



**United Nations Global Compact**  
**Communication of Progress**  
**YES BANK Limited**

**April 2011 – March 2012**

**2013**

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## **CEO's Statement of Continued Support**

**Dear Stakeholder,**

In our Communication of Progress for 2012, we had highlighted the sustainability case for Responsible Banking at YES BANK. The Responsible Banking practice has been one of the key differentiators that set us apart in the highly competitive commercial banking sector in India. Reporting on the UNGC principles is an important platform for YES BANK, and I am pleased to present our Communication of Progress 2013 to our esteemed stakeholders.

YES BANK has embarked on an ambitious path to become the “Best Quality Bank of the World in India” by 2015, with a strong focus on achieving scale with granularity. By 2015, we aim to be a bigger bank with more than double the present number of branches, ATM's and employees. Our ambitious target significantly expands our social and environmental footprint, and the scope and boundary of our triple bottom line ethos. Our focus, thus, has been to understand our stakeholders better and respond to their concerns and expectations more conscientiously.

YES BANK's employee headcount has more than doubled in the past three years, and our human capital management has kept pace with our steady growth. We have strengthened our induction process and employee training to include pertinent aspects focusing on human rights, anti-corruption and environmental stewardship, apart from codes of conduct and ethics.

We are acutely aware of the potential savings from our efficient consumption and management of resources. We are now at a stage where managing our consumption is not just a part of our commitment to be an environmentally responsible bank, but makes good business sense. During the period, we introduced a bank-wide tool developed in-house that collects and measures our GHG emissions based on our resource consumption.

YES BANK continues to be recognized globally for sustainability best practices and performance. We were voted the Sustainable Bank of the Year in the Asia-Pacific region at the FT-IFC Sustainable Finance Awards for 2012 for the third time in 4 years. Our recognitions only strengthen our resolve to continue on our path and emerge as the “Best Quality Bank of the World in India.”

Thank you.

Sincerely,

Dr. Rana Kapoor  
Founder, Managing Director & CEO  
YES BANK Limited

## **THOUGHT LEADERSHIP & MEMBERSHIPS**

YES BANK plays an active role in promoting best practices in the banking, financial and sustainability domains at the following national and international platforms:

Organization	About
<b>International Forums</b>	
Carbon Disclosure Project (CDP) <i>www.cdproject.net</i>	CDP is a UK based organization representing over 650 institutional investors which invites global corporations to report on their carbon emissions
Clinton Global Initiative (CGI) <i>www.clintonglobalinitiative.org</i>	Established in 2005 by former US President Bill Clinton, the CGI convenes global leaders to create & implement innovative solutions to world's challenges within 9 broad Tracks
United Nations Environment Program – Finance Initiative (UNEP-FI) <i>www.unepfi.org</i>	The UNEP-FI is a partnership between UNEP and global financial sector to link sustainability and financial performance
United Nations Global Compact (UNGC) <i>www.unglobalcompact.org</i>	Launched in 2000, the UNGC aligns global business with the objectives of the international community in human rights, labour, environment and anti-corruption
US India Business Council (USIBC) <i>www.usibc.com</i>	The USIBC is an business advocacy organization representing the interests of American companies investing in India and Indian multinational corporations
World Economic Forum (WEF) <i>www.weforum.org</i>	The WEF is an independent non-profit organization that brings the world's business, political, academic and other leaders together to shape strategy

Organization	About
<b>National Forums</b>	
Associated Chambers of Commerce (ASSOCHAM) <i>www.assochem.org</i>	ASSOCHAM is an apex industry body that represents industry interests and interfaces with the government and counterpart international bodies
The Banking Codes and Standards Board of India (BCSBI) <i>www.bcsbi.org.in</i>	The BCSBI is an independent, autonomous body set up by the RBI as an independent watch dog for quality of service
Confederation of Indian Industry (CII) <i>www.cii.in</i>	CII is an industry body that partners with the government and industry through advisory and consulting processes
Federation of Indian Chambers of Commerce and Industry (FICCI) <i>www.ficci.com</i>	FICCI is one of India's oldest apex business organization with a direct and indirect membership of over 250,000 companies, influencing policy and dialogue
Indian Banks' Association (IBA) <i>www.iba.org.in</i>	The IBA promotes sound banking principles, practices and conventions in India and provides common services to the Indian banking industry
Indian Institute of Corporate Affairs (IICA) <i>www.iica.in</i>	The IICA was established by the Ministry of Corporate Affairs, Government of India to act as a think tank, action research and capacity building support to the Ministry and Indian industry
PHD Chamber of Commerce and Industry (PHDCCI) <i>www.phdcci.in</i>	Established in 1905, PHDCCI is a multi-state organization that works as a facilitator for promotion of industry, trade and entrepreneurship
Responsible Investment Research Association (RIRA) <i>www.ri-research.org</i>	RIRA is a not-for-profit, member organization with a mission to act as a catalyst to mainstream environmental, social and governance (ESG) issues in investment and lending decisions
The Energy Research Institute – Business Council for Sustainable Development (TERI BCSD) <i>http://bcsd.teri.res.in/</i>	TERI BCSD is an industry led platform of TERI for corporate leaders to address issues related to sustainable development with over 100 corporate members across India

## YES BANK'S THOUGHT LEADERSHIP INITIATIVES

YES BANK, through its various partnerships, has played an important role in knowledge platforms, Awards and Conferences to bring together Indian and international industry leaders, policy makers and Academia to discuss current pertinent issues. Details:

Event	Partnership	Event Details
<b>YES BANK LED INITIATIVES</b>		
2 <sup>nd</sup> FT-YES BANK International Banking Summit, Mumbai	Joint Organizer with Financial Times	Theme: <i>"Stress or Stability? Re-aligning the Global Banking System"</i>
YES BANK National CFO Forum, New Delhi	Organizer and Host	Establishment of the North India Chapter
YES BANK Presents 3 <sup>rd</sup> Business Today SME Awards 2011	Joint Organizer with Business Today	Awards highlighting innovation and success in Indian SME's
YES BANK - IICA National CSR Conclave, Mumbai	Joint Organizer with IICA	Theme: <i>"Corporate Social Responsibility: A Private Sector Perspective"</i>
2 <sup>nd</sup> Food and Agribusiness conclave, New Delhi	Joint Organizer with The Hindu	Theme: <i>"Ushering India's Second Agri Revolution"</i>
Indo-African Knowledge Exchange Workshop 2012	Joint Partner with African Development Bank	International Mobile Banking Summit- A view from the Top
1 <sup>st</sup> India Luxury Summit 2012, New Delhi	Joint Organizer with ASSOCHAM	Inaugural summit on India's luxury market and HNI segment
<b>YES BANK PARTNERED INITIATIVES</b>		
Indian Pension Fund Congress 2012, Mumbai	Knowledge Banking Partner	Only conference in India providing investment strategies for pension funds and asset managers
PHD Chamber Chief Ministers' Conclave 2012, New Delhi	Knowledge Partner	Attended by the President of India and CM's of eight states to discuss growth and economy
ASSOCHAM International Conference on RAIL@2020	Knowledge Partner	Public private partnerships in Indian railways
8 <sup>th</sup> ASSOCHAM Annual Banking Summit 2012, New Delhi	Knowledge Partner	Theme: <i>"Poised for Explosive Growth"</i>
Young Presidents Organization (YPO) Congress, Kolkata	Knowledge Partner	The YPO is a global organization that connects leaders in over 120 countries

## **CORPORATE GOVERNANCE**

YES BANK believes in the philosophy of zero tolerance towards non-compliance. Being in a highly regulated banking sector, YES BANK is a public trust organization and its compliance with all the statutory and regulatory requirements is of the highest priority at the Bank.

