

Business Responsibility Report

Business responsibility is ingrained in Kotak Mahindra Group ethos which is based on prudence, simplicity, humility and transparency. Kotak Mahindra Bank Limited's (KMBL) commitment towards business responsibility is strongly supported by high standards of governance, robust internal policies and innovative business practices. Last year, KMBL disclosed its sustainability impacts and initiatives in the annual report. This year, KMBL has aligned its reporting with National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG-SEE) released by Ministry of Corporate Affairs. The Business Responsibility Report, covering KMBL operations, is in accordance with the Securities and Exchange Board of India's (SEBI) Clause 55, of the listing agreement with stock exchanges.

To understand the business responsibility issues that are of material concern to KMBL and significant interest to the stakeholders, the Bank has aligned the materiality assessment process to the NVG-SEE framework on identifying priority issues. The assessment included a review of KMBL's Business Vision, Mission and Values, current applicable laws and regulations, and industry risks and opportunities. This report is aligned to present KMBL's business responsibility impacts and performance covering the nine principles of NVG-SEE.

Principle 1: Ethics, Transparency and Accountability

Business Responsibility Governance

The Bank has adopted best corporate governance standards to help steer KMBL's efforts in conducting its business in an ethical, responsible and transparent manner. The details on its corporate governance structure and standards can be found in the "Report on Corporate Governance" section of this annual report. The Bank has a robust whistleblower mechanism which empowers employees to anonymously report incidents related to insider trading and unethical behaviour. The whistleblower can report such incidents through a third-party managed online portal, first of its kind in the banking sector in India.

The Bank has constituted a Business Responsibility Committee in FY 2012-13, which has been entrusted with the responsibility of overseeing the Bank's business responsibility agenda and initiatives. The committee comprises of four senior executives and is chaired by a whole time director. A senior executive has been appointed as the Head of Business Responsibility, who reports to this Committee on business responsibility issues and initiatives.

Business Responsibility Committee:

1	Mr. C. Jayaram	Joint Managing Director
2	Ms. Shanti Ekambaram	President, Corporate & Investment Banking
3	Mr. Karthi Marshan	Executive Vice President, Head - Group Marketing
4	Mr. Rohit Rao	Executive Vice President, Head – Group Corporate Communications, Business Responsibility & CSR

Policy Framework

The Bank has put in place a robust policy and internal control framework to oversee all business operations. The policies have been developed using relevant regulations, standards which are mandatory as well as voluntary, and international best practices. Internal controls and resources are made available for effective implementation of these policies. Compliance to various regulatory and internal policies is periodically reviewed by the Board and/or senior management and is subject to internal and/or external audit procedures. Compliance is also reported to regulatory agencies as required under various regulatory and banking norms.

S.No	Business Responsibility Principles	Relevant Policies
1	Ethics, Transparency and Accountability	Code of conduct (Directors, Senior management; Wealth management employee; Direct selling agents); Ethical conduct policy; Vigilance policy; Whistleblower policy; Code for banking practice; Compliance policy; Internal audit policy; Fraud risk management policy; Operational risk management policy; Stress testing framework policy; Group enterprise risk management policy; Disclosure policy, Protected disclosure scheme; Policy Statement on Business Responsibility; Intellectual Property Rights policy of the Bank; Know your customer policy & Anti money laundering policy
2	Products Life Cycle Sustainability	Fair practice code for credit card operations policy; Fair practice code for lenders policy; Home finance policy; Social Environmental Management System Plan; Policy Statement on Business Responsibility
3	Employees' Well-Being	Recruitment and separation policies; Employee benefits policies; Leave policy; Training policy; Sexual harassment policy, Policy Statement on Human Rights and Anti Discrimination; Policy Statement for Health, Safety & Welfare at Work Place; Policy Statement for Environment; Policy Statement on Business Responsibility
4	Stakeholder Engagement	Group corporate responsibility policy; Policy Statement on Business Responsibility

5	Human Rights	Policy Statement on Human Rights and Anti Discrimination; Policy Statement on Business Responsibility
6	Environment	Policy Statement for Health, Safety & Welfare at Work Place; Policy Statement for Environment; Policy Statement on Business Responsibility
7	Policy advocacy	Policy Statement on Public-policy Advocacy; Policy Statement on Business Responsibility
8	Inclusive growth	Group corporate responsibility policy; Policy Statement on Corporate Social Responsibility; Policy Statement on Business Responsibility; Donations Policy
9	Customer value	Code of collection of dues and repossession of securities; Fair practice code for credit card operations policy; Fair practices for lenders policy; Fair practice code; Group corporate communications policy; Third party distribution policy; Protected disclosures scheme; Disclosure policy; Grievance redressal policy; Customer's compensation policy; Waiver policy; Policy Statement on Business Responsibility; Intellectual Property Rights policy of the Bank; Information security management policy (Apex)

Principle 2: Product life cycle sustainability

Financial Inclusion

There are concerted, nation-wide efforts made by the authorities, regulators and banking community to bridge the barriers to formal banking system across the country through financial inclusion. In accomplishing this mammoth task across urban, semi-urban, rural, unbanked and under-banked regions of India, banks have collaborated with different channels and are striving to achieve their commitment towards this initiative. One such joint initiative by authorities and banks is the Direct Benefit Transfer (DBT) Scheme in which the beneficiaries have to link their bank account with their Aadhaar number for availing of the direct transfer of subsidies from the Government. KMBL participates in the RBI's Financial Inclusion (FI) initiative to bring banking services to those excluded from the banking system. The Bank has successfully implemented its three year Financial Inclusion Plan (FIP) formulated in FY 2010-11 by deploying specialised resources to realise the FIP goals. The Board approved FIP was integrated with the Bank's business plans to achieve wider outreach through evolving models and leverage on technology based solutions. During FY 2012-13, while the Bank has further augmented the efforts undertaken during FY 2011-12, it has also introduced various new initiatives towards Financial Inclusion.

