

SUSTAINABILITY@AXIS

Sustainability is intrinsic to our core philosophy of creating enduring value for all stakeholders. This philosophy guides us in growing from strength to strength, building a sustainable enterprise and fulfilling our role as an important catalyst for economic, environmental and societal prosperity.

Axis Leader Speak

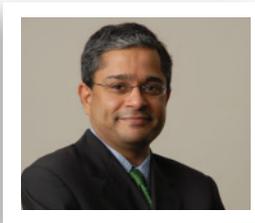
'I am happy to introduce our second sustainability report for the reporting period 2015-16. The report is prepared using the Global Reporting Initiative (GRI) G4 guidelines and is externally assured by M/s KPMG. We have also presented an alignment of the Bank's activities to the United Nations Sustainable Development Goals 2030 and have mapped our disclosures to United Nations Global Compact Principles.

Last year, we have developed our Sustainability Framework using the materiality principles of GRI guidelines. The Framework is a stakeholder-centric framework with five key pillars covering customers, shareholders & providers of capital, people, environment and communities. Strategic priorities and objectives were developed for each of the pillars, and the progress achieved during the year is presented in the subsequent sections of this report. In the first year of formalising our Sustainability Framework, we were also accorded the CII Sustainable Plus 2015 'Gold' label.

I reiterate our commitment to contribute to sustainable development and create enduring value for all stakeholders.'



V Srinivasan
Deputy Managing Director



Rajiv Anand
Executive Director (Retail Banking)

'Customer Centricity is one of our organisational values and a core pillar of our vision. Pursuing this customer centric approach, we aim to meet 'life cycle' financial needs of our customers through innovative products and services backed by world-class service and delivery models. We continue to focus on leveraging technology to innovate for next-generation banking products and services.'



Rajesh Dahiya
Executive Director (Corporate Centre)

'People are our core strength and we strongly believe in building and nurturing our people capabilities as the central tenet of driving business excellence, especially in a service-driven banking business like ours. Our approach for holistic people development rests on creating an enabling and engaging work place with rewarding careers, exciting learning and growth opportunities, and a safe, non-discriminatory and ethical work environment.

On the communities front, we believe in making a lasting positive impact on the lives of underprivileged and underserved sections of society through our integrated community development agenda.'

'We strive for continual enhancement of shareholder value by pursuing profitable growth and managing capital efficiently, underpinned by strong governance and risk management.'



Jairam Sridharan
Group Executive & Chief Financial Officer



Sidharth Rath
Group Executive - Corporate
Relationship Group & Transaction Banking

'The first universal climate agreement announced as result of the Paris climate talks emphasises the need to decouple economic growth and the rise of emissions. We support the transition to a low carbon growth model and reaffirm our commitment to environmental sustainability. Our holistic environmental-management approach focuses on promoting sustainable lending practices, actively managing direct environmental impacts and supporting customers in making 'green banking' choices.'



The Atrium at Axis House in Mumbai

Sustainability Trends and Outlook

Various macroeconomic and global trends continue to shape the economic and societal context in which we operate. Though not under our direct control, some of these trends could help us in evolving our materiality assessment and sustainability framework from time to time, and also present a contextual background to our sustainability strategies and performance.



Economic volatility

After a period of intermittent volatility in global financial markets since early 2016, mainly due to heightened concerns of China's economic and financial vulnerability, global markets have reverted to a risk on environment, with increasing capital flows into Emerging Markets (EM).



India's macro fundamentals remain robust, due to both, the drop in the prices of commodities, particularly oil, and as a result of the strong policy measures from the union government. The fundamentals compare favourably with most of India's EM peers.

However, given the various constraints due to balance sheet impairments etc., coupled with the drop in export activity and weak agriculture, these measures still have not completely translated into improved economic activity. Rural demand has remained weak and all of the above factors have served to offset the very modest industrial growth and services sector recovery.

Factors such as low private sector capital expenditure,

highly leveraged balance sheets, weak sales growth of corporates, high NPA levels of the banking system have contributed to weak economic activities witnessed so far.

There are signs of a gradual recovery in India's economic activity, despite continuing headwinds from weak exports and the agriculture sector. However, global financial markets seem to have stabilised, even if transiently. The order books of companies executing Government EPC and other contracts are witnessing inflows, indicating that manufacturing growth might show some recovery during FY17.