The Board has approved and implemented a Code of Conduct for the Board of Directors and senior management, and has instituted a comprehensive code of conduct for prevention of insider trading.

5 of the 7 Directors on the Board are independent, underscoring the Corporate Governance practices at the Bank. The Board of Directors had one woman, Ms. Radha Singh, as an independent Director. The names of the members of the Board for FY 2011-12 are under:

<b>Name of Director</b>	<b>Type of Directorship</b>	<b>Board Meetings attended during year</b>
Mr. Bharat Patel	Independent Director	4
Mr. Arun Mago	Independent Director	4
Mr. Wouter Kolff	Independent Director	4
Ms. Radha Singh	Independent Director	4
Mr. Ajay Vohra	Independent Director	1
Dr. Rana Kapoor	Wholetime Director	4
Mr. S.L. Kapur	Non-Executive Non Independent Director	4

The various Committees under the Board are:

- i. Audit & Compliance Committee
- ii. Risk Monitoring Committee
- iii. Board Remuneration Committee
- iv. Nominations & Governance Committee
- v. Investor Relations Committee
- vi. Fraud Monitoring Committee
- vii. Service Excellence Committee
- viii. Special Purpose Committee: Capital Raising Committee

In areas of process controls and risk management, the Bank goes beyond its statutory or regulatory obligations, and has put into place systems that are aimed to lower the Bank's operational risks. The Bank has set up enterprise wide units that go beyond statutory requirements. These include the Portfolio Analytics Unit (PAU) and Capital Compliance Unit (CCU). The PAU monitors the entire credit portfolio across all segments and is responsible for industry studies and determining the industry outlook. The CCU is responsible for the Bank's compliance with Basel II, ICAAP review and Bank-wide stress testing. The Bank is gearing

towards migration to the BASEL III regime that is scheduled to be introduced from 2013 until 2018.

To ensure zero non-compliance:

- a. The Bank has in place policies approved by the Board which include the Compliance Policy, Know Your Customer Policy and Anti-Money Laundering Policy. These lay down the guiding principles for the effective management of the Bank
- b. New product notes outline critical information of the Bank's products including the product dynamics, operational aspects, and regulatory requirements. These are approved by the Product and Process Approval Committee
- c. The Bank undertakes periodic reviews of its products and services which are also reviewed by the Bank's internal audit and concurrent audit teams
- d. The Compliance Unit at the Bank reports periodically on compliance aspects to the Board's Audit & Compliance Committee, senior management and the MD & CEO
- e. Submissions of all regulatory returns, regulatory letters, notices and circulars are centrally tracked and reported by the Compliance Unit
- f. Employees are trained regularly on compliance, product responsibility, and regulations

For an in-depth disclosure on YES BANK's corporate governance systems and procedures, please see the Annual Report 2011-12 at [www.yesbank.in](http://www.yesbank.in).



## **RISK MANAGEMENT**

The Board has the overall responsibility for managing risk at the Bank. The Bank's credit policy is approved by the Board and covers, inter-alia, prudential exposure limits, business segments, credit assessment & approval/denial system, margin and collateral management, credit documentation, credit pricing, credit administration and monitoring system, non-performing assets management policy and credit risk management system.

The Bank's risk management architecture is overseen by two Committees - Risk Monitoring Committee and Audit & Compliance Committee. These two independent Board level committees put in place, the specific policies, framework and systems that manage the Bank's enterprise wide risks.

The MD & CEO of the Bank heads the Bank's Management Committee, consisting of Bank's top management team that meets regularly to discuss and review the Bank's policies, frameworks and systems. The Bank views its sustainability risks as areas of opportunity if appropriately responded to. Several members of the senior management team at the Bank have been identified to lead the Bank's response to sustainability risks. These include:

- a. The Chief Sustainability Officer for social and environmental risks
- b. The Bank's Chief Economist is tasked with understanding and highlighting micro and macro-economic risks
- c. Information Security at the Bank is the responsibility of the Chief Information Security Officer
- d. The Chief Risk Officer is responsible for the credit risk
- e. The Chief Operations Officer spearheads the Bank's response to its operational risks

The Management Committee closely works with business heads to develop contingency plans and seek ways to convert the Bank's sustainability challenges into opportunities.

For an effective day-to-day risk management, assessment, measurement, control and reporting, the Bank has a Risk Management department which reports to the Bank's Chief Risk Officer. The unit is structured with individual risk units for each of the Bank's business verticals.

## **HUMAN RIGHTS PRINCIPLES**

YES BANK's commitment to respecting the rights of all its employees, clients, and the society at large is underlined through its employee Code of Conduct, Policy regarding Prevention & Prohibition of Sexual Harassment, Corporate Whistleblower Policy, and its internal employee grievance channel - My Voice. These policies are an important part of the Bank's training and induction processes, and each employee is made aware of these policies along with other policies at the Bank.

YES BANK considers the right to access banking and financial services is a right of every citizen, and its approach, action and performance is highlighted in this section.

### **Policy regarding Prevention & Prohibition of Sexual Harassment at Workplace**

YES BANK's Policy regarding Prevention & Prohibition of Sexual Harassment at Workplace was put into effect on November 1, 2011 with an objective to uphold and maintain the dignity of each and every executive working in the Bank.

The policy has been approved by the MD & CEO of the organization. It is reviewed and published every year. The policy explicitly states the Bank's zero tolerance towards any action by an executive that may fall under the ambit of sexual harassment at the workplace. It is committed to foster a non-discriminatory, equal opportunity and healthy workplace environment by ensuring an effective mechanism for dealing with cases of sexual harassment at work.

The policy is applicable to all executives of the Bank and lays down the complaint mechanism, redressal process and the enquiry process to handle reported cases of sexual harassment. The Bank has constituted a Committee to investigate and inquire into complaints of sexual harassment that guarantees that such complaints will be investigated promptly in an impartial and confidential manner.

At any point, this Committee has a minimum of three members, two of which are women executives. There exist two Committees of three senior executives, in Mumbai and Delhi each. Cases reported at any location of the Bank are assigned to either of these two Committees. The Policy mandates that the Committee's enquiries into complaints must be completed within 90 days.

### **Corporate Whistleblower Policy**

YES BANK's Corporate Whistleblower Policy has been approved by the Audit & Compliance Committee of the Board and intends to cover major concerns that may fall outside the scope of the other procedures of the Board.

The Whistleblower Policy as mandated by the Board includes:

- Conduct which is an offence or a breach of law or as stated in the Bank's Code of Conduct
- Disclosures related to miscarriage of justice
- Financial or non-financial mal-administration or malpractice or impropriety or fraud or corruption/Unauthorized use of funds/Embezzlement of funds
- Code of Conduct & Ethics for the Board of Directors and senior management
- Health and safety risks
- Other unethical conduct

The policy also provides protection to employees raising a genuine concern to prevent harassment or victimisation.

The Bank is a part of the Corporate Whistleblower Initiative which is an independent reporting and communication initiative that provides a simple and effective portal for whistleblowers to log their concern and for organizations to effectively manage, process and respond to them. Any executive of the Bank can log into the Corporate Whistleblower Initiative Portal (CWI) and report their concern in a secure and confidential manner, without any fear of revelation of identity. The Whistleblower Initiative is under the direct purview of senior management at the Bank.