A total of 1,60,639 Basic Savings Bank Deposit Accounts (BSBDA) were added in FY 2012-13 taking the cumulative total to 2,64,433. KMBL continued the Business Correspondents (BC) arrangement with FINO Fintech Foundation and Manipl Technologies Ltd. The Bank has signed agreements with BC Partners (BCP) to ensure that they provide right information to the customer on products offered under the FI initiative. The Bank's branch representatives also conduct surprise visits to Customer Service Points (CSP) to assess the progress made on products offered. Customers are also provided with customer helpline numbers and bank contact details to directly contact the Bank for any concerns or grievances. Information on products offered under the FI initiative is made available in local languages, enabling customers to better understand the products.

The Bank has issued 1,42,573 instant Smart Cards (E-Pass book) during FY 2012-13 by way of opening BSBDA. The cumulative smart cards issued total to 2,15,341. A total of 693 villages have been provided with basic banking services with deployment of 189 Customer Service Points (CSP) till FY 2012-13 using BC model. The Bank has also successfully covered all the 12 villages allotted to it under "Financial Inclusion Plan 1000-2000 population".

The facility of linking bank accounts with the Aadhaar number for customers has been introduced during the year to avail of benefits under the Direct Benefit Transfer (DBT) scheme. During FY 2012-13, the Bank has been empanelled with the State Government of Chhattisgarh, signed agreement with District Authorities (of Balodabazar, Bilaspur, Mungeli and Gariabandh districts) and launched its "Mahatma Gandhi-National Rural Employment Guarantee Act (MG-NREGA)" led Financial Inclusion initiative in the state using Business Correspondent Model. This is the first path breaking initiative where the Bank is managing Electronic Benefit Transfer (EBT) Payments for flagship Government Sponsored Scheme. Under this initiative the Bank has opened over 1,37,000 Basic Savings Bank Deposit Accounts (BSBDA) with Smart Cards, deployed 107 Customer Service Points (CSP) for beneficiaries spread across 372 villages and have successfully disbursed payment of nearly Rs. 15 lakh. The other key initiative of the Bank includes signing of Memorandum of Understanding (MoU) with the Kotak Education Foundation (KEF) for spreading financial literacy.

KMBL views Bharat as a key market opportunity for its financial sector service beyond the priority sector lending obligations. The Bank has one of the largest dedicated teams among the banking institutions for the agriculture-business sector. The Bank is present in over 350 districts (excluding metros and state capitals) spanning 18 states. The agri-business solutions are designed to capture the agriculture value chain (end-to-end) and provide multiple financial product options which are of superior value. The deeper engagement and connect with rural customers has enabled the Bank to strengthen both asset side and liability side of its business. The physical presence of the 42 rural / agricultural customer oriented banking branches has boosted the customer confidence and enabled KMBL to provide doorstep services. The in-depth understanding of the customer's business practices and seasonal variations has also helped in creating banking products for the customers to meet their needs and have continual relationship with them. Tractor financing is another key solution that the Bank offers to rural customers. The success stories of some of the Bank's tractor financing customers are an inspiration for the Bank to serve these customers with passion and dedication.

Mr. Shamkant Patil of Nandgaon, District Jalgaon, barely held 3 acres of agricultural land on which he used to cultivate non-irrigated grains. This helped his family earn their daily bread. Ever since he took a loan from KMBL to purchase a tractor, he started undertaking earthwork in his own village. He utilised the profits generated from this activity to do irrigation work in his farm which enabled him to augment his income and prosper.

Ganesh J Thorat of Taluka Dindori, District Nasik had a very low land holding. The Bank extended financial support to him for purchasing a tractor. The purchased tractor increased his earning capacity which further encouraged him purchase two more tractors through KMBL's tractor loans. He now shoulders the responsibility of his 12-member family and supports the education of all the children in his family. The family's living standards have improved as they shifted to a better house from their earlier temporary house.



Bilaspur Branch Manager of Kotak Mahindra Bank hands over MGNREGA payment to beneficiary using Smart Card.

Principle 3: Employee well-being

Employee development and well-being

KMBL believes in stable, long term and sustainable growth for the Bank and its people. Over the years the Bank has attracted and groomed some of the finest talent in the industry. In FY 2011-12, the Bank launched the Kotak Probationary Officer programme in partnership with a leading University to train and groom talent before hiring them for various relationship and customer facing roles. This programme also ensures that the Bank has a constant influx of talent which can grow and take up leadership positions in the future. Long term career paths of employees are aligned to build leadership depth in the organization. The Bank invests significant resources in development of its frontline staff. It has also tied up with leading management institutions to build knowledge pool and increase managerial depth. Today, the Bank is well respected in the country for the quality and stability of its talent.

The Bank is proud of its stable senior leadership, most of whom are home grown. Many of them including the apex management committee - 'Operating Management Committee' members have been associated with the firm for more than 15 years. Most functional / business heads and leaders have been with the organization for more than a decade. The leadership growth in the organization is an indicator that the firm has managed to continually provide a sustainable and stable environment for its talent to learn and grow. The firm takes great pride in the fact that its employee retention rate is amongst the best in the industry.

The Bank's HR processes are aligned to its Employer Value Proposition 'FLAME' and business outcomes.

F - Focus on results

L - Opportunity to work the senior leadership of the organization

A - Active involvement/inclusiveness

M - Maximum challenge and

E - Entrepreneurial Creativity

Various levels of leadership platforms like the Kotak Leadership Team (KLT), Kotak Initiatives Team (KIT) and Regional Forums (RF) provide a framework of cross functional reach of leadership within the organisation's human resource base. The talent management process also focuses on building stability and scalability at all levels of the organisation. The individual development plans are aligned to realise this objective. The Bank has two talent review committees, one at apex level comprising the CEO, Directors and Presidents, for senior leadership talent and another comprising Business Heads for managers at middle management levels. We lay high emphasis on levels of employee engagement and strive to enhance these processes.