GDP growth is expected to improve from 7.6% in FY16 moderately to ~7.8% in FY17, with an upward bias if the monsoon is indeed normal. Most of the increase is likely to arise from higher consumption, with capital expenditure spends still likely to be moderate. Market liquidity conditions are likely to be better in FY17, especially due to the revised RBI Liquidity Management Framework. Given this outlook, credit offtake from banks is expected to increase gradually to 12.5 – 13%, both due to higher capital expenditure requirements as well as banks gaining market share that they had lost to other market intermediaries.

To know about our economic performance, please refer to the 'Economic Contribution', 'Shareholders and Providers of Capital' sections of this report.

Digital future

Digitisation is impacting almost every sector in unconventional and innovative ways. Digital innovations are occurring at a breakneck pace, changing the paradigm of conventional operational and relationship models of businesses. The financial sector in particular is at the cusp of rapid digital transformation with increasing customer uptakes and demands for digital services, use of big data and analytics to drive customer acquisition and service, and new financial technology (fintech) start-up models from non-traditional players.



Digital innovations are opening up new exciting possibilities of future growth for those who anticipate and adopt digital disruptions, but at the same time concerns on data security and cybercrime pose newer challenges.

To know about our digital banking initiatives, please refer 'Customers' section of this report

Climate change

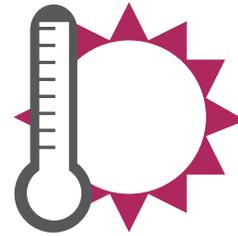
According to the World Economic Forum's Global Risks Report 2016, the failure of climate change mitigation and adaptation has, for the first time, emerged as the top global risk.

The year-end of 2015 marks the beginning of a new era of climate action with 195 countries adopting the first universal climate agreement at the Paris Climate Change Talks (COP21).

The primary objectives of the agreement are limiting the increase in global average temperature to well below 2°C above pre-industrial levels, increasing the ability to adapt to adverse impacts of climate change, and making finance flows consistent with low-carbon growth models.

The expected outcomes of this agreement are:

- Increase in regulatory measures to discourage fossil fuel consumption and promote low-carbon innovation;
- Multi-fold investments in clean technologies;
- Increase in investor action to consider climate change risks and opportunities in investment decisions;
- Adoption and disclosure of climate response strategies by businesses;
- New carbon market mechanisms



All of these outcomes will shape the context of medium to long term economic growth models and will have a profound impact on a number of resource intensive sectors like metals and mining, power generation and distribution, infrastructure, manufacturing and transportation.

To know about our environmental initiatives, please refer to the 'Environment' section of this report

Population growth and urbanisation

According to United Nations estimates, the world population is expected to reach 8.5 billion in 2030, and further to 9.7 billion in 2050 and 11.2 billion by 2100. These estimates suggest that India will be the largest contributor to world population with 1.7 billion by 2050, surpassing China.



Another defining trend of this population growth shall be the rapid urbanisation - by 2050, the world will be one-third rural (34 percent) and two-thirds urban (66 percent). India will contribute hugely to the urban increment with the addition of 404 million urban dwellers, nearly doubling the size of its urban population between 2014 and 2050. While the population growth is going to result in an increasing demand for goods and services and thus new business growth opportunities, there will also be additional stress on the ecosystem and environmental resources to cater to this demand.

Rapid urbanisation also means that the cities of future will need to be 'smart sustainable cities', to not only provide clean and sustainable environments but also create opportunities for the generation and equitable distribution of wealth for inclusive growth.

To know about our direct and indirect economic contribution, please refer to the 'Economic Contribution' section of this report

Inclusive growth

Robust economic growth is an essential prerequisite for improved living standards. However, economic growth by itself does not guarantee improvements in economic opportunities and living standards for all.

An increasing number of studies by organisations such as the United Nations, OECD, World Bank, International Labour Organisation, World Economic Forum suggest that there is a significant rise in income inequality globally.

In developing economies, sustained economic growth has helped millions come out of abject poverty but at the same time the gap in terms of income growth of the richest and poorest is widening. Such disparate growth can lead to both economic and social ills.



Access to economic opportunities amongst other economic and social development indicators is essential in enhancing the participation of middle and lower income groups in economic growth and subsequent fair distribution of economic value thus generated.

Financial inclusion of all is indispensable towards creating an inclusive growth model.