The CWI portal can be accessed at [www.cwiportal.com](http://www.cwiportal.com).

## **Financial Inclusion**

YES BANK believes that access to finance is a human right. A large section of India's population remains unbanked and without access to formal channels of credit, significantly hindering their economic progress, and preventing their entry into mainstream economy.

The Reserve Bank of India, India's central monetary authority, accords a high priority to financial inclusion and has mandated banks to bring formal banking closer to the bottom of the pyramid.

As a part of its Responsible Banking in Action ethos, the Bank has specialized business units that work in specific sectors that drive its action on a number of UNGC principles. These include:

- Inclusive & Social Banking
- Microfinance & Affordable Housing Group
- Agribusiness & Rural Banking

The Bank links sustainability to stakeholder value creation through innovative business solutions and services. To address the needs of the bottom of the pyramid towards financial inclusion, YES BANK has worked in the following areas:

### **Inclusive & Social Banking**

Inclusive & Social Banking (ISB) is a special division launched with a vision to mainstream sustainability within YES BANK's core business operations and cognizant of the needs of 'The Next Billion' customers.

The mandate of ISB is to reach out to un-banked and under-banked population (in urban and rural areas) by leveraging the Bank's branch network, technology edge and relationship capital in the Public, Private and Social sectors. The following are some key initiatives of ISB:

### **YES MONEY**

India has a large migrant population that works in the metro cities. This population supports its families, who remain in their native places, by transferring a portion of their wages through formal bank accounts, money transfer, postal money order, or private parties.

Transferring money is a time consuming, costly, and cumbersome exercise for this segment due to various constraints. Many migrant workers do not have a formal bank account. Opening a bank account is hampered by lack of required minimum documentation.

To successfully complete a single transaction, migrant workers have to stand in long queues as banks open only a few counters for up to 4 hours in the morning. As a result, these workers lose

labor wages and time and the industry loses an estimated 10 hours of productive work due to these constraints.

YES BANK's innovation team worked towards a solution to two major constraints – the Bank's limited network of branches that made offering a wide ranging remittance service insufficient, and the constraint in transferring money from a different bank.

The team innovated on a Business Correspondent (BC) franchise (usually a neighborhood convenience Store) that can initiate the remittance transaction on a hand held device which flows through YES BANK's NEFT system and lands in destination account within 24 working hours. The Bank utilized its Business Correspondent (BC) model to bring the transaction touch-point closer to the customer, in this case the migrant worker, which is available even at non-banking hours. YES MONEY allows them to transfer money up till 7 PM, and offered the user a choice of over 85,000 commercial bank branches across India. This service generally costs the customer up to 1% of transaction value vis-à-vis 5% which is the maximum charged by the post office.

YES Money's Business Correspondent model had 40 members in June 2011, expanding to 793 in December, 2011. The model processed 400 transactions a week in July 2011, and was processing 20,000 transactions a week in December 2011.

#### **FY 2011-12**

Number of Business Correspondents*	<b>4</b>
Number of transactions done	<b>490,825</b>
Total value of transactions (INR mn)	<b>2,548.69</b>
Number of Unique senders	<b>1152</b>

*\* Each Business Correspondent has a large number of neighbourhood stores as Business Correspondent Agents (BCA's) managed by it*

#### **YES SAHAJ**

India has over 85,000 branches of scheduled commercial banks but the establishment of these branches is heavily skewed in favour of metropolitan and urban areas, and only about a third of all branches are in rural India.

YES BANK has taken a leadership role in the Business Correspondent model with the introduction of YES SAHAJ, an award winning micro-banking service that integrates mobile technology and the business correspondent model to provide basic banking services to the doorstep of the rural consumer.

There have been a number of innovations to aid financial inclusion, but most solutions face scalability and financial viability issues. YES BANK follows the principle of Frugal Innovation For Financial Inclusion to come up with innovative and cost effective solutions to expand its product and service portfolio into previously unbanked regions and communities. The Bank

launched a mobile banking platform that delivers essential banking services such as deposits, withdrawals, payments etc. using GPRS technology through a Business Correspondent called Service Officer.

YES SAHAJ (meaning simple in Hindi) combines several technologies and brings together several stakeholders including banks, regulatory authorities, mobile service providers, and local communities. A brief snapshot of its performance is highlighted below.

#### **FY 2011-12**

Total transactions	<b>95,637</b>
Total Service Officers/CSPs	<b>46</b>
Total Value of Transactions (INR mn)	<b>59.19</b>

#### **YES LEAP**

YES LEAP is a product suite developed for Self Help Groups (SHG). Self Help Groups are community based groups that act as a financial intermediary between a finance institution and an individual. SHG's allow an individual access to credit which they would not have been able to access individually, improve savings within the community and lower the risks for financial institutions providing credit to the bottom of the pyramid.

#### **FY 2011-12**

Number of Business Correspondents*	<b>8</b>
Number of savings linked SHG's	<b>250</b>
Total outstanding value in saving linked SHG's (INR mn)	<b>7.97</b>
Number of credit linked SHG's	<b>192</b>
Total loan outstanding in credit linked SHG's (INR mn)	<b>18.13</b>

*\* Each Business Correspondent is a corporate agent with a dedicated team on its payroll*

#### **Microfinance & Affordable Housing**

YES BANK considers microfinance to be a proven financial inclusion model that plays a key role in making credit available to the bottom of the pyramid. As a part of the Bank's development banking practice, the Microfinance Institutions Group (MFIG) was constituted as a dedicated business unit working in this sector.

The unit expanded its scope to include affordable housing in its business mandate and works closely with developers and Housing Finance Companies (HFC) with a focus on affordable housing. The Group was rechristened as the MFI and Affordable Housing Group in 2011.

The unit offers products/services including term loans, equity raising and syndication of debt and facilitates MFIs access to capital markets. During the year, the unit supported MFIs in Andhra Pradesh in debt restructuring. The unit engages with other stakeholders such as the RBI

and the Government to provide advocacy support to the sector. Since the unit's inception in 2006, it has impacted nearly 3 million low income borrowers.

During FY 2011-12, the unit extended financial assistance of approximately INR 5,500 million to MFIs, HFCs and project developers in the affordable housing segment.

### **Agribusiness & Rural Banking**

The Agribusiness & Rural Banking (ARB) arm is the Bank's focused business unit providing financial services to the agriculture and allied sectors. Agriculture and allied sectors are a part of Government of India's Priority Sector Lending requirements, and ARB is active in various subsectors across the agriculture value chain. Its key performance highlights during FY 2012 are given below:

Client Activities	Client Addition FY 12	Total clients as on Mar12	Debt Disbursal FY12	Total Exposure Mar12	Liabilities (FD) Acquisition FY12	Total Liabilities (FD) as on Mar12
			<b>(INR mn)</b>			
Agri supply chain & logistics	723	727	2382.5	4018	550	550
Food processing	15	18	718.6	720	40	0
Agri equipments	23225	37533	7758.3	9244.8	869.4	1273
Crop production	103225	103243	6790.7	8338.4	3322.9	3342.9
Agri inputs	1309	1311	11951.9	11750.5	1.3	4.1
Seed production	14	19	2977.9	2577.79	770	400
Allied services	342	351	7611.7	7311.7	960	860
<b>TOTAL*</b>	<b>128853</b>	<b>143202</b>	<b>40191.6</b>	<b>43961.19</b>	<b>6513.6</b>	<b>6430</b>

*\*May vary from the exact figure due to rounding off*

## **Responsibility Towards the Customer at YES BANK**

As a public trust institution, the quality of YES BANK's products and services, and transparency in its operations is directly linked to its reputation and brand value. As a financial intermediary, Banks can often be targets of misuse for illegal activities such as money laundering and inadvertent instruments of financial fraud.