A defined employee grievance redressal mechanism is in place to enable and empower employee to report any grievances. Employees can post their grievances online through intranet. The grievances are addressed appropriately and communicated to the employee. The mechanism is managed by Internal Audit team. The Bank has a sexual harassment policy which details our zero-tolerance approach towards such behaviour. All the sexual harassment complaints are diligently reviewed and investigated by a sexual harassment committee.

Workplace safety and security

The Bank is sensitive to workplace safety and security of employees, contract staff and visitors. KMBL has Policy Statement for Health, Safety and Welfare at Workplace which guides the Bank towards creating a safe and secure workplace.

Regular training and awareness on safety and security measures are conducted for employees and contract staff. The induction programme for all employees includes sessions on physical security, general fire safety and building evacuation. Regular communication through e-mails is provided to all employees on issues such as road safety. The administration staff personnel regularly visit the branch offices and conduct sessions on office safety and security for branch workforce. There is a documented training programme for security personnel on various security threats and risks. Training is also provided to security personnel on handling emergency situations including topics such as assisting disabled people in such situations.

Mock drills are conducted at the corporate office once in six months. Each floor at corporate office has an emergency rescue kit to help the safety warden and security personnel to handle emergency situations. There is a defined emergency plan with floor marshals identified and trained. The desks of these floor marshals are marked for easy identification during emergency situations. Special training programmes are conducted for employee floor marshals to equip them with knowledge on handling building evacuation situation and fire fighting techniques. The corporate office is equipped with a trauma centre with everyday / on-call doctor facilities. The office furniture is ergonomically designed and BIFMA (Business + Institutional Furniture Manufacturers Association) certified.

A programme was recently conducted for female employees on simple techniques of self defence. Cooking gas safety programme was conducted by M/s Bharat Petroleum Corporation Limited to educate the employees on hazards, characteristics, and methods of detection associated with liquefied



'Be your defender' – self defence workshop for women employees



Cooking gas safety workshop

Contractual workforce

The Bank audits its third party manpower providers to monitor and review their compliance with all the statutory requirements including minimum wage payments. A pre-audit team conducts such audits and the Business Control Unit reviews procedures related to issues like minimum wage payments. Monthly meetings are held with vendors/contractors and these meetings provide them a platform to express their suggestions and grievances. All the grievances reported are tracked and resolved. The statutory requirements on wage payments / Provident Fund (PF) payments by vendors are verified through collection of payment proofs. Muster-roll for contract labour is maintained at all branch offices. The nodal administrative officers maintain the copies of muster-rolls certified by the branch manager. Through the security procedures, the Bank ensures that no under-aged or child worker is employed by the contractors in its premises.

Principle 4: Stakeholder engagement

Materiality and Stakeholder Engagement

The Bank engages with myriad stakeholders to understand their expectations and concerns. A combination of formal and informal engagement mechanisms are used to ensure maximum outreach and effective stakeholder dialogue. Individual business units, functions and departments have responsibilities identified and assigned to them towards engaging with various internal and external stakeholders. Mechanisms are developed to capture the stakeholders' expectations and concerns which are tracked for appropriate mitigation / resolution measures. These measures are then communicated to the stakeholders, where deemed necessary.

KMBL honours information requirements of its stakeholders as and when they seek information and strive to provide them reliable information. These efforts are in addition to the mandatory disclosures required by law.

Stakeholder engagement map

Who do we engage with?	How do we engage?	How frequently do we engage?	What do stakeholders have dialogue on?	Who is responsible?
Investors and shareholders	Emails, letters, investor grievance cell, media, company website	Annually, Quarterly and on a need basis i.e. During events that take place concerning shareholders e.g. Extraordinary General Meeting (EGM) etc	Financial results, shareholder returns and dividends, issues related to shares' issue, transfer and dividend payouts	Investor relations team, Secretarial team
Customers and clients	One-on-one interactions, customer satisfaction surveys, customer grievance cell, customer meets, customer help-lines / toll-free numbers, media, company website	On-going and need based	Customer service quality, investment returns, product features and benefits, technology interface for banking experience	Relationship managers, Branch staff, Customer Service Quality team
Employees	Induction programme, e-mails, townhalls, skip-level meetings, leadership meetings, employee engagement initiatives, rewards and recognition programmes, employee grievance cell, intranet, employee satisfaction surveys, employee volunteering initiatives	On-going and need based	Company policies and procedures, employee welfare issues, performance appraisal and rewards, training and career development, workplace health, safety and security, community development and employee volunteering	Human resources team, Corporate Responsibility team
Government and Regulators	Company regulatory filings, compliance statements, meetings, letters, emails	As per regulatory requirements and need based	License request and renewals, Compliance to regulatory requirements, participation in Government financial sector plans and programmes	Cross functional team
Suppliers and business associates	Meetings, emails, letters, supplier and business associates performance reviews	On-going and need based	Product / Service / Technology quality and support, Contract commercial and technical terms and conditions, minimum wage payments, supplier and business associates' statutory compliances	Respective departments dealing with suppliers and business associates, Commercial and procurements team
Communities and NGOs	Community development initiatives, proposals and requests for new initiatives / funding	Need based	Community needs, financial / infrastructure / human / organizational support	Corporate responsibility team
Media	Media interactions / interviews / responses, meetings, emails	On-going and need based	Marketing and advertising agenda, information disclosure through media, view points on industry and company related opportunities and issues	Marketing team, Corporate communications team

KMBL's businesses are guided by a comprehensive media and communications policy for all our external and internal communications. We adhere to regulatory statutes as well as internal policies regarding marketing, communication, sponsorship, promotion and event management. The Bank respects all genders, all communities and the embedding of a secular outlook are the filters all our communication must pass through before publication.

