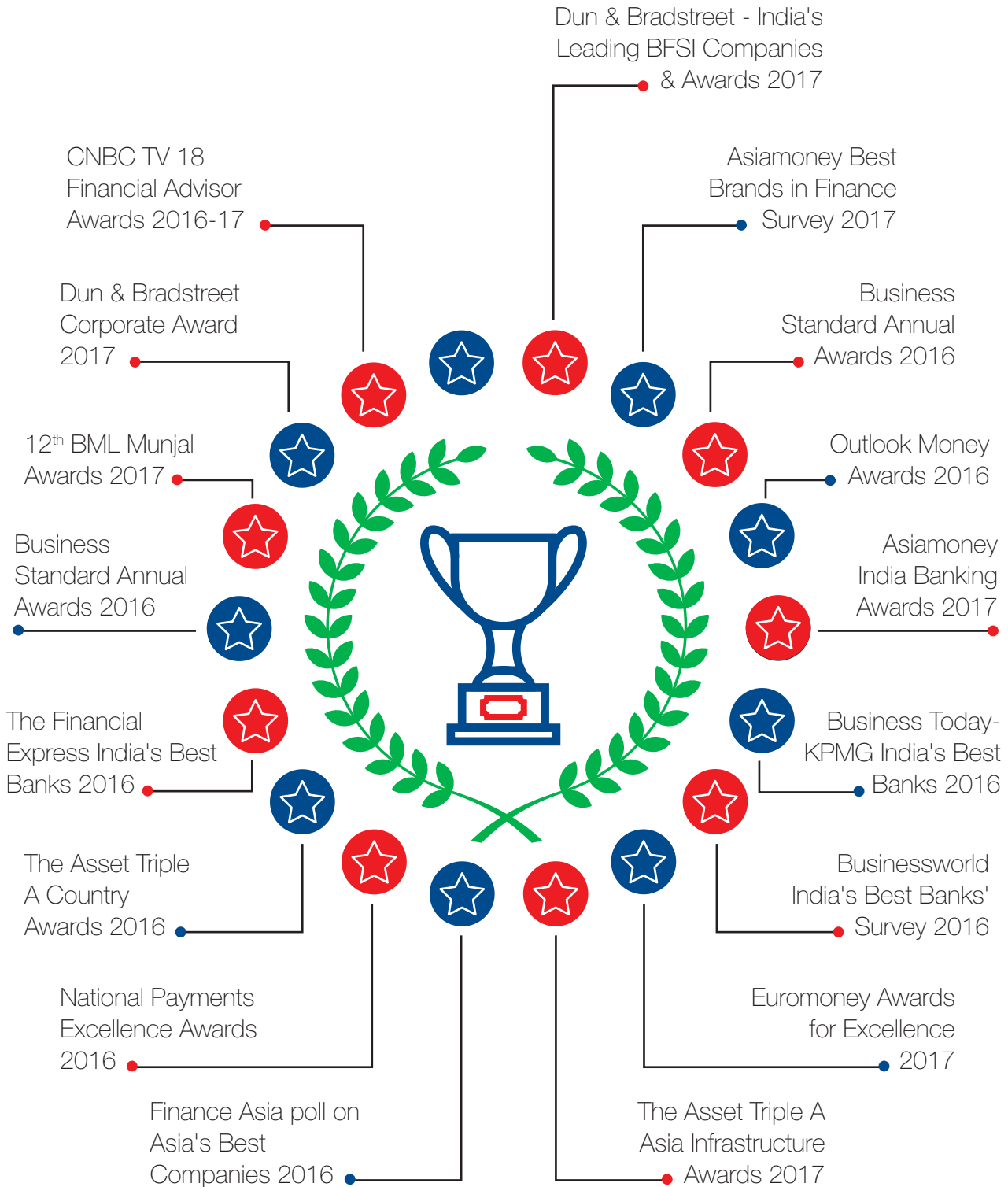
Achievements of the Year



2017



2018

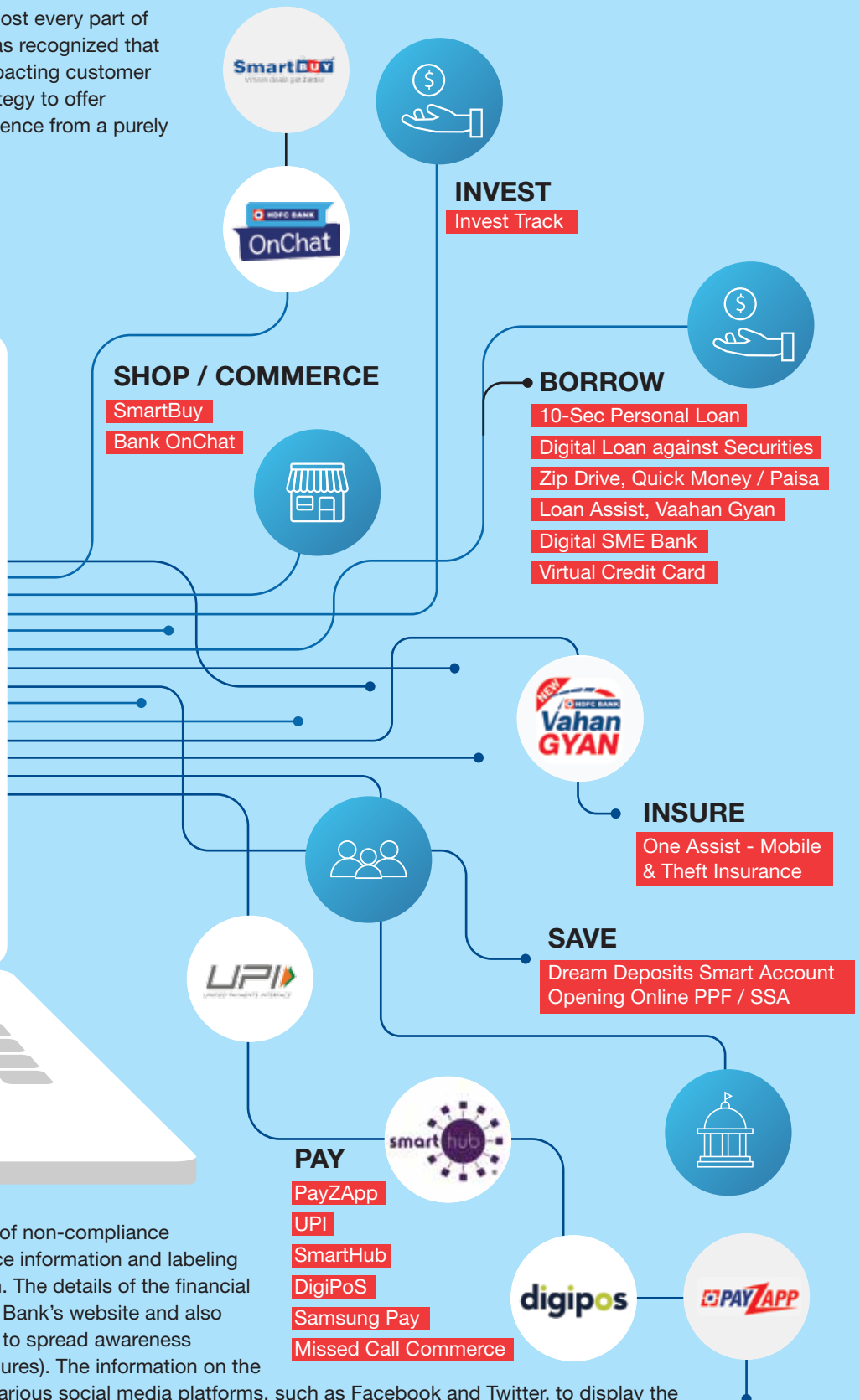
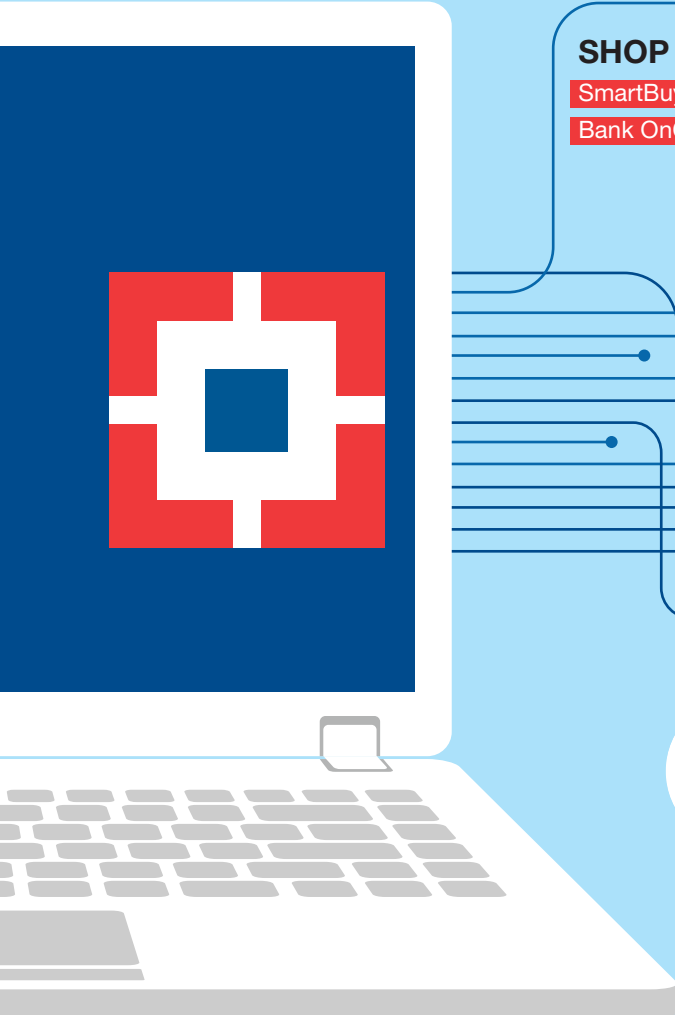


Product Leadership



Product Leadership

Digitization today touches almost every part of people's lives and the Bank has recognized that this as a fundamental shift impacting customer behaviour. It is shifting its strategy to offer customers a differential experience from a purely transactional approach.



There have been no incidents of non-compliance concerning product and service information and labeling and marketing communication. The details of the financial products are displayed on the Bank's website and also disclosed through print media to spread awareness (through pamphlets and brochures). The information on the product is also disclosed on various social media platforms, such as Facebook and Twitter, to display the features of the products and services offered. The Bank believes in empowering its customers, enable them 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.

DIGITAL PROLIFERATION TOWARDS EFFORTLESS BANKING


HDFC Bank today caters to more than 4.36 Crore customers. Although it has 4,787 banking outlets, what is noteworthy is that an overwhelming 85 per cent of transactions are through digital channels. This has led to a larger distribution footprint and a superior customer experience resulting in a higher market share at lower cost.

The 10-second Personal Loan and Missed call banking were not only industry firsts, but are also extremely popular with customers. The Bank's engagement with start-ups and fin-techs moved to the next level through the 'Industry, Academia


Initiative', which helps in mentoring fin-techs and start-ups identified by the Bank. The annual Digital Innovation Summit continues to generate interest among the start-up community and also benefits the Bank through useful solutions.