To ensure the highest standards of information security and product responsibility at the Bank, employees go through a robust training and induction process that trains them to recognize and act on financial fraud, money laundering, adherence to regulatory requirements and due diligence.

In addition, sales force is trained in the Bank's Suitability and Appropriateness Policy to avoid misrepresentation of the Bank's products and services to customers. The Enhanced Due Diligence (EDD) at the Bank operates on the "need to know basis", and sales personnel are trained to recognize red flags and warning signs towards suspicious behavior indicators. Every employee in the Bank is encouraged and open to report any wrongdoing in the Bank using the Corporate Whistleblower Initiative.

Apart from maintaining transparency in operations, The Bank's EDD and improved customer profiling brings it closer to the customer, and allows it to offer the most apt financial product or service.

The Bank adheres to the Banking Codes and Standards Board of India, Goiporia Committee recommendations and Committee on Procedures and Performance Audit of Public Services (CPPAPS) guidelines.

### **Managing Customer Complaints**

The Bank has in place mechanisms and processes for speedy customer complaint resolution and continuous feedback. These processes have been implemented across all Bank locations.

Given below is the Bank's customer complaint management process in brief:

- A customer complaint is entered into a Customer Service, Complaint and Query Management System, which generates a reference number for the customer
- Specific turnaround times are assigned to each complaint category within the system and unresolved issues are automatically escalated at the end of the stipulated time
- Root cause analysis of the complaint and necessary corrective/preventive actions are taken
- The Bank's final response on a complaint asks the customer to escalate the complaint to the Banking Ombudsman if dissatisfied



<b>Customer Complaints</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
No. of complaints pending at the beginning of the year	86	8	5	6
No. of complaints received during the year	5315	3483	629	1699
No. of complaints redressed during the year	5393	3489	628	1691
No. of complaints pending at the end of the year	8	5	6	14
<b>Awards passed by the Banking Ombudsman</b>				
No. of unimplemented awards at the beginning of the year	0	0	0	0
No. of awards passed by Banking Ombudsman during the year	0	0	0	0
Number of awards implemented during the year	0	0	0	0
Number of unimplemented awards	0	0	0	0

The Bank has in place several initiatives that provide customers an effective medium to get their voice heard. The Bank holds monthly Branch Service Committee meetings which invites customers to share their feedback and concerns with the Committee. Customers are also invited to the Standing Committee meeting held quarterly where they can interact directly with the MD & CEO of the Bank.

## **YES COMMUNITY**

YES COMMUNITY is the Bank's unique community engagement initiative that aims to connect with the local communities residing around its branches on socially and environmentally pertinent issues. The rationale is to utilize the branches as knowledge sharing centers and build strong community relations which help shape meaningful conversations about real life issues – and in turn – move the relationship beyond transactional value.

Through monthly events held across branches, YES COMMUNITY incorporates community development initiatives such as clean and green drives, energy efficiency practices, workplace health and safety and the development of local disaster management plans, waste management and recycling, and rain water harvesting among others.

YES BANK conducts the national “Joy of Giving Week” every year at branches across India. It partners with national and international NGOs to bring together its employees and communities to give their time, money or resources back to society.

Through over 1500 branch events since June 2008, the Bank has reached out to over 120,000 people nationwide including children and adults.

## **LABOUR PRINCIPLES**

Every employee at the Bank adheres to the Bank's Code of Conduct Policy which outlines the Bank's strong focus on ethical and professional conduct. The Board of Directors and senior management (together referred to as key personnel) must adhere to an expanded Code of Conduct that outlines their responsibility to set the standards of ethical conduct. The Board of Directors is responsible for updating these codes as and when they deem necessary to reflect changing regulatory and legal environment.

Some of the pertinent clauses of the Code of Conduct for 'key personnel' that address the Bank's human rights and ethical standards are:

- a. **Fair Practices** – The Bank regards fair practice as a conduct that is practiced with utmost care and without malafide intention. The section clearly directs the key personnel to not indulge in making any payment directly or indirectly to or for anyone for the purpose of obtaining business or any other favourable action.
- b. **Conflicts of Interest** – The Code clearly outlines what constitutes as conflicts of interest for key personnel, and specifically prohibits them from taking any personal advantages arising out of their association with the Bank, using the Bank's properties for personal gain, and competing against the Bank.
- c. **Disclosures** – The Code directs all key personnel to comply with all disclosures and directs them to refrain from favouring individuals or single entities in providing information pertaining to the Bank.
- d. **Confidentiality** – The Code clearly defines what constitutes confidential information and clearly deems illegal the use or distribution of proprietary information, an obligation they must adhere to even if they move on from their employment or contract with the Bank.
- e. **Insider Information** – The Code clearly deems illegal the use of non-public information for gaining advantage for self or family in any security market.

### **Employee Code of Conduct**

The Code of Conduct for Employees at YES BANK came into effect in December 2011 and is signed by the MD & CEO of the organization.

The Code underlines the Bank's zero tolerance towards non-compliance with internal and regulatory compliances that can tarnish the institutional trust and faith of the Bank internally and externally. The Code document is available to all YES BANK executives internally.

The Code underlines the need for executives to maintain an "open door" policy with executives who report to them directly or indirectly regarding any questions, including those related to personal or business conduct and ethics.

Some of the clauses and sub-sections in the Code that address the Bank's response to human rights, labour, environment, and anti-corruption are highlighted below:

**Fair Dealings** – The Bank underlines the need for its executives to deal fairly with its customers, competitors, colleagues, suppliers, business associates and public authorities. Executives should not take any unfair advantage of any stakeholder through manipulation, concealment, abuse of privileged information, misrepresentation of facts or unfair practices such as bribery or illegal gratification. Similarly, executives are clearly instructed to refrain from accepting gifts, favours, or any benefit beyond the acceptable and required business conduct.

**Product Appropriateness and Suitability** – The Bank puts the customer first, and clearly underscores the importance of its executives keeping in mind the needs and means of a customer before recommending a product or service to them. All executives must recognize customers' objectives, knowledge and sophistication and risk appetite among others, and refrain from mis-selling, withholding material product information and hiding risks related to the Bank's products and services.

**Know Your Customer & Anti-Money Laundering (KYC/AML) Policy** – The Bank encourages its executives, and organizes regular training to uphold its policies of KYC and AML.

**Corporate Whistleblower Policy** – The Bank has a separate Whistle Blower Policy that also includes, among other pertinent clauses, an expectation from employees to bring to notice employee mis-conduct promptly. The description of the Policy is in the Human Rights section of this document.

**Insider Trading Policy** – The Bank has a separate, comprehensive Insider Trading Policy that guides the actions of its executives on gaining undue financial advantage in the securities markets.