Principle 5: Human Rights

KMBL respects human rights and upholds the dignity of every individual associated with the Bank, directly or indirectly. The Bank's 'people' policies and practices are aimed to provide a non-discriminatory and harassment-free workplace while enabling all employees and contract staff to report any incidents of discrimination and harassment. The Bank does not employ child labour and its recruitment policies ensure that all employees are free to choose to be associated with the firm. Statutory compliance of all contractors on minimum wage payments is reviewed and monitored. The security personnel are trained to prohibit the entry of underage or child workers in any of the Bank's premises. Through the induction programme and regular communication regarding Kotak values, the Bank sensitises its employees and contractors on aspects of human rights.

Principle 6: Environment

Green Endeavours

Financial institutions have significant influence, through its lending and investment practices, to promote the adoption of sustainable business practices by organizations availing financial services. KMBL has established a Social Environmental Management System Plan (SEMSP) which helps evaluate the social and environmental risks of eligible borrowers and guide the Bank's lending decisions. The SEMSP is designed based on the IFC (International Finance Corporation) Sustainability Framework and Performance Standards. SEMSP guides the credit risk assessment team to evaluate the social and environmental risks as part of overall credit risk assessment. This includes documentation review, management interviews and site walk-throughs based on the nature of the project or operations of the borrower. The Bank also reports to IFC on its SEMSP implementation.

KMBL also continually strives to reduce its direct environmental impact. It has implemented multiple e-initiatives across the group to enhance customer service, improve process efficiencies and reduce paper consumption. Through the 'Think-green' initiative, the Bank encourages customers to sign-up for e-statement which eliminates the use of paper resources and helps the customers to electronically store and retrieve statements at their convenience. As token of appreciation for the customers opting for e-credit card statements and furthering the greening initiative, the Bank has partnered with Grow-Trees.com to plant a sapling for every e-credit card statement on behalf of its customers. A total of 16,628 saplings were planted during the year. A special initiative was taken during the year to optimise the paper resources requirement which not only delivered significant cost savings for the Bank but also helped it reduce the environmental impact. Some of the key initiatives are mentioned below:

- Default e-statements, unless otherwise specified, for corporate salary accounts held with KMBL
- Inland-letter statements, transaction advices, alerts for customers instead of paper statements with envelopes
- Optimization of Most Important Terms and Conditions (MITC) booklet paper requirement by integrating MITC into the credit card statement
- Elimination of paper collection receipts for tractor and commercial vehicles loans by use of hand held POS machines
- Optimization of application forms and resident individual account opening forms (single pager account opening form)
- Elimination of pre-carbonated bank transaction slips provided as part of accounting open welcome-kit chequebook
- Default double-sided printing option for office printers
- Electronic Account Opening Forms under Financial Inclusion
- SMS-based transaction details for corporate customers
- Optimization of Client Request Forms (CRFs) from 15 separate CRFs to 9 CRFs
- Employee awareness on reduction of paper usage

Guided by the Government of India - Ministry of Corporate Affairs' (MCA) green initiative, the Bank has communicated to all shareholders on adoption of electronic copies of the annual report instead of physical copies.

- Environmental impact reduced due to the above green initiatives:
- 79 tonnes of paper saved
- 236 tonnes of wood saved equivalent to saving 1,892 trees from being cut for paper
- 60 lakh litres of water saved
- 878 Mega Watt Hours (Mwh) of power saved
- 203 tonnes of GHG (greenhouse gas) emissions avoided
- 57 lakh litres of waste water (effluent) avoided
- 81 tonnes of solid waste avoided

Source: http://printgreener.com/old_site/earthday.html

Green operations

The Bank's office building has an impact on the environment through the use of energy. The Bank has consolidated its Data Centres into a single facility in 2009 which is designed to improve power usage efficiencies as well as reduce related environmental load. Innovative solutions like high and medium density server rooms, virtualised high end network switches, use of Active tiles etc. helped the Bank increase server density whilst using minimum power for cooling the infrastructure. Over the past 4 years, additional initiatives such as server virtualization, cold aisle containment, managing optimal levels of inlet temperature etc. have helped KMBL further improve its Data Centre power usage efficiency.

The corporate office building located in Infiniti Park at Goregaon, Mumbai, houses a significant proportion of the Bank's workforce. The office is equipped with occupancy and day-light sensors to manage the energy requirements. The energy efficient chillers and CFL lighting solutions further reduce the energy demand. Indoor Air Quality (IAQ) sensors monitor CO₂ levels and are directly linked to fresh air ducts to ensure indoor air quality is optimum.

The Bank also conducts third party IAQ assessment. All domestic wastewater is treated and reused for toilet flushing and gardening. Rainwater collection tanks are created in the premises. The used paper generated is disposed through paper recyclers. Kitchen waste generated at the Infiniti Park premises is donated to a trust which composts the kitchen waste and uses it as manure. The used oil generated from diesel generator sets is disposed through vendors approved by the Pollution Control Board (PCB). The office furniture and carpets used at Goregaon office are made of emissions-free, recyclable materials.

The upcoming office space in the Bandra-Kurla Complex, Mumbai, is a green building venture. It is pre-certified for LEED (Leadership in Energy and Environmental Design) Silver rating. Its boasts of green features like Low-E glass, complete LED lighting, rainwater collection and ground water recharge, 100% treated water recycling, landscaping on terrace and parking slots for bicycles and electric vehicles. The first round of energy simulation activities is completed and the second round activities have been planned. Approximately 50% of the building materials are sourced through local vendors/suppliers. The building will comprise of more than 30% of recycled material content and 75% of the waste generated during the construction phase is suitably diverted in an environmentally sound manner without sending it to landfills.