The Bank's focus on leveraging Artificial Intelligence (AI) and Machine Learning (ML) has started yielding results. Eva, the virtual assistant on the Bank's website; and Bank on Chat, the Bank's Facebook Messenger chat bot, have elicited encouraging response from Customers.





EVA
 30 lakh queries handled on the website, with more than 85% accuracy in just 12 months



Facebook App
 Assisted 3 lakh users for making bill payments, movie / travel bookings and mobile recharges

Further the Bank consolidated its existing digital offerings and launched a few new ones.

SmartHub:

The Bank's SmartHub solutions provide existing/prospective customer assistance in managing a host of activities like payments, admissions, appointments, donations and more. Over 8,000 educational institutions and 2,500 government departments are active users on this platform.

The SmartHub Merchant App, a counterpart of the Bank's smart banking solution, is a single merchant platform that customers use to make payments, monitor services and related servicing needs.

Digital Loan against Mutual Funds:

To help customers unlock the value of their investments, without liquidating them during exigencies, HDFC Bank has launched Digital Loans against Securities and Mutual Funds. Customers can now pledge their securities

and mutual fund assets online and get an overdraft limit set in under three minutes. All of this happens in three easy steps through the Bank's website.

Instant credit card:

This is issued electronically within an hour and can be used by the customer to make

purchases online. Over three lakh Instant credit cards were issued during FY 2017-18.

10 seconds loans:

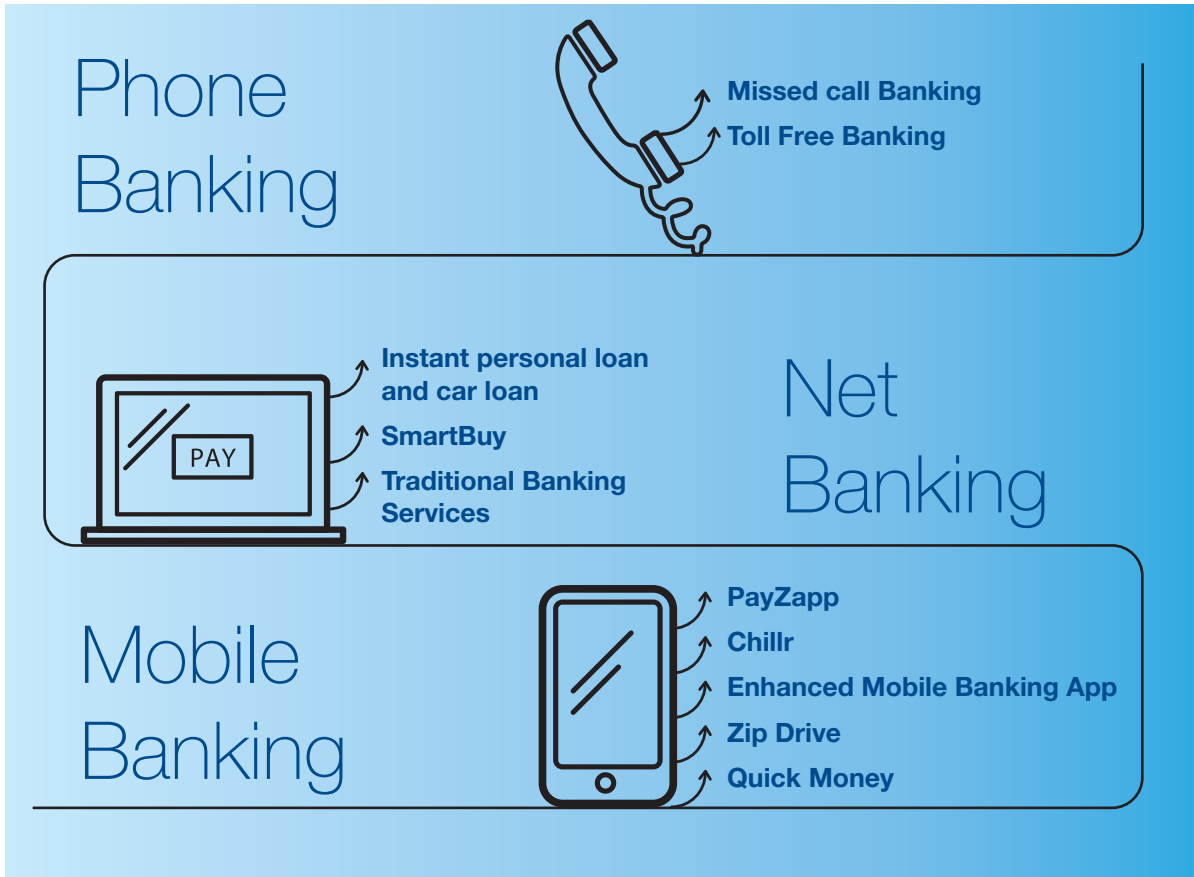
This was launched in the unsecured loan segment. This paperless service is available to select customers 24x7, at the touch of a button. Similarly, when a bank customer applies for a Credit Card, he/she has the option of receiving a virtual InstaCard that is instantly activated and ready for immediate use. The Bank's digital acquisition solution continues to delight customers. To further enhance the customer experience and improve cost management, the Bank is now developing an end-to-end digital platform.

platforms such as PayZapp Wallet, SmartBuy market place, enhanced Mobile Banking App and a dedicated Retail Lending App named LoanAssist.