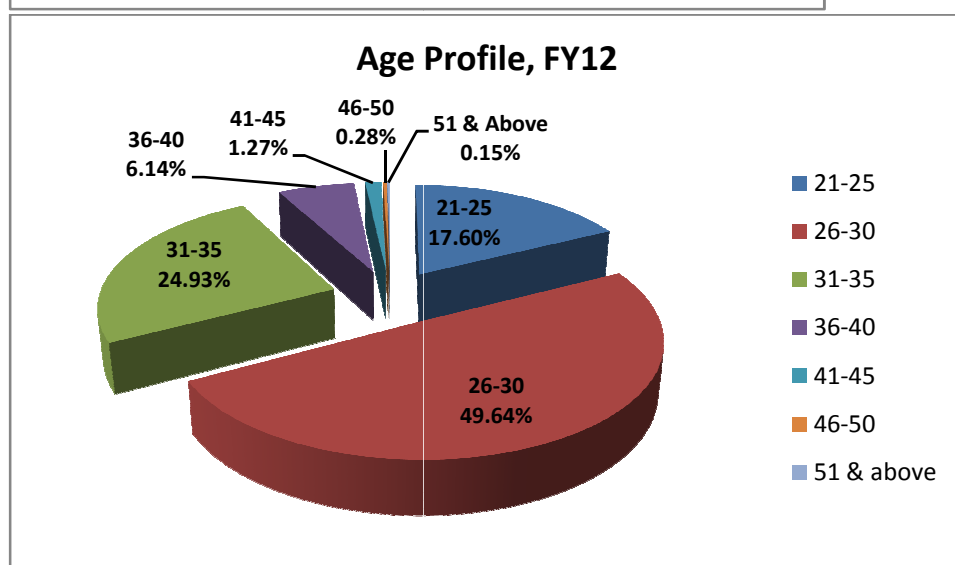
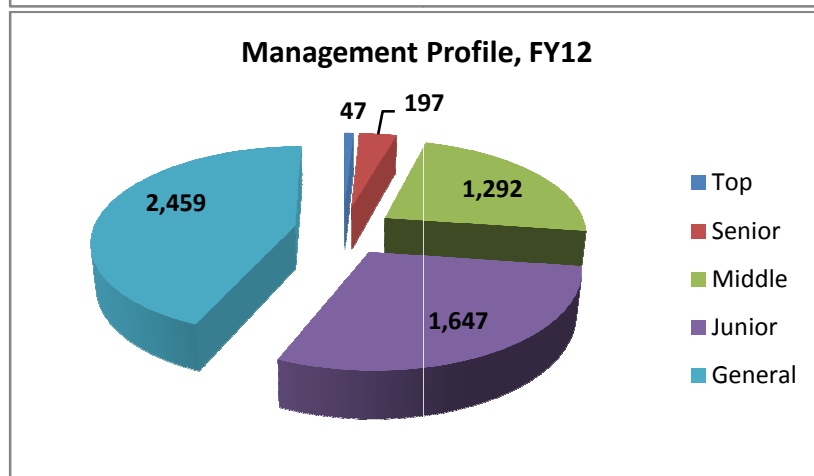
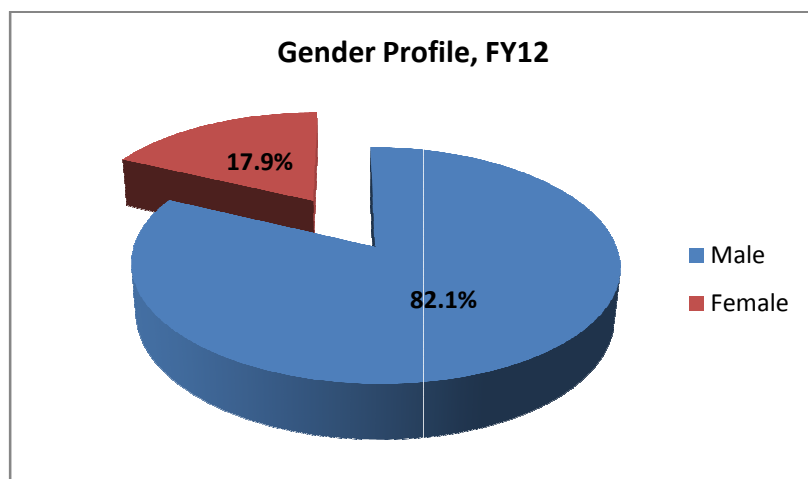
**Policy Regarding Prevention & Prohibition of Sexual Harassment** – The Bank has a separate policy for prevention of sexual harassment, and expects all executives to maintain and respect the dignity of all executives.

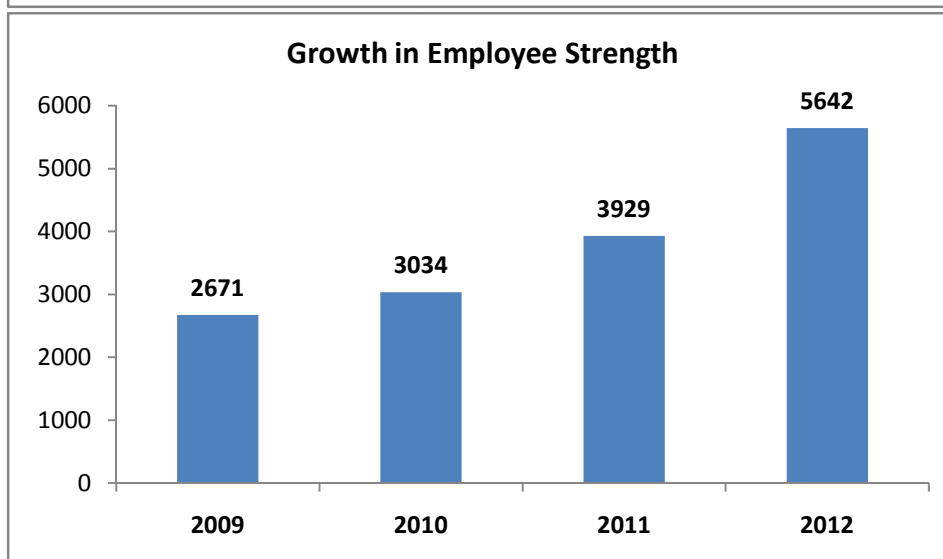
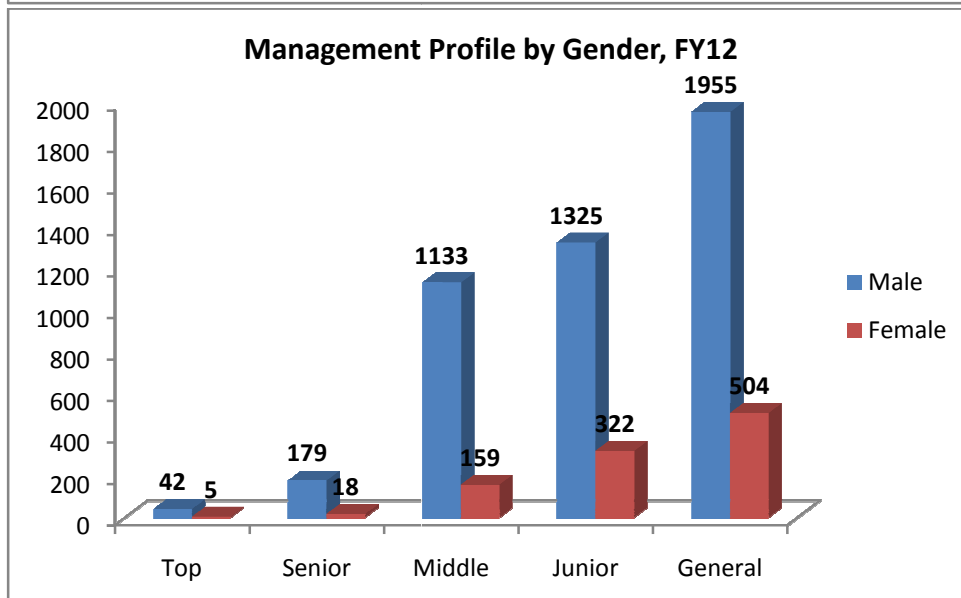
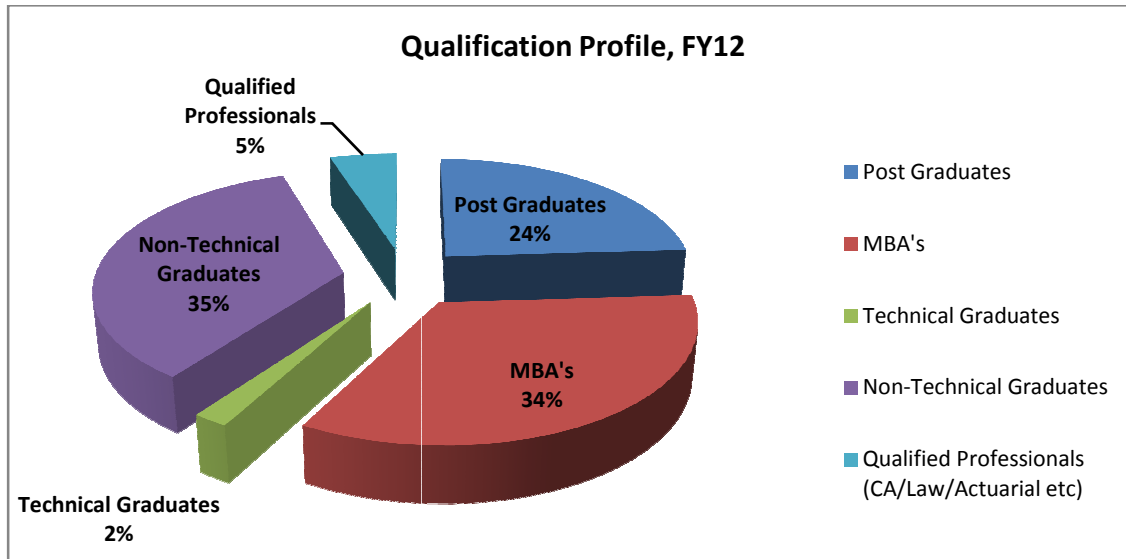
In addition, the Code also highlights adherence to the Bank's non-smoking policy, environmental considerations in their daily dealings, and transparency and cooperation with internal or external audits and investigations.

