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Introduction

IndusInd Bank believes in responsible sourcing and is committed to building a strong and reliable supply chain while onboarding many local suppliers, which is fundamental to carrying out sustainable operations.

The Bank has commenced its supplier sustainability journey through following:

- Having a formal Sustainable Procurement Policy and a Supplier Code of Conduct in place
- Public commitment to ESG Target on Sustainable Procurement
- Conducting Supplier Engagement and collecting vendor ESG Declarations
- Conducting Supplier Assessments and Audit

Sustainable Procurement Policy

The Bank’s sustainable procurement policy has acted as a central approach in bringing uniformity in its procurement practices keeping in mind transparency, safety and inclusion of human rights. The Sustainable Procurement Policy document provides guidelines for uniformity in the overall procurement process of the Bank including guidelines on transparency, safety and the inclusion of human rights. This policy guides the Bank’s software and hardware related procurement. Through this policy, the bank maintains a keen focus on sustainable sourcing, prioritizing local suppliers and procures raw material at a fair price.

Sustainable Procurement Target

The Bank’s specific target drives its focus towards sustainable procurement. Yearly progress is monitored and reported to all the stakeholders.

Aspects	Baseline	Targets for FY 2020-21	Performance Dashboard – FY 2020-21	Target Status	Revised Target Year and KPIs
Sustainable Procurement in Supply Chain	Some vendors exhibit sustainability practices	80% of vendors have ESG policies in place; vendor sustainability assessments in place	ESG Compliant Vendors: 45% of vendors by procurement spend ESG compliant. Audited by third party-DQS.	Target yet to be achieved	Target year: FY 23 80% of vendors have ESG policies in place

Vendor ESG Assessment

The Bank chooses to engage in ethical procurement practices by carrying out supplier and sustainability assessments. The online vendor onboarding system of the Bank tracks the financial stability and capability of the vendor, the client base and commercials.

The Bank conducts assessments for suppliers providing technology, IT services, equipment, manpower, security and house-keeping services to the Bank. They are evaluated based on Environment criteria such as Greenhouse Gas (GHG) Emissions and Energy Usage, Water Management, Waste Management, Packaging & Transportation and Social practices such as Health and Safety, Human Rights, Discrimination and Harassment, Employee Training and Legal Compliance among other parameters.

Vendor ESG Declarations are obtained on critical ESG related KPIs such as:

- Adherence to Regulatory & Environmental Laws
- Policies and practices on Ethics
- Systems to prevent Human Rights violation
- Labour provisions as per the law of the land
- Health, Safety & Environment Policies

Due diligence is also carried out through site visits. Responses are analyzed before finalization of empanelment & renewal of vendor contracts.

Sustainable Procurement Audit

In order to meet the compliance for the target, a Vendor Assessment Questionnaire on ESG was shared with large vendors, including both OEMs and MSMEs. An external agency, namely Deutsch Quality System India Pvt Ltd (DQS), was appointed to help audit and assess the Bank's vendors on the ESG information provided by them. These suppliers were assessed on their social and environment practices, including health and safety, employee welfare, GHG emissions management, etc. The response to the questionnaire from 40 vendors was followed by a Gap Assessment of vendor's ESG data and submission of key findings and observations. This was followed by communicating the Audit observations to vendors, Action planning for closure of observations and Follow-up with vendors on closure. The resultant closure of audit observations helped improve supplier sustainability ratings and ensured the processes and products supplied to the Bank are more ESG compliant.

Key results of the assessment are:

Out of **40** vendors which constitutes **77%** of total procurement spend,

- **45%** of vendors (17nos.) by spend are ESG compliant
- **29%** of vendors (19 nos.) are partially ESG compliant
- **3%** of vendors (4 nos.) need substantial improvement in their ESG performance.

Sustainable Procurement Assurance Statement

DQS India

Deutsch Quality Systems (India) Private Limited



Independent Limited Assurance Statement to IndusInd Bank Limited on Supplier Sustainability Assessment for FY 2020-21

To the Management of IndusInd Bank Limited, PNA House, 4th floor, Street no. 17, Plot no. 57, MIDC, Andheri (East) Mumbai: 400093

Introduction

We (Deutsch Quality System India Pvt Ltd - DQS) have been engaged by IndusInd Bank Limited ('IndusInd Bank' or 'the Company') for the purpose of providing assurance on the Supplier Sustainability Assessment for the financial year 20219-20. Our responsibility was to provide limited assurance on Sustainability questionnaire responses and ESG declarations of 40 suppliers as described in the scope, boundary and limitations.

Reporting Criteria

Sustainability questionnaire responses and declarations of 40 suppliers which are major suppliers and form 77% of total procurement spend.

Assurance Process

We have conducted our work in accordance with requirements of Limited Assurance engagement that involves performing procedures to obtain evidences about the Sustainability practices of the Bank's suppliers as per the ESG criteria set by the Bank. The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement.

Scope, Boundary and Limitations

The scope of assurance covers all suppliers falling within 77% of total procurement spend of IndusInd Bank for the period from 01 April 2019 to 31 March 2020. The boundary of the assurance process spans across pan-India operations.

Assurance Procedures

Our assurance process involves performing procedures to obtain evidences about the reliability of specified disclosures by the Bank's Tier I suppliers. In the assessment process, we have considered internal controls relevant in order to design assurance procedures that are appropriate in the circumstances.

Our limited assurance procedures comprised of:

- Assessment of IndusInd Bank's supplier sustainability responses and declarations
- Review of systems and procedures used for quantification, collation, and analysis of ESG data
- Assessment of appropriateness of various estimations, and ESG thresholds used by IndusInd Bank.
- Discussions with the individuals responsible for Supplier ESG data
- Assessing data reliability, accuracy and comparability

The review and management interactions were performed virtually using screen sharing tools. Appropriate documentary evidences were obtained to support our conclusions on the information and data verified. Where such documentary evidences could not be obtained due to sensitive nature of the information, our team verified the same with the IndusInd Bank during virtual interactions.

Conclusions

Based on our assurance procedures and in line with the scope and limitations, nothing has come to our attention that causes us not to believe that:

Out of 40 vendors which constitutes 77% of total procurement spend, 45% of vendors (17nos.) by spend are ESG compliant and 29% of vendors (19 nos.) are partially ESG compliant. Remaining 3% vendors (4 nos.) need substantial improvement in their ESG performance.

Independence

The assurance was conducted by a multidisciplinary team including professionals with suitable skills and experience in auditing. Our work was performed in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants, which requires, among other requirements, that the members of the assurance team (practitioners) be independent of the assurance client, in relation to the scope of this assurance engagement. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. DQS has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

Responsibilities

Statement is made solely to the Management of IndusInd Bank in accordance with the terms of our engagement and as per scope of assurance. Our work has been undertaken so that we might state to IndusInd Bank those matters for which we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than IndusInd Bank for our work or for the conclusions expressed in this independent assurance statement. The assurance engagement is based on the assumption that the data and information provided to us is complete and true.

By reading this assurance statement, stakeholders acknowledge and agree to the limitations and disclaimers mentioned above.

Signature:



Dr. Murugan Kandasamy
CEO & Managing Director
Certified Sustainability Assessor