In FY 2017-18, the Bank has stepped further with the implementation of an Open API based Service Oriented Architecture Middleware platform. This enables different systems to talk to each other, thus ensuring a seamless flow of information. It facilitates over 2.5 Crore digital banking transactions through its mobile and online

Digital Application (DAP) Platform has been another development of FY 2017-18. It brings together process, digital technologies and lifecycle management efficiencies to deliver enhanced customer experience. DAP powers about 95 percent of the branch retail. It is linked with search engines and Fin-techs. The Savings Bank account opening App used by the relationship managers in the branch to open digital savings accounts has doubled the volumes of account opening each month since its launch. In FY 2017-18, 22.3 lakh fresh accounts were opened through the digital mode.

DIGITAL CHANNELS OF THE BANK



Some of the Bank's significant innovations in FY 2017-18 are mentioned below:

- 1) 'Do Your Own Loan Against Shares' – through a four-click process
- 2) Offering digital consumer loans
- 3) Tying up with social media platforms, e-commerce portals, and traditional retail stores to facilitate ordering products online
- 4) Reducing turnaround time for first time borrowers
- 5) Lowering transaction costs in Trade On-Net / Trade Finance through an API based application form filing process
- 6) Using Artificial Intelligence and Neural Networks based deep learning ability to give stronger teeth to the Card Payment Fraud Detection ability
- 7) Implementing a state-of-the-art Core Banking System for both Retail and Wholesale Banking to process 4.5 Crore transactions daily in an accurate, speedy and secure manner



DIGITAL FINANCIAL INCLUSION

The Bank endeavours to create positive impact on the environment, while enabling financial inclusion through digital mode. The implementation of Smart App has aided in reduction of paperwork due to movement of account opening to Smart App and reduced the TAT for account opening. Post the launch of Smart App, Physical transactions have also been moved to the digital mode. In FY 2017-18, 0.25 million CASA accounts were opened through the Smart App and 1.12 million Physical Transactions reduced as a result of digitization. Customers also migrated from opting to receive physical statements to E-mail statements.

The Bank has introduced specific products to bring about financial inclusion and independence among women, kids and senior citizens through special product offerings, waivers, schemes and discounts. These products promote financial inclusion across the country (especially in remote / rural areas) through PMJDY. Accounts opened under this initiative were opened with the zero balance requirement in – BSBDA: Basic Savings Bank Deposit Account (Bank's saving product). The Bank has also designed special savings and loan products for doctors & teachers, farmers and beneficiaries in the Agricultural sector. The Bank also offered exclusive current accounts with bundled services and third-party collaborations for start-ups.

Approximately 2.6 million accounts for Senior citizens, women, kids, farmers under customized product offerings have been opened till date. 7.23 million BSBDA's were opened with 1.77 million under PMJDY Scheme and 4038 as Agri Current Accounts.



Way Forward



Way Forward

Even as digitization transforms the banking industry, one thing remains constant: Success depends on the confidence and trust of all stakeholders. In other words, this is the key to Sustainability. HDFC Bank is well placed in this regard. One testimony to this is that it has been rated India's most valuable brand for five years in a row in the BrandZ survey of Top 50 Most Valuable Indian Brands. The Reserve Bank of India (RBI) has identified the Bank as a Domestic Systemically Important Bank (D-SIB). This means that its continued functioning is critical for the

uninterrupted availability of essential banking services to the economy.

To sum up, the Bank is geared up for the next phase of growth, given the looming market opportunities and its strong positioning in each of its major franchises. This, of course, would not have been possible without the contribution of over 88,000 employees across the country, who represent the brand and take it forward every day.



Innovation is now embedded in the Bank's DNA and so is its unremitting customer focus. As always, HDFC Bank will continue to be judicious. It will continue to leverage its distribution strength and digital platforms to offer a similar experience to customers across urban, semi-urban and rural India.

Needless to say, the Bank will continue to focus on its five core values, namely, Customer Focus,

Operational Excellence, Product Leadership, People and Sustainability. Its commitment to the highest possible standards of corporate governance remains unwavering even as it embarks on the next stage of its evolution, increasingly leveraging artificial intelligence and analytics, to continue delivering sustainable growth to all stakeholders thus empowering communities.

Material Issue	Chapter in the Report	Management Approach
Economic Performance of the Bank	Financial Performance	<p>Economic performance is one of the most crucial parameters for the sustainability of the Bank. Solid, stable and strong financial performance and sustainable practices are a result of sound and reliable management. This favours further progress and investment in sustainability, which would in-turn boost the financial performance.</p> <p>The Bank strives to boost performance and enhance the sustainability of the organization. It treads towards creating enhanced long-term value for its stakeholders. This is accomplished with the help of the discreet strategies of management and capital utilisation.</p> <p>For Details on Management Approach refer the respective chapter.</p>
Climate Action	Financial Performance	<p>Climate change is one of the major challenges being faced globally. The Bank acknowledges its responsibility to help contribute mitigating climate change and move towards a low carbon economy. It treads forward to adopt cleaner sources of energy. The operations of the Bank could be significantly be affected by climate change. The Bank dedicatedly invests in the renewable energy sector, manages its carbon footprint and engages with the community. The issues related to climate change are addressed directly or indirectly through the various committees and operational units. To manage its footprint the Bank has initiated its initiatives of to digitize its products and services, minimise resource consumption, reduce waste and enhance employee awareness.</p> <p>For Details on Management Approach refer the respective chapter.</p>
Energy Dependence	Environmental Stewardship	<p>The Bank is strongly commits to the principles of sustainable development. It contributes towards minimizing the environmental impacts rendered by the operations. It operates in the financial sector where energy consumption is one of the most critical aspects. The Bank discloses its direct and indirect energy consumption in the public domain. The Banks has implemented numerous initiatives for its direct energy conservation. Also, to reduce its indirect energy consumption, it has implemented technology for its operations like digital and phone banking etc.</p> <p>For Details on Management Approach refer the respective chapter.</p>
E-Waste Management	Environmental Stewardship	<p>In the current times e-waste disposal is one of the pivotal issues of concern. Being an organization working the financial sector and driven by technology, the e-waste become an important issue to be managed in a responsible manner. E-waste disposal is handled in a structured manner. The e-waste generated by the Bank’s operational activities is disposed of in a regulatory compliant manner.</p> <p>For Details on Management Approach refer the respective chapter.</p>
Responsibility toward Customers	Engaging with other Stakeholders	<p>HDFC Bank lays prime focus on its customers. The Bank emphasizes to address the varied requirements of diverse groups of its customer through world-class technology, innovative products and services. The Bank works towards delighting its customers by using the latest technologies and digitization to enhance customer delight. The Bank handles and stores enormous customer data. Thus, it is prime for the Bank and its technology partners to enhance of business transformation, customer trust and growth. Innovation and technology are the most significant factors in the business operations of the Bank. Its approach has led towards the successful adoption of critical initiatives leading to strengthened operations to take the Bank forward.</p> <p>For Details on Management Approach refer the respective chapter.</p>