The Bank's Environmental Performance:

- 15,510 Mwh of electricity consumed resulting in 12,097 tonnes of CO₂ emissions¹
- 19,561 kilo liters of water consumed²
- 4,509 tonnes of construction waste disposed³
- 1.6 kilo liters of used oil disposed²

Principle 7: Public policy advocacy

Policy advocacy

KMBL engages with policy makers and regulators through industry associations on policy reforms and issues concerning the industry at large. The Bank participates and complies with requirements of key initiatives of Reserve Bank of India (RBI) like Financial Inclusion Plan which is aimed at bringing banking services to the unbanked areas and promoting key sectors of growth in rural markets. Below are some of key industry associations where the Kotak Group has a representation.

1. Association of Mutual Funds in India
2. Bombay Chamber of Commerce and Industry
3. Confederation of Indian Industry
4. Data Security Council of India
5. Fixed Income Money Market and Derivatives Association of India
6. Foreign Exchange Dealers Association of India
7. ICC India
8. Indian Institute of Banking and Finance
9. International Fiscal Association Indian Branch W R C
10. Mobile Payment Forum of India
11. Primary Dealers Association of India
12. The Employers Federation of India
13. The Madras Chamber of Commerce and Industry
14. Indian Banks Association

The Group employees are also represented on various committees at Bombay Chamber of Commerce and Industry, and the Accountings Standards Board and Financial Reporting Review Group at Mumbai under the aegis of the Financial Review Board of The Institute of Chartered Accounts of India (ICAI).

¹Includes Kotak Infiniti Office, Goregaon and upcoming office space in Bandra-Kurla Complex, Mumbai

²Includes Kotak Infiniti Office, Goregaon

³Includes upcoming office space in Bandra-Kurla Complex, Mumbai

Principle 8: Inclusive growth

Inclusive growth and equitable development

Inclusive growth and community development through financial inclusion products is one of the Bank's key initiatives for fostering development and improving quality of life of the people, especially those below the poverty line (BPL). Education is one of the key means to achieve this. Providing livelihood to school dropouts is equally important for them to be able to support their families while supporting them to continue their education. The focus also should be rendered to ensure that the next generation is not deprived of quality education.

With this agenda in mind, KMBL supports Kotak Education Foundation (KEF). KEF started operations about 6 years ago with a focus on improving the quality of education and enhancing livelihood opportunities for the youth hailing from BPL families located in the Chembur area of Mumbai.

KEF interventions are designed to enhance the learning environment and provide holistic support to students, both at school and at home. It strives to help these students continue with their education and excel in life. KEF works with 13 partner schools which are in dilapidated conditions, catering to over 20,000 students from the underprivileged sections of society.

The Spoken English Programme (SEP) is aimed at enhancing the spoken and written communication skills in English and increasing exposure to English language through activities which are undertaken outside the classroom. The main objective of this programme is to prepare these children for college and job interviews where spoken and written communication skills in English are required.

Creating awareness among children on the banking system is important for enhancing the financial literacy in this country. This year, high school children were exposed to the banking system through field visits to the Bank. KMBL is also working with KEF to design and deliver financial literacy programmes to the students and youth to empower them with basic financial and banking knowledge.

KEF facilitates medical and vision check-up camps for all students. Medical camps were also conducted to detect anaemia among young girls and suitable early interventions to arrest anaemia are planned. Sex education and sensitization is provided to teenage students to help them understand and handle the physical and psychological changes during the teen years.

Kotak Udaan is a scholarship programme for students facing extreme hardships in life. The academic performance of these students is affected by their distressed backgrounds. KEF supports them to continue their education and improve the academic performance through the scholarship programme.

'Kotak in Search of Excellence' is a scholarship programme for deserving students who have scored a minimum of 80% in their 10th standard board examinations. These students are supported through personal coaching and mentoring as well as financial resources to complete education upto 12th standard and then aim for a higher education. It is gratifying to note that one of the early scholars from this programme has completed his graduation in engineering and is employed with a leading Information Technology firm.

The Parent Intervention Programme (PIP) and School Teachers Enrichment Programme (STEP) are other key initiatives of KEF. PIP educates parents on various topics like parental support for education, health, hygiene and diet, giving space to children to study. STEP aims to enhance the quality of education by training primary and secondary school teachers on various topics like spoken English, personality development, information technology (IT) skills, teaching academic English, science and mathematics to teachers of vernacular and semi-English medium. Principals are trained on relevant management and administrative practices and processes.

Kotak Unnati is an initiative to enhance livelihood opportunities for school/college dropouts from underprivileged families by providing them with vocational training. The training not only provides requisite technical skills but also covers topics like personality development, communicative English and computer literacy that enables the youth to transform themselves.

The 3 month training programme currently focuses on hospitality, customer relations & sales and Information Technology Enabled Services (ITES) sectors. Placement services are provided to the candidates after successful completion of the course.

KMBL supports other NGOs for community development initiatives. Employee volunteering and contribution is an important mechanism for the Bank to deliver these initiatives. IN FY 2012-13, Kotak Mahindra group employees worked for building shelters in association with Habitat for Humanity. The Kotak Mahindra Group Foundation day – November 21 is annually marked by a blood donation camp by the employees. In FY 2012-13, employees across the group participated in the blood donation camp, raising 1,031 units of blood.



Employees of Kotak Mahindra volunteer in Build programme with Habitat for Humanity

Every year during Christmas week, Kotak Mahindra group conducts the 'giving collection drive' with a NGO, Goonj based in Mumbai. Christmas being the 'Season of Giving', employees do their bit to bring smiles on the faces of the underprivileged by donating old clothes, utensils, books, toys, and other household utility items. This year, employees donated 39 boxes of items.