Stakeholder Engagement

Our stakeholders are diverse in nature as is our engagement approach.

With an aim to develop a deeper understanding of our stakeholder needs, expectations and concerns, we have developed multiple formal and informal listening posts across the organisation.

These channels of communication are customised for each stakeholder group enabling them to consistently maintain an active dialogue with us in an easy and convenient manner.

Stakeholder Group

Performance Figures 2015-16



Customers

- 410 million page views for www.axisbank.com with 45 million unique visitors
- 3.19 million Facebook fans, 165 thousand followers on Twitter and 207 thousand followers on LinkedIn
- 42 % of customer query resolution within 24 hours, up from 35% last year



Employees

- 79% employee participation in follow-up survey of Axis Voices Dil Se conducted in 2015
- 107 Axis Champions felicitated at Annual Axis Champions Awards Nite
- 27 Axis Blitz sessions conducted across the Bank to felicitate 494 Blitz champions
- 1,11,280 employee queries resolved through 'H-Response' employee service portal

To know about our financial inclusion and community development agenda, please refer to the 'Customers', 'Communities' sections of this report

Corporate responsibility

The 2008 financial crisis has significantly eroded the trust levels in the business and financial sector in particular. Global trends, some of them discussed above, point to an increasing need for businesses to assume greater responsibility of their long term impacts and act in the larger interest of society and the environment. There is a rising stakeholder interest in the corporate responsibility strategies of companies that seek to create value for all stakeholders including the society at large.

Governments and regulators are also demanding greater transparency in disclosing such strategies and performance. India in 2013, has become the first country in the world to have mandated corporate social responsibility while the Securities Exchange Board of India (SEBI) has mandated disclosures on business responsibility principles for the top 500 companies listed in India.

Companies are also expected to demonstrate commitment to various relevant global developmental priorities such as those listed under the UN Sustainable Development Goals.

To know about our alignment to UN Sustainable Development Goals and our community development agenda, please refer to the 'Sustainability @ Axis', 'Communities' sections of this report

Stakeholder Group

Performance Figures 2015-16



- Regular coordination with Reserve Bank of India (RBI) and participation in Reserve Bank of India (RBI) constituted committees



- 797 shareholder queries received and resolved
- 135 shareholder attendees at 21st Annual General Meeting
- 944 investors/analysts meetings/conference calls held



- 0.81 million beneficiaries of Axis Bank Foundation (ABF) programs since 2006 (inception)
- 66 Axis Bank staff undertook exposure visits to Axis Bank Foundation partner NGOs
- Over 115 thousand children participated in Axis Bank annual painting competition SPLASH
- 7,210 financial literacy camps conducted in rural areas reaching out to nearly 68,000 people
- 14 million page visits for financial literacy blog itsallaboutmoney.com



- 139 supplier auctions conducted through Strategic Sourcing Solution by Centralised Procurement Team



Scan the QR code to access our Stakeholder Engagement Map

Materiality

Our approach to sustainability is based on the materiality principles of understanding what is important to our stakeholders, and to achieve our long term business strategies. The Materiality Matrix is an outcome of an engagement with our senior management to assess sustainability topics, both from the business and stakeholders' perspective. Insights gathered from existing stakeholder engagement models will continue to shape our sustainability agenda. Our stakeholder-centric sustainability framework is closely aligned to the material sustainability topics to help us perform the way our stakeholders expect us to.



Scan the QR code to know more about our Materiality Assessment and Materiality Matrix

Sustainability Framework and Performance

We have adopted a stakeholder centric Sustainability Framework aligned to material sustainability topics. Our long term vision and strategy continues to be at the core of this framework.

Sustainability Framework

Material Topics



Customers

Consistently enhance customer service by focusing on customer experience, innovation and quality assurance to deliver superior Axis Banking Experience

- Risk control measures for fraud and money laundering
- Transparent information and fair advice to customers
- Customer privacy and data security
- Create innovative products to improve financial access for marginalised sections



Shareholders & Providers of Capital

Actively engage with Shareholders and Providers of Capital to create enduring value

- Compliance to applicable regulations and standards



People

Create and sustain a diverse work culture through improving organisational effectiveness, providing safe and ethical work environment, and maintaining stability and sustainability amidst a rapidly changing business environment and growth