Material Issue	Chapter in the Report	Management Approach
Ethical Practices	Corporate Governance and Ethics	<p>The prosperity on HDFC Bank is built upon the verdure of its reputation and the confidence of its stakeholders. This develops by maintain the high standards of ethics and integrity. As it helps build stakeholder trust and preeminent customer satisfaction.</p> <p>Transparency and ethics are the core values for building and sustaining organisational capabilities. The robust Corporate Governance and Risk Management framework of HDFC Bank govern its ethical conduct.</p> <p>The Bank complies with the Indian Companies Act and is listed at the national stock exchanges as well as “New York Stock Exchange (the “NYSE”). It complies by all the requisites laid by these regulatory bodies. Ethics and Governance are the topics of paramount importance at HDFC Bank. The policies and guidelines adopted by the Bank helps good Governance practices to get embedded in its culture. The Anti-Bribery and Anti-Corruption Policy as well as the Code of Conduct help the Bank to perform its operations in an ethical manner.</p> <p>For Details on Management Approach refer the respective chapter.</p>
Compliance related to Legal, environmental and social requirements	Entire Report	<p>The sector in which the Bank operates is a highly regulated sector. The Government and the RBI have laid strong compliance requirements. At HDFC Bank regulatory compliance is a mandatory and non-negotiable requirement and it makes following of all the rules to be also a mandatory compliance without keeping any exception. All the operations of the Ban comply by the legal, environmental and social requisites laid by regulatory bodies as per applicability.</p> <p>For Details on Management Approach refer the respective chapter.</p>
Financial Inclusion	Engaging with Communities	<p>Financial inclusion is a matter of national interest, it is the responsibility of the banking sector to reach to the interior most and the most deprived parts of the nation. HDFC Bank plays a major role in bringing about development in the country. Financial inclusion is also looked at an opportunity to expand and make the services and products available to the most deprived people. There is a major focus on innovation and technology at HDFC Bank. This helps develop unique digital products and cater to the unbanked and under-banked population in urban and rural parts of the nation.</p> <p>For Details on Management Approach refer the respective chapter.</p>
Digital Economy	Entire Report	<p>HDFC Bank focuses on Digital evolution. The Bank is focusing on transforming customer experience from transactional to experience differentiation through the implementation of technology. In the current scenario the traditional banking channels are transforming to digital banking. It is the new era with enhanced customer requirements. This has provided the Bank with an opportunity to enhance its focus on innovation and creating products and services to augment the customer experience. The Bank focuses on providing a effortless financial experience. The Digital India initiative of the Government drives the Bank to tread forward towards reaching out to vast markets in rural and semi-urban regions with the innovation and technology. Thus, help to strengthen the base of digital payments infrastructure within the country.</p> <p>For Details on Management Approach refer the respective chapter.</p>

Material Issue	Chapter in the Report	Management Approach
Product Portfolio	Product Leadership	<p>The Bank focuses on the customers. It believes that shifting focus from transactional interactions to experience differentiation will provide it competitive advantage. The products, services and digital experiences, commitment to provide an enhanced experience for our customers would help redefine the Banks commitment to provide an enhanced experience to customers. Intuitive products, platform agnostic solutions and a holistic sophistication across devices creates unique experiences for the customers. These experiences are for everyone - both customers who have direct relationship with the Bank as well as those who don't have.</p> <p>For Details on Management Approach refer the respective chapter.</p>
Employee Wellness	Engaging with Workforce	<p>The success of the Bank is precisely linked to its Human Capital. It is identified by motivation, commitment and competency of its employees. The Bank strongly believes that it is crucial to have an engaged team to achieve the business goals and build a strong and sustainable organization. The requirements regarding the human capital enhancement are proactively analysed and actualised.</p> <p>For Details on Management Approach refer the respective chapter.</p>
Responsible Lending	Environmental Stewardship	<p>To minimise the impact on the planet the Bank adopts direct and indirect actionable. The Bank aims to provide access to capital for environmentally sustainable projects which contribute to climate change mitigation. The Bank has a SEMS policy which governs the lending operations. Also, the environmental and social risks are integrated into its overall risk assessment framework. The Bank continues to invest in renewable energy and energy efficiency projects to lower the carbon footprint intensity.</p> <p>The Bank promotes environmental sustainability and equitable growth through sustainable lending practices. It reduces impact on environment by actively managing the environmental footprint and supporting customers to make 'green banking' choices</p> <p>For Details on Management Approach refer the respective chapter.</p>
Government Initiatives and Missions	Entire Report	<p>The Government has initiated several missions and initiatives to achieve goals that together ensure the growth and development of the nation and the wellbeing of its citizens. Being a responsible organization, the Bank contributes its efforts towards being in line with the missions and initiatives.</p> <p>For Details on Management Approach refer the respective chapter</p>
Social Responsibility	Engaging with Communities	<p>The Bank acknowledges its social responsibility. The Bank invests in the holistic development of the communities around the areas where it operates. The efforts for the empowerment of the communities are governed by the Board level CSR committee. It monitors the progress of the initiatives on a periodic basis. The positive impact on the communities maybe direct or indirect in nature. It has been a satisfying experience while treading towards empowering the communities.</p> <p>For Details on Management Approach refer the respective chapter.</p>