In FY 2012-13, KMBL started the newspaper collection drive which helps the partner NGO raise funds by collecting used newspapers and selling them. During festivals like Holi, Diwali and Christmas, the Bank helps NGOs set-up stalls at its offices to sell products made by underprivileged people and enable NGOs raise funds. Under Employee Payroll Giving Programme, in FY 2012-13, the following 6 NGOs were supported - the Akanksha Foundation, Cancer Patients Aid Association (CPAA), National Association for the Blind (NAB), Dignity Foundation, Make-A-Wish Foundation of India and SOPAN (Society of Parents of Children with Autistic Disorders). As of March 31, 2013, a total contribution of Rs. 36.03 lakh was made by 801 employees.

KMBL sponsored 75 runners for Standard Chartered Mumbai Marathon (SCMM) 2013 [January 20, 2013] and 25 runners for Airtel Delhi Half Marathon (ADHM) 2012 [September 30, 2012]. The marathon events lay emphasis on celebrating joys of human spirit. Through these sporting events, the Bank encourages employees to set personal goals and accomplish them. For SCMM 2013, employees ran in support for the following NGOs - Cancer Patients Aid Association (CPAA), Indian Council for Mental Health (ICMH), SOPAN and Kotak Education Foundation (KEF) –Kotak runners raised pledges amounting to Rs 13.18 lakh. At ADHM 2012, Kotak employees ran in support for the NGO – Action for Ability Development & Inclusion (AADI). KMBL and its employees have been acknowledged for being the 2nd Highest Fund Raising Company in Corporate Challenge in the 10th edition of Standard Chartered Mumbai Marathon. Further in this marathon edition, Ms. Shanti Ekambaram, President – Corporate & Investment Banking, with the Bank was acknowledged for being the highest individual fund raiser in the Corporate Challenge category.

The Bank has spent Rs 409 lakh towards its CSR activities (including donations) for the period April 1, 2012 to March 31, 2013.



Kotak Mahindra Bank awarded 'Company with 2nd Highest Employee Contribution (Corporate Challenge)' in Mumbai Marathon 2013.

Principle 9: Customer value

Customer Value and Service

The Bank continued its strategy of upgrading the foundation technology to ensure enhanced performance and augmented functionality for the customers. At the operations level, the Core Banking System was upgraded in FY 2011-12.

At the customer technology interface level, the new state-of-the-art "Switch" software system will enable high volumes of transactions to occur at ATMs and will also provide a host of enhanced features such as RTGS/NEFT transactions on the ATMs. 'Switch' is the software system that manages all the ATMs, credit card and debit card transactions from the ATM or merchant point of sale, as well as the Bank's core banking system and ensures that the transactions are completed in a secure and accurate manner.

Improved productivity through the automation of internal processes was an area of vital importance for the Bank. 'Straight-through Processing' was enabled for Trade Finance operations, resulting in an improvement in employee efficiency. Most reconciliation processes within the Bank were automated, leading to improved operational accuracy and speed. Also, internal budgeting functions were automated to provide granular and up-to-date information for better management information and control.

Keeping abreast with the ever changing Information Security landscape, the Bank implemented innovative solutions for Distributed Denial of Services and Web Application Firewalls to protect the system against threats from malicious Internet access. The Bank was also recognised for its data security initiatives by the Data Security Council of India (DSCI) through DSCI Excellence Award for Security in the Bank.

KMBL's Relationship Managers (RM) and banking staff are trained on the values of bank and ethical dealing with customers and other stakeholders. The Bank's procedures are designed to ensure that the customer is made aware of the product and service features, enabling him/her to make an informed decision. KMBL adheres to RBI's Know Your Customer (KYC) and Anti-Money Laundering (AML) mandates. The customer risk profile is a key parameter for the Bank to advise the customer on financial products. Financial Planning and Risk assessment is done for Privy League customers to whom the Bank

advises on investments. The asset allocation is done based on the client risk profile. KMBL also provides them with information on risky investments in order to ensure they are kept informed of the risks.

The quality of customer services delivered by an organization is a key aspect of the overall organizational performance. A dedicated service quality team monitors customer satisfaction, oversees processes and looks into the root causes of customer complaints to prevent them from recurring. At the branch level, Customer Feedback Forms are an important tool for the Bank to gauge and understand the customer experience. Apart from this, the Bank has also initiated an Annual Customer Satisfaction Index conducted by an accredited research firm - Customer Satisfaction Management & Measurement (CSMM), the independent, specialist unit of IMRB International. The Bank diligently tracks customer feedback through social media on a real time basis and responds to customer posts and tweets. As of March 31, 2013, the number of Bank's twitter followers was 17,760. *Parichay*, a monthly customer meet at branch level is another key initiative to directly hear from them. This is linked with the employee idea generation scheme Eureka, where employees are encouraged to come with ideas to solve customer issues and serve them better. These customer insights help the Bank enhance its processes to provide a pleasant banking experience. The complaints closure turnaround time is also monitored for all customer complaints received. In FY 2012-13, 45% of the customer complaints were resolved within a day and a further 19% within 3 days. The remaining complaints were closed within a minimum time limit, based on the nature of the complaints. The branch staff is trained on soft skills to effectively deal with customers visiting the branches. They are also trained to help senior citizens, women with children and any other person needing special assistance coming to the branch. More than 90% of KMBL's branches are located on the ground floor for convenient customer access.