To ensure that all executives have read and understand the Code of Conduct, reading the Code and committing to its adherence is mandatory when an executive joins the Bank. The Bank's Human Capital Management unit is responsible for ensuring the Code is read by new

employees and be made available in a digital format in the Bank's internal Human Resource IT system.

### Human Capital Profile – FY 2012





## Employee Turnover

The Banking, Financial Services and Insurance (BFSI) sector tends to hire sales personnel on a third party contract where they are not a part of the organization's payroll or attrition. In case of YES BANK, it hires all employees, in sales or other departments, on the Bank's payroll on a full time basis, thus giving transparent and accurate data on attrition. Details:

	<b>FY 2012</b>
<b>Sales</b>	37.74%
<b>Non- Sales</b>	16.39%

## Employee Training

YES BANK mandates all new employees to undergo comprehensive training programs on policies and products. Employee induction is an important platform for sensitizing and training the Bank's new employees on policies pertinent to human rights, anti-corruption and employee standards.

Specific employees in the sales and marketing roles are trained in the company's policies and practices in product responsibility, due diligence, money laundering, anti-corruption, and data security among others.

### Employee training programs conducted during FY 2011-12

Total training programs conducted	1054
Total Executives trained in programs above	4548

### Employees trained by Management category:

Senior Management	103
Middle Management	856
Junior Management	1339
General Management	2250
Total	4548

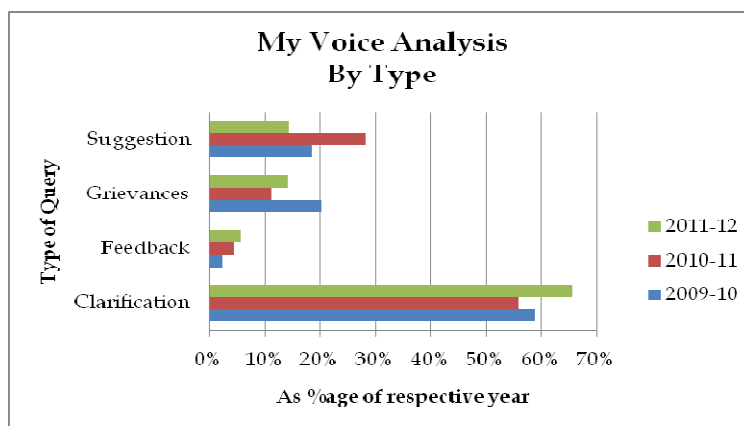
### Training programs by category:

Behavioral (soft skills)	47
Employee induction	98
Mandatory policies and compliance	147
Process training	180
Product training	582
Total	1054

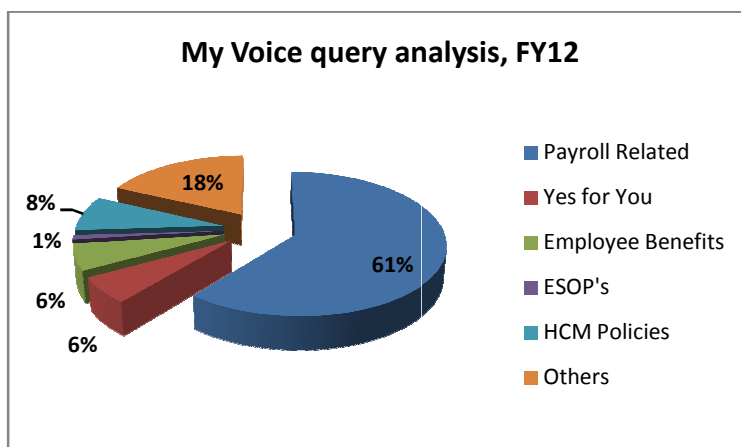
## My Voice

My Voice is an internal portal available to all executives within the Bank and accessible from the internal Human Capital Portal. My Voice is a secure channel for any employee to raise queries, report grievances, make suggestions or seek clarifications on any issue. Every employee within the organization is assigned a single point of contact in the Human Capital Management team who the employee can reach out to for any query.