- Employee safety and security
- Creating right competencies across levels
- Healthy and non-discriminatory workplace
- Committing to Human Rights principles
- Leadership development and succession planning
- Enhancing employee diversity
- Extending ESG policies to supply chain



Environment

Promote environmental sustainability and equitable growth through sustainable lending practices

Reduce impact on environment on account of own operations by actively managing our environmental footprint and supporting customers to make 'green banking' choices

- Integrating environmental and social risk factors in our investment and lending decisions
- Optimising resource efficiency
- Waste management
- Managing our carbon footprint



Communities

Create and sustain a mechanism that will propagate sustainable livelihoods and contribute back to society across various segments

- Financial Literacy
- Community development

Performance update of our Sustainability Framework



Strategic Priority	Objective	Performance 2015-16
 <p>Multi-channel delivery</p>	<p>Increase the reach and usage of digital channels for enabling superior customer experience and simplified banking</p>	<ul style="list-style-type: none"> • 2.38 million users registered for Axis Mobile Banking App • 3.71 million users registered for Internet banking • 19% of total customer spends are from digital channels
 <p>Customised Solutions</p>	<p>To develop a deeper, holistic understanding of the customer's banking needs, and bring customised, innovative products and programs that delight and engage them strongly with the Bank</p>	<ul style="list-style-type: none"> • New processes - New-age digital account opening, Account opening through Micro ATM devices, Co-originated Savings and Health insurance proposition, Online booking of Demand Draft via internet banking, Fixed/recurring deposit creation and closure through Mobile Banking app, booking of locker through Mobile Banking app • New products - Social payment app – Ping Pay, digital wallet – Lime, Fixed Deposit+ • Revitalised product with new propositions – Prime savings account, Salary account proposition for defense & police personnel, Salary proposition for premium corporates • Stronger analytical models to build richer customer profiles, gauge customer needs more accurately and make targeted offerings through their preferred channels
 <p>Dependable Technology</p>	<p>Ensure secure and streamlined processes making banking simple and safe for customers and new technologies for superior customer experience</p>	<ul style="list-style-type: none"> • 870 Wi-fi enabled branches • Expansion of tablet based banking through relationship managers/sales executives • First Indian bank to enable customers to seamlessly transact with Apple's 'Touch ID' through the Axis Mobile Banking app
 <p>Simple Process</p>	<p>To make banking and money management easy across all behaviours and touch points</p>	<ul style="list-style-type: none"> • Empowered Burgundy and Priority customers with 'one glance statement' to view to all relationships with the Bank in a single statement



Shareholders & Providers of Capital

Strategic Priority	Objective	Performance 2015-16
 <p>Economic value creation and contribution to the Society</p>	<p>To assess the economic value created and contributed by the Bank to various stakeholders and the society at large</p>	<ul style="list-style-type: none"> • 10.64% increase in total economic value generated compared to previous year
 <p>Engagement Programs</p>	<p>To provide regular information, disclosures and timely updates, address concerns and create a platform for discussions with shareholders</p>	<ul style="list-style-type: none"> • 100% resolution of shareholder grievances received • 135 shareholders attended the 21st Annual General Meeting • 944 investors/analysts meetings/conference calls held
 <p>Strategic Vision on Capital Allocation</p>	<p>Ensure optimal utilisation of capital through capital allocation driven by Vision 2020, Risk-adjusted Return on Capital (RAROC)</p>	<ul style="list-style-type: none"> • Capital Adequacy Ratio (CAR) under Basel III was 15.29% against the minimum regulatory requirement of 9.625%
 <p>Governance and Risk Management</p>	<p>Ensure robust governance and risk management through policies and practices on transparency, accountability, ethics and risk control</p>	<ul style="list-style-type: none"> • Pursuant to review of the risk profile of the Bank, the Board has not come across any element of risk which would threaten the existence of the Bank