The Bank strives to protect customer rights and has adopted the Banking Codes and Standards Board of India's voluntary Code of Commitment to Customers and Code of Commitment to Micro & Small Enterprises and has internal standards to conform to this code. The codes elaborate procedures and systems established to help customers understand the relationship with the Bank. KMBL is a member of Banking Codes and Standards Board of India (BCSBI). A customer grievance mechanism is established with defined escalation procedures and is available on the website of the Bank to provide easy access to customers. The Bank conforms to the defined guidelines (RBI & regulatory) on customer related grievance mechanisms. Details of nodal officers are published on the Bank's website and are also placed at its branches for effective grievance reporting. The customer complaints are reported to the Board Committee, Customer Services Committee and a Non-Board Committee. KMBL is the second bank in India to achieve the distinction of being certified for ISO 10002:2004 for Complaints Management System in Consumer Banking which includes Retail Liabilities, Retail Assets and Credit Cards, reinforcing the Bank's commitment to unmatched service quality.

KMBL's products and services are designed to suit varying customer needs – from small farmers to big-ticket investors, from Micro, Small and Medium Enterprises (MSMEs) to large corporations, from salaried employees to entrepreneurs. The 'Silk' product is a savings programme which is designed with features and rewards catering specifically to women.

KMBL does not have any Public Interest Litigation (PIL) or cases filed against the Bank by any stakeholder or regulatory agency for unfair trade practices and anti-competitive behaviour.

To know more about the Bank's business responsibility agenda or provide the Bank with valuable feedback, please email at cr@kotak.com

Clause 55 Annexure-1

Section A: General Information about the Company

1	Corporate Identity Number (CIN) of the Company	L65110MH1985PLC038137
2	Name of the Company	Kotak Mahindra Bank Limited
3	Registered address	36-38A, Nariman Bhavan, 227, Nariman Point, Mumbai 400 021
4	Website	www.kotak.com
5	Email id	cr@kotak.com
6	Financial year reported	2012-13
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Banking
8	Three key products/services of the Company (as in balance sheet)	Deposits, Advances and Investment Advisory.
9 (i)	Number of international locations	None
9 (ii)	Number of National locations	The Bank had 437 full-fledged branches across 255 locations and 961 ATMs
10	Markets served by the Company – Local/State/National/International/	India

Section B: Financial Details of the Company

1	Paid up capital (INR Crore)	373
2	Total turnover (INR Crore)	9,203 (Bank's standalone)
3	Total profit after taxes (INR Crore)	1,361 (Bank's standalone)
4	CSR spend as percentage of profit after tax (%)	0.3%
5	List of CSR activities	Refer 'Inclusive growth' section of 'Business Responsibility Report'. Page No. 124

Section C: Other details

1	Company subsidiaries / joint-ventures	Refer Related Party Disclosures of the Annual Report, Page No. 178
2	Subsidiaries participating in Company's BR initiatives	Nil
3	Other entities (e.g. suppliers, distributors etc.) participating in Company's BR initiatives	Nil

Section D (1): BR Information

1.a	Director responsible for implementation of BR policies (DIN)	00012214
	Director responsible for implementation of BR policies (Name)	Mr. C. Jayaram
	Director responsible for implementation of BR policies (Designation)	Joint Managing Director
1.b	BR Head (DIN, if applicable)	N.A.
	BR Head (Name)	Mr. Rohit Rao
	BR Head (Designation)	Executive Vice President, Head – Corporate Communications, Business Responsibility & CSR
	BR Head (Telephone number)	+91-22-6720-6720
	BR Head (email id)	rohit.rao@kotak.com

Section D (2): BR Information - Principle-wise (as per NVGs) BR Policy/policies (Yes/No)

		P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	Policy/policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Policy being formulated in consultation with the relevant stakeholders . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Policy conforming to national /international standards . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Policy approved by the Board and signed by MD/CEO/appropriate Director . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Committee of the Board/ Director/Official to oversee the implementation of the policy . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Link for the policy to be viewed online . . .	All policies are available on the Bank's Intranet.								
7.	Policy formally communicated to all relevant internal and external stakeholders . . .	Yes. Policies have been communicated to all key internal stakeholders of the Bank. The communication on policies covering all relevant internal and external stakeholders is an ongoing process.								
8.	In-house structure to implement the policy/policies . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Independent audit/evaluation of the working of this policy by an internal or external agency . . .	Evaluation done through internal audit mechanism.								

Section D (2.a): BR Information - Principle-wise (as per NVGs) explanation if the answer to S.No 1 under Section D (2) against any principle is "No" – Not Applicable**Section D (3): BR Governance**

3.a	Frequency of Board of Directors, Committee of the Board or CEO review of BR performance	Business Responsibility Committee was formed on March 15, 2013. However, the Bank has been reporting its CSR initiatives to the Board every quarter.
3.b	BR report or sustainability report (frequency and hyperlink)	BR Report Frequency: Annual. Hyperlink: www.kotak.com

Section E: Principle wise performance**Principle 1**

1	Policy relating to ethics, bribery and corruption covering the Company and Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others	Refer 'Policy framework' section of the 'Business Responsibility Report.' Page No. 117
2	Stakeholder complaints received in FY 2012-13 (Complaints include investor complaints received through the bank's investor grievance mechanism. For customer complaints / consumer cases please refer Principle 9)	33.
3	Percentage of stakeholder complaints resolved (Complaints include investor complaints received through the bank's investor grievance mechanism. For customer complaints / consumer cases please refer Principle 9)	100% as of 08/04/2013 (Off the 33, 2 were unresolved as of March 31, 2013. The same were resolved on 01/04/2013 and 08/04/2013).