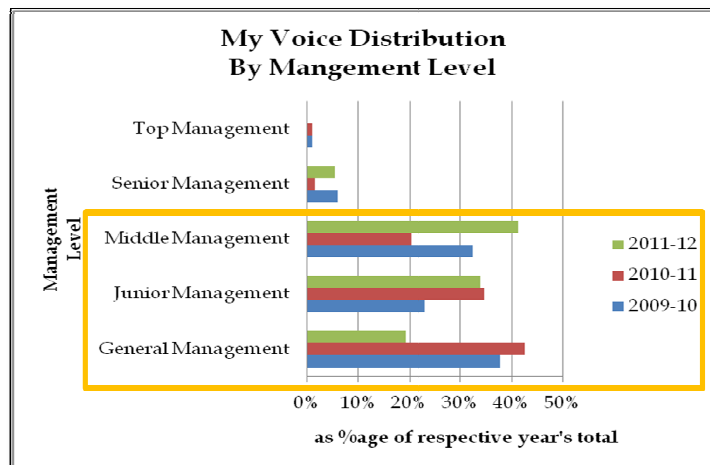
During FY2011-12, 332 queries were raised in My Voice, a rise of 64 percent over the queries raised in the previous year, strongly indicating the rising trust in the effectiveness of this tool among employees. The average turnaround time for query resolution was 1.87 days.



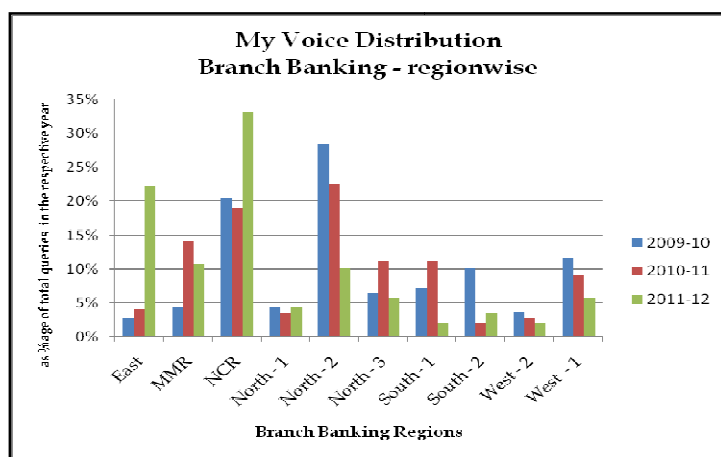
Below is a breakdown of the categories of queries raised by employees in My Voice.



My Voice is aimed at providing the middle, junior and general management direct access to the Bank's Human Capital Management (HCM) team. The chart below highlights the extensive usage of the tool by these target employees.



My Voice also serves as an effective tool for employees in branches all across the country to reach the HCM teams. The chart below represents the regional distribution of queries raised through My Voice in the past three financial years.





## **ENVIRONMENT PRINCIPLES**

### **Environment & Social Policy (ESP)**

YES BANK is one of the first commercial banks in India to voluntarily incorporate environmental and social risks into its overall risk assessment framework. The Bank adopted the Environment & Social Policy with an overarching objective of aligning social and environmental approach of the Bank with those of its customers. The Bank benchmarked the ESP with the best practices adapted by national and international agencies, institutions and peers.

First adapted in 2005, the Policy is reviewed annually to align with Bank's broader objectives. An important aspect of the ESP is its robust checklist of prohibitive activities in the Bank's loan approval mechanism, including, but not limited to, a proposal's impact on air, water or land pollution and use or production of substances that are subject to international bans or phase-outs.

### **Responsible Finance**

YES BANK views climate change as an opportunity and believes that it can play the role of a catalyst in bringing cleaner and newer technologies into the mainstream market.

YES BANK is active in the renewable energy, clean technology, water and sanitation space. The Bank's Sustainable Investment Banking team does extensive advisory to businesses operating in the sustainability space. The team covers a complete product spectrum in clean technology. Some examples are:

- a. Energy: generation, management, engineering and resources
- b. Environment: water and waste water, waste management, engineering and services
- c. Socially sustainable sectors – broadly defined as healthcare, education, livelihood creation, water and sanitation etc.

Below is the summary of the Bank's performance in the sustainability investment domain during FY 2012:

### **Renewable Energy**

	<b>Power Generation (MW)</b>	<b>Debt Exposure (INR Million)</b>	<b>Equity Advisory (INR Million)</b>
<b>Wind</b>	96	1330	580
<b>Solar</b>	49	5440	0
<b>Waste to Energy</b>	70	1540	0
<b>Total</b>	<b>215</b>	<b>8310</b>	<b>580</b>

## Water Security and Sanitation

	Debt Exposure (INR Million)	Equity Advisory (INR Million)
Hazardous Waste Management	350	0
Water Efficiency	0	250
Total	350	250

## Greenhouse Gas Reporting & Resource Management at YES BANK

YES BANK was the first signatory to the Carbon Disclosure Project in the Indian banking sector thus highlighting its commitment to reporting its greenhouse gas (GHG) emissions. It ranked third in the Carbon Disclosure Leadership Index 2011 for India with a score of 78, and was the only financial institution in the list. A score over 70 on the CDLI demonstrates that the “senior management understand the business issues related to climate change and are building climate related risks and opportunities into core business.”

YES BANK’s Annual Report for FY 2011-12 included, for the first time, its sustainability disclosures covering its Environmental, Social & Governance (ESG) performance. The Bank’s key institutional priority over the next year would be to measure and report on its resource consumption, emissions, and adapt ways to reducing specific emissions and operational costs.

During the year, the Bank established the Environment and Cost Management Committee (ECMC) which brought together senior leadership from various business units to drive targeted programs to reduce operational costs and rationalize resource consumption.

YES BANK’s GHG emissions for FY 2011-12 are highlighted below:

Year	Scope	GHG Emissions (tCO <sub>2</sub> e)
2011-2012	2	15,318.34

Grid Electricity Consumption – FY 2011-12	16,090 MWh
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## Technology Initiatives at YES BANK

YES BANK is cognizant of the significant operational efficiencies it can achieve by improving its own infrastructure and network and contribute to reducing its overall ecological footprint. Technology is a major aspect of the Bank’s operations, and some of its initiatives towards technology improvement are highlighted below.

## Server Optimization and Virtualization

Technology costs form a significant portion of the Bank's capital and operational costs. Within an enterprise environment, the overall availability and performance of servers is a critical component of operations. The Technology Solutions Group at YES BANK undertook server optimization and virtualization to bring down the Bank's operational and capital costs, and improve their availability and performance.

Through physical hardware consolidation and server virtualization, administrators have been able to optimize the way critical information is processed and distributed across the Bank's network, thus reducing energy consumption and the time required to launch new applications.

Number of physical servers virtualized	81
Power saved in KVA	55
Power used by virtual environment (KVA)	11.4
Actual power saved (KVA)	43.6
<b>Cost of power saved annually (INR mn)</b>	<b>2.97</b>

Advantages of server virtualization:

The time taken to roll out a new application has reduced significantly from an average of 6 weeks to less than two days. In the absence of a virtual server, a new application required the acquisition of new hardware, and the process of application configuration could commence only upon its delivery. Virtualization allowing provisioning a server resource within a very short period and provides ample spare capacity.

Reducing the number of physical servers has almost halved the capital costs of the Bank towards server acquisition. The expanded space and power for the Bank's Production Data Center will significantly reduce the Bank's risk associated with the migration of IT equipment between various data center locations.

Going forward, YES BANK aims to consolidate 108 servers into 21 servers based on a consolidation ratio of 6:1.

## Desktop Rationalization

YES BANK is currently in the Version 2.0 of the Bank's life cycle, aiming to reach 900 branches by the end of 2015 from 356 branches on March 31, 2012. The Bank is aware of the large investments in information technology hardware that will be required to match pace with the scale up of branches. The Technology Solutions Group, which is responsible for the hardware installations at the new branches, undertakes operational stock rationalization at branches and adheres to an optimal ratio of hardware for new branches. In addition, the Bank aims to reuse as many desktops as possible in the new branches, thus cutting down its e-waste output and reducing its hardware acquisition costs.