People

Strategic Priority	Objective	Performance 2015-16
 <p>Committing to Human Rights principles</p>	<p>Integrate Human Rights principles into the workplace environment</p>	<ul style="list-style-type: none"> • 'Policy on Human Rights', rolled out last year, supplements the Code of Conduct and Ethics • 3,975 person-hours of training imparted on the Code of Conduct and Ethics
 <p>Ensuring a healthy, safe and non-discriminatory workplace</p>	<p>Facilitate a workplace environment that espouses the principles of fairness, meritocracy & non-discrimination</p>	<ul style="list-style-type: none"> • Launched 'With You' employee assistance program, offering confidential professional counselling services for employees • A Yoga session was conducted across various locations in association with Isha Foundation, marking International Yoga Day Celebrations • Regular health checkup and screening camps for employees
 <p>Building leadership development and succession planning</p>	<p>Train & develop internal talent's knowledge, skills & leadership behaviours with a view to advance them into higher responsibilities or more challenging roles. De-risk the organisation from unplanned attrition at key roles</p>	<ul style="list-style-type: none"> • Launched 'ACElerate' as the new performance management system with a more inclusive capability development approach • Succession Heatmaps for key senior management roles • Leadership development initiatives including Executive Leadership Program, Business Leadership Program workshops on 360-degree feedback initiative based on Axis Leadership Practices, one-to-one coaching sessions, senior leadership mentoring
 <p>Creating right competencies across levels</p>	<p>Identify and define functional, behavioural and leadership competencies for major roles in key business & support functions</p>	<ul style="list-style-type: none"> • The key competency framework has been created for all major roles
 <p>Enhancing employee diversity</p>	<p>Enhancing employee diversity (particularly gender based), in terms of ensuring a balanced representation of women at all levels, by tapping alternate talent pools and plugging leakages in the pipeline through retention interventions, and working towards building a culture of inclusivity, based on fairness and meritocracy</p>	<ul style="list-style-type: none"> • 21% of women in workforce • 10 female candidates hired through 'WeLead' program • 37 differently-abled people are a part of workforce



Environment

Strategic Priority	Objective	Performance 2015-16
 <p>Integrating environment and social factors into lending and investment decisions</p>	<p>Integrate environmental and social issues into risk analysis and decision-making processes for corporate lending operations</p>	<ul style="list-style-type: none"> • Rolled out 'Sustainable Lending Policy and Procedures' (SLPP), an internal environmental and social risk-management framework for project finance activities
 <p>Support transition to low carbon economy by increasing 'environmental /sustainable financing'</p>	<p>Explore opportunities to increase financing in key sectors that promote low carbon economy</p>	<ul style="list-style-type: none"> • Credit outstanding of ₹ 34.92 billion for 'sustainable sectors'
 <p>Managing our carbon footprint</p>	<p>Measure and manage the carbon footprint intensity [per Full-time Employee]</p>	<ul style="list-style-type: none"> • 10.21% reduction in carbon footprint intensity [per Full-time Employee] compared to previous year • 2.7 MW installed solar energy capacity for own operations, increase of 711% compared to previous year • 766 Mwh energy savings realised through efficiency and retrofit measures
 <p>Optimising resource efficiency</p>	<p>Promote resource optimisation through internal operational efficiency and employee engagement / awareness</p>	<ul style="list-style-type: none"> • 16.18% reduction in overall office-paper usage • Installed water saving faucet aerators at Axis House and NPC I (Airoli, Mumbai)
 <p>Waste Management</p>	<p>Actively pursue waste management towards 'zero-waste' philosophy by adopting 3R (reduce, reuse and recycle) principles</p>	<ul style="list-style-type: none"> • 32 tonnes of dry waste recycled • Installed organic waste composter at Axis House



Communities

Strategic Priority	Objective	Performance 2015-16
 <p>Sustainable Livelihoods</p>	<p>To create one million livelihoods</p>	<ul style="list-style-type: none"> • 0.6 million livelihoods created cumulatively through Axis Bank Foundation • 0.8 million overall beneficiaries of Axis Bank Foundation programs
 <p>Financial Literacy</p>	<p>Support progress of individuals and communities through financial awareness and literacy</p>	<ul style="list-style-type: none"> • 7,210 financial literacy camps conducted covering nearly 68,000 people • 1.4 million views of financial literacy and consumer awareness blog 'itsallaboutmoney.com'

Policy Advocacy

We engage with various industry bodies to promote policies and initiatives that aim to create an efficient and transparent financial system for the country, enhance financial literacy and improve access of banking systems to the unbanked areas, and support key sectors of nation building and rural development. We believe in the holistic development of the industry by sharing and adopting best practices. We also participate in key projects and initiatives undertaken by the Government and regulators.