GRI Content Index

GRI Standards	Disclosure	Page No.	Omissions
GRI 102: General Disclosures 2016	102-1 Name of the Organization	Page 8	this disclosure cannot be omitted
	102-2 Activities, brands, products, and services	Page 5, 11-14	this disclosure cannot be omitted
	102-3 Location of headquarters	Page 8	this disclosure cannot be omitted
	102-4 Location of operations	Page 11, 14	this disclosure cannot be omitted
	102-5 Ownership and legal form	Page 71	this disclosure cannot be omitted
	102-6 Markets served	Page 11	this disclosure cannot be omitted
	102-7 Scale of the organization	Page 8	this disclosure cannot be omitted
	102-8 Information on employees and other workers	Page 43	this disclosure cannot be omitted
	102-9 Supply chain	Page 8, 11-14, 53	this disclosure cannot be omitted
	102-10 Significant changes to the organization and its supply chain	Page 5, 53	this disclosure cannot be omitted
	102-11 Precautionary Principle or approach	Page 22	this disclosure cannot be omitted
	102-12 External initiatives	Page 48, 71	this disclosure cannot be omitted
	102-13 Membership of associations	Page 72	this disclosure cannot be omitted
	102-14 Statement from senior decision maker	Page 6	this disclosure cannot be omitted
	102-15 Key impacts, risks, and opportunities	Page 79-80	this disclosure cannot be omitted
	102-16 Values, principles, standards, and norms of behavior	Page 3	this disclosure cannot be omitted
	102-17 Mechanisms for advice and concerns about ethics	Page 77, Annual Report 2017-18: Page 41	this disclosure cannot be omitted
	102-18 Governance structure	Page 73, 75	this disclosure cannot be omitted
	102-19 Delegating authority	Page 75, 77	this disclosure cannot be omitted
	102-20 Executive-level responsibility for economic, environmental, and social topics	Page 75	this disclosure cannot be omitted
	102-21 Consulting stakeholders on economic, environmental, and social topics	Page 32	this disclosure cannot be omitted
	102-22 Composition of the highest governance body and its committees	Page 72	this disclosure cannot be omitted
	102-23 Chair of the highest governance body	Page 73	this disclosure cannot be omitted
	102-24 Nominating and selecting the highest governance body	Page 73	this disclosure cannot be omitted
	102-25 Conflicts of interest	Annual Report 2017-18: Page 147-150, Schedule 18, Note 27	this disclosure cannot be omitted
	102-26 Role of highest governance body in setting purpose, values, and strategy	Page 71	this disclosure cannot be omitted
	102-27 Collective knowledge of highest governance body	Page 71	this disclosure cannot be omitted
	102-28 Evaluating the highest governance body's performance	Page 74	this disclosure cannot be omitted
	102-29 Identifying and managing economic, environmental, and social impacts	Page 72	this disclosure cannot be omitted
	102-30 Effectiveness of risk management processes	Page 79	this disclosure cannot be omitted
	102-31 Review of economic, environmental, and social topics	Page 75	this disclosure cannot be omitted
	102-32 Highest governance body's role in sustainability reporting	Page 75	this disclosure cannot be omitted
	102-33 Communicating critical concerns	Page 75, 77; Annual Report 2017-18: Page	this disclosure cannot be omitted
	102-34 Nature and total number of critical concerns	214-215 Not disclosed due to	this disclosure cannot be omitted

GRI Standards	Disclosure	Page No.	Omissions	
GRI 102: General Disclosures 2016	102-35 Remuneration policies	Page 73	this disclosure cannot be omitted	
	102-36 Process for determining remuneration	Page 73	this disclosure cannot be omitted	
	102-37 Stakeholders' involvement in remuneration	Page 73	this disclosure cannot be omitted	
	102-38 Annual total compensation ratio	Page 74	this disclosure cannot be omitted	
	102-39 Percentage increase in annual total compensation ratio	Annual Report 2017-18: Page 69	this disclosure cannot be omitted	
	102-40 List of stakeholder groups	Page 32	this disclosure cannot be omitted	
	102-41 Collective bargaining agreements	Page 45	this disclosure cannot be omitted	
	102-42 Identifying and selecting stakeholders	Page 32	this disclosure cannot be omitted	
	102-43 Approach to stakeholder engagement	Page 32	this disclosure cannot be omitted	
	102-44 Key topics and concerns raised	Page 33	this disclosure cannot be omitted	
	102-45 Entities included in the consolidated financial statements	Page 5	this disclosure cannot be omitted	
	102-46 Defining report content and topic Boundaries	Page 5	this disclosure cannot be omitted	
	102-47 List of material topics	Page 33-36	this disclosure cannot be omitted	
	102-48 Restatements of information	There is no re-statement of information	this disclosure cannot be omitted	
	102-49 Changes in reporting	Page 5	this disclosure cannot be omitted	
	102-50 Reporting period	Page 5	this disclosure cannot be omitted	
	102-51 Date of most recent report	Page 5	this disclosure cannot be omitted	
	102-52 Reporting cycle	Page 5	this disclosure cannot be omitted	
	102-53 Contact point for questions regarding the report	Page 104	this disclosure cannot be omitted	
	102-54 Claims of reporting in accordance with the GRI Standards	Page 5	this disclosure cannot be omitted	
	102-55 GRI content index	Page 96-100	this disclosure cannot be omitted	
	102-56 External assurance	Page 5	this disclosure cannot be omitted	
			
	GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
		103-2 The management approach and its components	Page 92-95	
		103-3 Evaluation of the management approach	Page 92-95	
.....				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Page 20		
	201-2 Financial implications and other risks and opportunities due to climate change	Page 22		
	201-3 Defined benefit plan obligations and other retirement plans	Page 42		
	201-4 Financial assistance received from government	Page 20		
.....				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95		
	103-2 The management approach and its components	Page 92-95		
	103-3 Evaluation of the management approach	Page 92-95		
.....				
GRI 205: Anti-corruption 2016A	205-1 Operations assessed for risks related to corruption	Page 72		
	205-2 Communication and training about anti-corruption policies and procedures	Page 40-41, 72		
	205-3 Confirmed incidents of corruption and actions taken	Page 72		
.....				

GRI Standards	Disclosure	Page No.	Omissions
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Page 72	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Page 22	
	301-2 Recycled input materials used	Page 27	
	301-3 Reclaimed products and their packaging materials		HDFC Bank operating in financial service sector does not have any product or its packaging which it can reclaim
Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 25	
	302-2 Energy consumption outside of the organization	Page 25	
	302-3 Energy intensity	Page 25	
	302-4 Reduction of energy consumption	Page 25	
	302-5 Reductions in energy requirements of products and services	Page 25	
Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Page 26	
	305-2 Energy indirect (Scope 2) GHG emissions	Page 26	
	305-3 Other indirect (Scope 3) GHG emissions	Page 26	
	305-4 GHG emissions intensity	Page 26	
	305-5 Reduction of GHG emissions	Page 26	
	305-6 Emissions of ozone-depleting substances (ODS)	Page 26	
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		Not material as HDFC Bank belongs to financial service sector

GRI Standards	Disclosure	Page No.	Omissions
Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	Page 28	
	306-2 Waste by type and disposal method	Page 27-28	
	306-3 Significant spills		Not material as HDFC Bank belongs to financial service sector
	306-4 Transport of hazardous waste		Not material as HDFC Bank belongs to financial service sector
	306-5 Water bodies affected by water discharges and/or runoff		Not material as HDFC Bank belongs to financial service sector
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	Page 22	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Page 43-45	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 42	
	401-3 Parental leave	Page 43	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 40-41	
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 40-41	
	404-3 Percentage of employees receiving regular performance and career development reviews	Page 38	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Page 55	
	413-2 Operations with significant actual and potential negative impacts on local communities	Page 55	

GRI Standards	Disclosure	Page No.	Omissions
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Page 86	
	417-2 Incidents of non-compliance concerning product and service information and labeling	Page 86	
	417-3 Incidents of non-compliance concerning marketing communications	Page 86	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 48-49	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 92-95	
	103-2 The management approach and its components	Page 92-95	
	103-3 Evaluation of the management approach	Page 92-95	
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Page 22	
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Annual Report 2017-18: Page 25	
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Page 55	
G4-FS8	Monetary value products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Page 22	
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Page 30	
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	Page 30	
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	Page 11, 29	
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	Page 56, 90	

Independent Assurance Statement

SCOPE AND APPROACH

DNV GL represented by DNV GL Business Assurance India Private Limited has been commissioned by the management of HDFC Bank Limited (Corporate Identification Number (CIN): L65920MH1994PLC080618, hereafter referred to as 'HDFC Bank' or 'the Bank') to carry out an independent assurance engagement (Type 1, Moderate level as per AA1000AS) for the sustainability performance presented in HDFC's Sustainability Report 2017-18 ('the Report') in its printed format, including references made to the Bank's website and Annual Report 2017-18. The sustainability disclosures in this Report have been prepared by the Bank in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 (GRI Standards). The report covers the economic, environmental and social performance of the Bank during the financial year ending 31st March 2018.

The intended user of this assurance statement is the Management of HDFC Bank. We performed our work using AccountAbility's AA1000 Assurance Standard

2008 (AA1000AS) and DNV GL's assurance methodology VeriSustain™¹, which is based on DNV GL's professional experience, international best practices in assurance including the International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and GRI's Sustainability Reporting Guidelines. Our assurance engagement was planned and carried out during November 2018.

The reporting topic boundaries of sustainability performance are based on a materiality assessment process carried out by HDFC Bank with its key stakeholders and covering its key operations, and is as set out in the Report in the section 'Stakeholder Engagement & Materiality'.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. The process did not involve engagement with external stakeholders of the Company. We are providing a Type 1 Moderate Level of assurance in accordance with AA1000AS (2008).

RESPONSIBILITIES OF THE MANAGEMENT OF HDFC BANK LIMITED AND OF THE ASSURANCE PROVIDERS

The Management has the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the data and information presented in the Report, and maintenance of the integrity of the Bank's website. In performing our assurance work, our responsibility is to the management of Company, however, our statement represents our independent opinion and is intended to inform the outcome of our assurance to the stakeholders of the Bank. DNV GL was not involved in the preparation of any statements or data included in the Report, except for this Assurance Statement.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the Bank to us as part of our review have been provided in good faith, and is complete, true and free from material misstatements. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make, whether investment or otherwise, based on this Assurance Statement.

