Business Responsibility Report

Section A	General information about the Company	
1.	Corporate identification number	L65910MH1987PLC042961
2.	Name of the Company	Bajaj Finance Limited
3.	Registered Address	Akurdi, Pune – 411035
4.	Website	https://www.bajajfinserv.in/corporate-bajaj-finance
5.	Email address	investor.service@bajajfinserv.in
6.	Financial year reported	1 April 2019 – 31 March 2020
7.	Sector(s) that the Company is engaged in	Financial Services (NIC code - 65923)
8.	Key services provided by the Company	1. Consumer lending 2. SME lending 3. Commercial lending 4. Rural lending 5. Deposits 6. Partnerships and services
9.	Total number of locations where business activity is undertaken by the company	2,392 locations across India
10.	Markets served by the Company	India

Section B	Financial details of the Company	
1.	Paid up capital	₹ 119.99 crore
2.	Total turnover	Consolidated: ₹ 26,385.63 crore Standalone: ₹ 23,834.15 crore
3.	Profit after tax	Consolidated: ₹ 5,263.75 crore Standalone: ₹ 4,881.12 crore
4.	Total spending on CSR as percentage of profit after tax (%)	₹ 82.19 crore against ₹ 81.92 crore as prescribed under section 135 of the Companies Act, 2013.
5.	List of the activities in which expenditure in 4 above has been incurred	Refer Annual Report on CSR activities annexed to Directors' Report

Section C	Other details	
1.	Does the Company have any subsidiary company/companies?	Yes Bajaj Housing Finance Ltd. Bajaj Financial Securities Ltd.
2.	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Yes, two

Section C	Other details	
3.	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	All material outsourcing and vendor contracts have to agree to and abide by an Anti-Corruption clause in the agreement with the Company. They are all required to be compliant with applicable laws in their business dealings.

Section D	BR information	
1.	Details of director(s) responsible for BR	
(a)	Details of the director/director responsible for implementation of the BR policy/policies:	
	DIN	01550158
	Name	Rajeev Jain
	Designation	Managing Director
(b)	Details of the BR head:	
	DIN (if applicable)	Not applicable
	Name	R Vijay
	Designation	Company Secretary
	Telephone number	020 - 7157 6403
	E-mail id	investor.service@bajajfinserv.in
2.	Principle-wise BR policy/policies	Included in this report
3.	Governance related to BR	Included in this report

Section E	Principle-wise performance	
1.	Principle-wise performance	Included in this report

Preface

The Securities and Exchange Board of India (SEBI) has mandated India's top 1,000 listed entities based on market capitalisation on the BSE and NSE to submit a 'Business Responsibility Report' (BRR) along with their Annual Report. This report is required to be in line with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVGs) as released by the Ministry of Corporate Affairs (MCA) in July 2011.

Bajaj Finance Limited ('BFL', 'Bajaj Finance', 'the Company') presents its fifth BRR, in line with the NVGs and the BRR requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended. This BRR provides information about the key initiatives undertaken by the Company, driven by the triple bottom line aspects viz. social, environmental and economic. The business responsibility performance of the Company is assessed periodically by its Board of Directors.

Achieving the UN Sustainable Development Goals (SDGs), as outlined in Agenda 2030, requires the public and private sectors to work together at scale in order to achieve results across the three dimensions of sustainable development: economic, social and environmental. Bajaj Finance is cognizant of the importance of integrating sustainable development dimensions of Environmental, Social and Governance (ESG) in its business operations. ESG factors are becoming

increasingly significant for the financial sector, as the sector has the ability to mobilise finance to create long term positive impacts for the society at large. This report describes the Company's approach towards creating positive environmental and social outcomes through its businesses. Full details of the Company's Corporate Governance are presented separately in the Corporate Governance Report on page 75 of the Annual Report.

The Company

Bajaj Finance Limited is a deposit-taking Non-Banking Financial Company (NBFC-D) registered with the Reserve Bank of India (RBI). It is a subsidiary of Bajaj Finserv Limited ('BFS') and is engaged in the business of lending; and acceptance of deposits. The Company has a diversified lending portfolio across retail, SMEs and commercial customers with a significant presence in urban and rural India. It accepts public and corporate deposits and offers variety of financial services products to its customers.

BFL has two 100% subsidiaries. These are: (i) Bajaj Housing Finance Limited ('BHFL' or 'Bajaj Housing') which is registered with National Housing Bank (NHB) as a Housing Finance Company (HFC); and (ii) Bajaj Financial Securities Limited ('Bfinsec'), which is registered with SEBI as a stock broker and depository participant. BHFL started its business in the FY2018. Bfinsec commenced its operation in FY2020.

The Company annually publishes its disclosures on the nine principles outlined in the National Voluntary Guidelines. While this report is the BRR of BFL for FY2020, initiatives and actions by its subsidiaries towards these objectives have also been provided throughout the report where relevant. The Company's approach to each principle is described below:

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

BFL is a part of the Bajaj Group, which has its roots in the freedom struggle that led to India's independence, and strives to combine the Group's historical values with modern best-in-class business practices. The Company firmly believes that integrity and ethical behaviour form the foundation on which great and successful businesses are built. As a financial services business under the Bajaj Group, the values of ethics, transparency and accountability are deeply ingrained and practised in the Company's daily operations. BFL strives to adopt high standards of corporate governance, while adhering to all applicable guidelines with transparent disclosures about the Company's performance.