The Confederation of Indian Industry (CII) through the National Committee on Banking works towards promoting the growth of the Indian banking industry. Ms. Shikha Sharma, MD & CEO – Axis Bank was the Chairperson of the CII National Committee on Banking, which comprised of 30 bankers for 2015-16. Under the aegis of this Committee, 3 working groups were created during the year to discuss topics like Asset Resolution & Managing NPAs, Regulations and Policy, and Market Development & Need for Capital. To further deliberate on the recommendations of these working groups, CII organised its first Banking Summit with the theme: “Reconfiguring Banking Systems – The Known Unknown” on February 11, 2016 in Mumbai. The recommendations were forwarded to RBI, IBA and select Ministries of the Government. Various senior officials of the Bank are also represented in different CII National Committees and Councils on topics pertaining to Financial Sector Development, Economic Growth and Investments, Cloud Computing, Financial Inclusion, and Capital Markets. Ms. Shikha Sharma was also part of the steering committee of the FIBAC (FICCI-IBA) Summit held in August 2015. As part of the Federation of Indian Chambers of Commerce & Industry’s (FICCI) initiative for garnering support of the Indian Industry for the Paris Climate Talks, Ms. Shikha Sharma has taken the pledge to combat climate change.



Ms. Shikha Sharma, MD & CEO, Axis Bank with Mr. Raghuram Rajan, Governor, RBI at the first Banking Summit organised by CII.

Axis Bank Foundation (ABF) has been appointed as a member of the Executive Committee and the General Body of Bharat Rural Livelihood Foundation (BRLF). BRLF has been set up by the Government of India to foster and facilitate civil society action in partnership with the Government for transforming the livelihoods and lives of people in areas such as the Central Indian Adivasi belt, which is its initial geographic focus.

Alignment to United Nations Sustainable Development Goals

In September 2015, countries across the globe- adopted the new 2030 Agenda for Sustainable Development, underpinned by 17 Sustainable Development Goals (SDGs) and 169 targets. We are committed to supporting the progress on SDGs through our business operations and community investments. Some of our key business activities and community investments with alignment to SDGs are presented below.

United Nations Sustainable Development Goals	How are we aligned
 No Poverty	<p>Providing access to basic financial services, including microfinance to the vulnerable and the marginalised</p> <p>Contributing to poverty alleviation through ABF livelihood programs</p>
 Zero Hunger	<p>Providing access to financial services, to small-scale farmers</p> <p>Supporting the agriculture sector through knowledge-based initiatives such as agriculture talks</p> <p>Supporting sustainable agriculture practices through ABF livelihood initiatives</p>
 Quality Education	<p>Providing vocational skills training towards supporting employment, decent jobs and entrepreneurship</p>
 Gender Equality	<p>Providing equal access to financial services to women</p> <p>Promoting and enhancing gender diversity in the Bank</p> <p>Promoting women's participation in leadership roles at the Bank</p> <p>Promoting woman empowerment through ABF livelihood programs</p>
 Affordable & Clean Energy	<p>Promoting investments in renewable and clean energy projects</p> <p>Deploying renewable energy solutions and continually enhancing energy efficiency of own operations</p>
 Decent work & Economic Growth	<p>Supporting employment growth through direct and indirect jobs</p> <p>Contributing to financial inclusion through access to banking, insurance and financial services for all</p> <p>Supporting transition to a low carbon economy by extending financing to sustainable sectors</p>

United Nations Sustainable Development Goals

How are we aligned



Industry, Innovation & Infrastructure

Influencing sustainable infrastructure and industry development through 'Sustainable Lending Policy & Procedures'

Supporting SME sector development through financial solutions and non-financial services



Reduced Inequalities

Facilitating income growth of the poor through ABF 'Sustainable Livelihood' Programs

Providing low cost migrant remittances



Sustainable Cities & Communities

Providing customised financial solutions for access to affordable housing



Responsible Consumption & Production

Pursuing 3R (Reduce, Reuse, Recycle) waste management principles

Providing transparent information on our sustainability strategies and performance through sustainability reporting



Climate Action

Strengthening environmental and social risk assessment for lending decisions through 'Sustainable Lending Policy & Procedures'

Supporting transition to a low carbon economy by extending financing to sustainable sectors

Reducing own environmental footprint



Peace, Justice & Strong Institutions

Supporting global and national efforts to reduce illicit financial flows and combat terrorism by adhering to Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) requirements



Scan the QR code to know more about UN Sustainable Development Goals