Desktop rationalization has been undertaken as a six sigma project at the Bank, and aims at reducing desktop allocation pan India in the branch banking segment from the current 90% to 25%.

### **E-Waste Management**

YES BANK is cognizant of its responsibility to manage electronic waste in the form of old computers, printers, laptops, servers etc. During the year, it tied up with Eco Recycling Limited (Ecoreco) to manage electronic waste. Tying up with a government approved scrap vendor ensures that the Bank's used electronic waste is disposed in the most environment friendly manner. During a six month period from September 2011 to April 2012, Ecoreco collected 315.2 KG of e-waste from YES BANK's various branches.

Going forward, The Bank plans to bring a larger number of branches into the e-waste recycling fold, and tying up with multiple agencies to collect e-waste from all its locations across India.

### **Sustainable Printing**

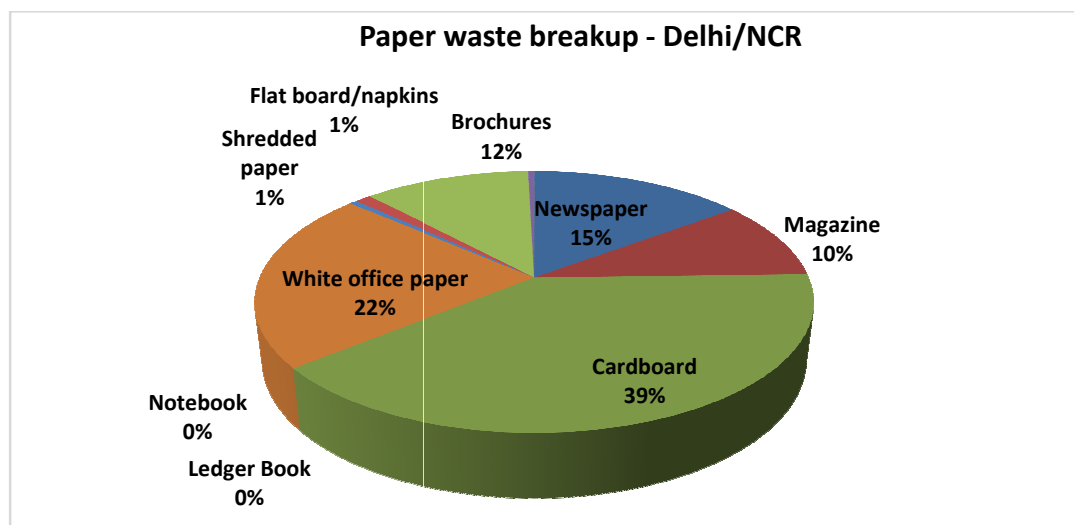
YES BANK tied up with Canon India to manage and recycle its empty toner cartridges at three locations in Mumbai and Gurgaon. As a part of this initiative, Canon has provided disposable recycle bins at these locations that collect empty toner cartridges for proper disposal at a government approved third party vendor.

During the year, the Bank started a pilot project in Mumbai to recycle toner cartridges where it tied up with a third party vendor, Cartridge Junction, which specializes in recycling and refilling empty toner cartridges. The Bank collected 33 empty toner cartridges during FY 2012 for recycling at Cartridge Junction. The proceeds due to the Bank from this exercise were donated to Masoom, an NGO that works towards improving the quality of education in Mumbai's night schools.

### **Paper Management Initiatives**

During the year, the Bank began a pilot project in its New Delhi location to recycle waste paper by typing up with Green-O-Bin, a third party recycling agency that offers paper recycling services in New Delhi and Gurgaon.

As a part of the pilot, Desk Side Recycling Bins were placed at various locations within the Bank's facilities to enable employees to collect waste paper and to begin the waste segregation at the source itself. In FY 2012, Green-O-Bin collected 3,099 kg of waste paper from the Bank's Delhi/Gurgaon locations, which was recycled at their facility. A representation of the paper waste type is below:



### Sustainable Branch Design

The Bank's Infrastructure and Network Management team spearheads the Bank's focus on making its branches more sustainable by incorporating energy efficiency practices. Some of the practices highlighted during the year were:

Parameters	Actions/Programme	Impact
Air Conditioning	4 star power saving usage Usage time rationalization Timely maintenance	Reduced wastage and lower emissions
Lighting	Energy efficient CFL's LED usage being tested for branch signage	Efficient lighting and reduced emissions/cost
Energy use (electricity)	Power factors corrections Voltage stabilizer installation Awareness drive	Waste reduction, improved efficiency and reduced cost
Diesel Generator/UPS	UPS utilization - DG set used post 1 hour of electricity failure Regular servicing	Reduction in diesel usage/emissions

### E-Giving

As a part of its desktop rationalization program and the push towards reducing e-waste generated, the Bank refurbished and reused perfectly usable computers, donating them to charity. Working closely with the Responsible Banking team which helped in identifying the NGO's, YES BANK donated 25 machines to 9 villages in Nashik district during the year.

## **ANTI-CORRUPTION PRINCIPLES**

YES BANK adheres to the anti-corruption principles through its policies and training practices as highlighted in the Corporate Governance, Human Rights and Labour Standards sections of this document.

The Bank has strict policies, and monitoring mechanisms in place to ensure employees do not indulge in any inappropriate behavior to win business for the Bank or for personal benefits. These guidelines form a part of the Code of Conduct for employees and for the senior management and Board of Directors.

The important policies and clauses within the Code of Conduct that highlight the Bank's adherence to the principle of anti-corruption are:

**Fair Dealings** – The Bank underlines the need for its executives to deal fairly with its customers, competitors, colleagues, suppliers, business associates and public authorities.

**Know Your Customer & Anti-Money Laundering (KYC/AML) Policy** – The Bank encourages its executives, and organizes regular training to uphold its policies of KYC and AML.

**Corporate Whistleblower Policy** – The Bank has a separate Whistle Blower Policy that also includes, among other pertinent clauses, an expectation from employees to bring to notice employee misconduct promptly.

**Insider Trading Policy** – The Bank has a separate, comprehensive Insider Trading Policy that guides the actions of its executives on gaining undue financial advantage in the securities markets.

### **Bringing Transparency into the Value Chain**

YES BANK builds and maintains long term associations with its suppliers and has a Strategic Sourcing Department since its inception to bring more focus and acquire economies of scale on its purchasing practices. Senior officers continuously communicate with vendors through participation in vendor meets and site visits.

The Bank seeks to advance its sustainability agenda to its partners in the value chain and helps them build social and environmental considerations into their own business operations, including adapting best labour practices and adapting greener technology. The Bank's procurement procedures and policies ensure that goods and services are selected through a comprehensive vendor selection process, which encompass global best practices. Several vendors are e-connected, particularly for payment purposes, with paper communication used

only for critical matters required for audit records. Vendors participate actively and contribute by adhering to quantity and delivery date targets. Regular interaction and discussion with partners helps explore their needs and builds a positive socio-environmental approach.

Bringing transparency and accountability into procurement practices and the supply chain is an important material issue for the Bank. The enhanced transparency prevents corrupt practices within its value chain. The Bank publishes a comprehensive list of its strategic partners whose products and services form the backbone of its operations. The list can be accessed in the Annual Report for FY 2011-12 at [www.yesbank.in](http://www.yesbank.in).