¹ The VeriSustain protocol is available on www.dnvgl.com

* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

BASIS OF OUR OPINION

A multidisciplinary team of sustainability and assurance specialists performed the assurance engagement at HDFC Bank's offices in Lower Parel (Corporate Office) and Kanjur Marg in Mumbai, Maharashtra. During the verification process, we undertook the following activities:

- A desk review of HDFC Bank's sustainability reporting systems, processes and outputs, and other relevant information basis the documentation requested by us and made available to us by the Bank;
- Evaluation of the Report's adherence to the three principles of AA1000 Accountability Principles Standard 2008 (ie. Inclusivity, Materiality and Responsiveness) and the additional principles of VeriSustain™ (Completeness and Neutrality)
- Review of the Bank's approach to stakeholder engagement and related outcomes disclosed in the Report. We did not directly engage with any external stakeholders;
- Interviews with selected senior managers and top management responsible for preparation of the Report and management of sustainability issues and review of underlying systems, processes and selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Bank's sustainability objectives;

- Review of supporting evidence for key sustainability-related claims in the Report. During our verification process, we have adopted a risk-based approach, i.e. we concentrated our verification efforts on the issues of high material relevance to the Company and its key stakeholders;
- An independent assessment of the Report against the GRI Standards: Comprehensive option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. The scope of work did not include verification and aggregation of quantitative data and sustainability performance information; i.e. our work did not include the evaluation of the reliability and accuracy of performance indicators aggregated from different entities of the Bank at the Corporate level.

The verification of the reported financial data and information from the Annual Report and Accounts was also not within the scope of our work. We understand that this reported data and information is based on data from HDFC Bank's Annual Report and Accounts 2017-18, which is subject to a separate independent audit process.

OPINION

On the basis of the verification undertaken, nothing has come to our attention to suggest that the Report does not properly describe HDFC Bank's sustainability performance and the key requirements of the GRI Standards: Comprehensive option of reporting including the GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016 and disclosures related to the following GRI Standards which have been chosen by the Bank to bring out its performance against its identified material topics.

- GRI 201: Economic Performance 2016 - 201-1, 201-2*, 201-3, 201-4;
- GRI 205: Anti-Corruption 2016 - 206-1, 206-2, 206-3;
- GRI 206: Anti-Competitive Behavior 2016 - 206-1;
- GRI 301: Materials 2016 - 301-1,**
- GRI 302: Energy 2016- 302-1, 302-2, 302-3, 302-4*;**
- GRI 305: Emissions 2016 – 305-1, 305-2, 305-3*, 305-4, 305-5*, 305-6*;**
- GRI 306: Effluents and Waste 2016 - 306-1, 306-2, 306-3;**
- GRI 307: Environmental Compliance 2016 - 307-1;
- GRI 401: Employment 2016 – 401-1, 401-2, 401-3;
- GRI 404: Training and Education 2016 - 404-1, 404-2, 404-3;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1, 405-2;
- GRI 413: Local Communities 2016 - 413-1, 413-2;
- GRI 417: Marketing and Labelling 2016 - 417-1, 417-2, 417-3;
- GRI 418: Customer Privacy 2016 - 418-1;
- GRI 419: Socioeconomic Compliance 2016 - 419-1

* The Bank is in the process of developing procedures and systems for strengthening its reporting on these disclosures and 305-5 and 305-6.

** The Report indicates that certain Topic-specific disclosures in these cases are not applicable considering the nature of its operations.

OBSERVATIONS

Without affecting our assurance opinion, we provide the following observations evaluating the Report's adherence to the AA1000AS principles:

AA1000AS (2008) Principles

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

HDFC Bank has clearly defined and identified its key stakeholder groups ie. customers, investors/ shareholders, community, employees and regulatory bodies. The Bank has put in place mechanisms to engage with these stakeholders and identify and respond to their key concerns and issues, and this is adequately brought out within the Report. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Inclusivity.

Materiality

The process of determining the issues that are most relevant to an organisation and its stakeholders.

The Bank has identified its material issues and topics through a detailed process of materiality determination which included regular engagement with its stakeholder groups and senior management, followed by prioritisation of identified issues through consultation with key stakeholders. This is followed by a review and validation of topics and issues by the Corporate Social Responsibility (CSR) Committee. There were no significant changes in material topics from the previous reporting period, and nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

The Report brings out the identified material topics and responses to key stakeholder issues and concerns, along with the Bank's approach towards addressing them through policies, strategies, governance systems and management systems. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness. However, we are of the opinion that the adherence to this principle may further enhanced in future reporting periods by disclosing the Bank's short, medium and long-term goals with respect to material issues raised by stakeholders.

Additional principles as per DNV GL VeriSustain

Neutrality

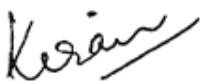
The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.

The Report brings out sustainability issues related to the Bank in a neutral tone in terms of the content and its presentation. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

DNV GL'S COMPETENCE AND INDEPENDENCE

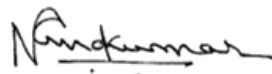
DNV GL is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV GL states its independence and impartiality with regard to this assurance engagement. We were not involved

in the preparation of any statements or data included in the Report, with the exception of this Assurance Statement. We maintain complete impartiality toward any people interviewed.



Kiran Radhakrishnan
 Lead Verifier – Sustainability Services

DNV GL Business Assurance
 India Private Limited, India.



Vadakepath Nandkumar
 Assurance Reviewer, Regional Sustainability Manager, Region India Subcontinent and Middle East

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