Principle 2

1	Products and services designed with social or environmental concerns, risks and/or opportunities incorporate Upto three products or services	1. Basic Savings Bank Deposits Accounts 2. Agri business banking products 3. Tractor financing Additionally, refer 'Financial Inclusion' section of the 'Business Responsibility Report' for the Bank's products designed with social concerns, risks and/or opportunities (Financial Inclusion) Page No. 118
2	i. Reduction with respect to resource use (energy, water, raw material etc.,) per unit of product during sourcing/production/distribution achieved since the previous year throughout the value chain (optional) ii. Reduction during usage by customers (energy, water) has been achieved since the previous year (optional)	N.A.
3	Procedures for sustainable sourcing (including transportation)	N.A.
4	Procurement of goods and services from local & small producers, including local communities	The Bank does not procure any goods for processing. The manpower services for offices and branches are generally hired from local agencies. At the Bank's new upcoming premises at Bandra-Kurla Complex in Mumbai, approximately 50% of the building materials are sourced through local vendors/suppliers.
5	Mechanism to recycle products and waste	Refer 'Green endeavours' section of the 'Business Responsibility Report'. Page No. 122

Principle 3

1	Total number of employees (as at 31.03.2013)	13,669
2	Total number of employees hired on temporary/contractual/casual basis (as at 31.03.2013)	7,618
3	Total number of permanent women employees (as at 31.03.2013)	2,557
4	Total number of permanent employees with disabilities (as at 31.03.2013)	11
5	Employee association recognised by management	Through employee engagement mechanism the Bank directly engages with all employees on various aspects of employee well-being. For more details, pl refer 'Employee well-being' section of the 'Business Responsibility Report'. Page No. 119
6	Percentage of permanent employees part of employee association	N.A.
7.1	Child labour/forced labour/involuntary labour related complaints filed during the financial year Child labour/forced labour/involuntary labour related complaints pending as on end of the financial year	Nil
7.2	Sexual harassments related complaints filed during the financial year Sexual harassments related complaints pending as on end of the financial year	Nil
7.3	Discriminatory employment related complaints filed during the financial year Discriminatory employment related complaints pending as on end of the financial year	Nil
8.1	Percentage of permanent employees who were given safety & skill upgradation training (permanent employees)	100%
8.2	Percentage of permanent female employees who were given safety & skill upgradation training	100%
8.3	Percentage of casual/temporary/contractual employees who were given safety & skill upgradation training	100%
8.4	Percentage of employees with disabilities who were given safety & skill upgradation training	100%

Principle 4

1	Mapping of internal and external stakeholders	Yes. Refer 'Materiality and Stakeholder Engagement' section of 'Business Responsibility Report'. Page No. 120
2	Identification of the disadvantaged, vulnerable & marginalised stakeholders.	The Bank is guided by the RBI directives on Financial Inclusion to identify the key disadvantaged, vulnerable & marginalised stakeholders whom it can positively impact through its Financial Inclusion Products.
3	Special initiatives to engage disadvantaged, vulnerable & marginalised stakeholders	Refer 'Financial inclusion' section of 'Business Responsibility Report'. Page No. 118

Principle 5

1	Policy relating to Human Rights covering the Company and Group/Joint Ventures/ Suppliers/ Contractors/NGOs /Others	The Policy statement on Human Rights and Anti Discrimination is applicable for the Bank. Refer 'Policy framework' section of 'Business Responsibility Report'. Page No. 117
2	Stakeholder complaints on human rights received in the past financial year and percentage satisfactorily resolved by the management	Nil

Principle 6

1	Policy relating to Environment covering the Company and Group/Joint Ventures/ Suppliers/ Contractors/NGOs /Others	The Policy Statement on Environment is applicable for the Bank. Refer 'Policy framework' section of 'Business Responsibility Report'. Page No. 117
2	Strategies/ initiatives to address global environmental issues such as climate change, global warming, etc	Refer 'Green endeavours' section of 'Business Responsibility Report'. Page No. 122
3	Identification and assessment of potential environmental risks	Refer 'Green endeavours' section of 'Business Responsibility Report'. Page No. 122
4	Projects related to Clean Development Mechanism	None
5	Initiatives on clean technology, energy efficiency, renewable energy, etc.	Refer 'Green endeavours' section of 'Business Responsibility Report'. Page No. 122
6	Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB	N.A.
7	Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial year	Nil

Principle 7

1	Trade or chamber association memberships	Refer 'Policy advocacy' section of 'Business Responsibility Report'. Page No. 123
2	Advocacy through above associations for the advancement or improvement of public good	Refer 'Policy advocacy' section of 'Business Responsibility Report'. Page No. 123

Principle 8

1	Programmes / initiatives / projects in pursuit of inclusive growth	Refer 'Inclusive growth' section of 'Business Responsibility Report'. Page No. 124
2	Programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organization	Refer 'Inclusive growth' section of 'Business Responsibility Report'. Page No. 124
3	Impact assessment of initiatives	Refer 'Inclusive growth' section of 'Business Responsibility Report'. Page No. 124
4	Direct contribution to community development projects- Amount in INR and the details of the projects undertaken	CSR contribution by KMBL during FY 2012-13: Rs. 4,09,91,385.00, and by employees across Kotak Mahindra group, under payroll giving programme contributed Rs. 36,02,683.48 & raised pledges amounting to Rs. 13,18,319.00 for NGOs during Mumbai Marathon 2013. Additionally, refer 'Inclusive growth' section of the 'Business Responsibility Report'. Page No. 124
5	Successful adoption of community initiatives by communities	Refer 'Inclusive growth' section of the Business Responsibility Report. Page No. 124

Principle 9

1	Percentage of customer complaints/consumer cases that are pending as on the end of financial year	1.7%
2	Product information display on the product label, over and above what is mandated as per local laws	Refer 'Customer value and service' section of 'Business Responsibility Report'. Page No. 125
3	Cases filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year	Nil
4	Consumer survey/ consumer satisfaction trends	Refer 'Customer value and service' section of 'Business Responsibility Report' Page No. 125