Ethics

- Bajaj Finance released its revised 'Code of Conduct' (CoC) in FY2018 to systematically strengthen its core values amongst its business practices and employees. The Company communicates CoC to all its employees through various mediums and conducts trainings and e-learning programs to enable understanding, adherence and implementation.

- The CoC broadly covers good working norms, cultural norms and integrity norms. It includes 'disciplinary action policy' and 'whistle blower policy' which allows employees to escalate grievances of any nature including harassment, fraud, unethical behaviour and process/policy violation. This is monitored through an independent 'Disciplinary Action Committee' (DAC) which reports to the Managing Director (MD) and Audit Committee on a periodical basis. The Company's CoC also includes commitment to health, safety and the environment, eliminating waste and conserving resources. BFL has zero tolerance towards non-compliance of its CoC policy.

- BFL has a separate CoC for its Directors and Senior Management. It states that 'Directors and Senior Management shall observe the highest standards of ethical conduct and integrity and shall work to the best of their ability and judgment'. A declaration from the Directors and Senior Management's affirmation to the said CoC is communicated to all stakeholders by the MD, through the Annual Report.

- BFL and its subsidiaries have zero tolerance towards unethical business practices and ensures adherence to necessary policies with respect to anti-bribery, conflict of interest, prevention of insider trading, prevention of money laundering, prevention of sexual harassment and related party transactions, as applicable.

- BFL and its subsidiaries adhere to the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI). Concerned employees of BFL, its Parent Company, subsidiaries and other group companies, and their executive staff and directors are also covered by the Code of Conduct for regulation of trades by designated persons, pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. These policies are reviewed periodically and updated as required. Any non-compliance with these policies is viewed seriously by the Board and actions commensurate with proven violations are initiated as required.

- All stakeholder complaints linked to CoC adherence received in the reporting year have been suitably resolved.

Transparency

- Transparency and fairness in dealings with customers is one of the stated principles of the Company to which the Company and all its subsidiaries adhere to. None of the products withhold any relevant information needed by the customers to make informed choices.

- The Company follows a transparent investor communication protocol which includes investor presentations, quarterly and event-based investor calls, uploading of call transcripts and prompt dissemination of price sensitive information etc.

- After the end of each quarter, BFL voluntarily provides provisional key financial metrics pertaining to that quarter to the stock exchanges. This is done to ensure symmetry of information in line with the principles of fair disclosures.

Accountability

- 'Accountable Empowerment' is one of the stated principles of the Company which has been adopted across all its subsidiaries as well. The Company strongly believes that empowerment and accountability go hand in hand and one without the other would be ineffective.

- BFL and its subsidiaries are managed by competent and professional MD /CEOs, while being overseen by the respective Boards of Directors and supported by a strong team of competent professionals.

- The remuneration of Senior Management is benchmarked with appropriate peer groups and consists of a mixture of fixed pay, annual variable pay and long-term incentive in form of stock options.

- Following are examples of practices followed by the Company and its subsidiaries, which reflect their endeavour to maintain high standards of governance and go beyond legal requirements:

    i. BFL holds higher number of Board meetings as against the minimum of four required by law.

    ii. BFL, twice a year, conducts meetings of senior management and the independent Directors.

    iii. Chief Risk Officers of BFL and BHFL meet their respective Boards without the presence of Managing Director.

iv. BFL and BHFL conduct quarterly Pre-Audit meetings wherein the Chairman of the Audit Committee thoroughly reviews, along with the Senior Management and internal and statutory auditors, the financial performance of the Company and observations of auditors.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

As a financial services company, BFL neither has a sizable consumption of any raw material nor produces any physical goods. Its activities are limited to providing financial solutions to serve the needs of the people of this country. These include solutions for the urban and rural population that would enhance their livelihood as well as quality of life. Some of them are given below:

- Bajaj Finance has created deep distribution in medium and small towns, and villages across the country thereby taking financing solutions closer to society. It offers a wide range of simple financial products suited to the rural population including consumer durables, mobile phones and gold loans. As at the end of FY2020, BFL was operational in 1,357 locations through nearly 19,600 points of presence in its rural lending division.

- BFL provides financing for three-wheeler passenger vehicles and commercial vehicles which enables under privileged and underserved population to own a productive asset and earn a living.

- BFL's lifecare finance offering provides an easy EMI solution to customers to meet their healthcare and medical needs, thereby allowing them to lead a healthier life. It also offers easy EMI solutions for purchase of fitness equipment and bicycles.

- BFL distributes life, health and general insurance products to its customers to provide them with adequate financial cover for life, health and their assets.

- BFL provides financing for solar equipments through affordable EMI schemes. This enables customers to access environmentally friendly sources of renewable energy.

Principle 3: Businesses should promote the well-being of all employees

BFL believes that 'happy customers start with happy employees'. BFL and its subsidiaries are committed to creating a thriving, safe and inclusive workplace for all its employees. To achieve this, they drive various employee engagement initiatives. BFL has 13 cultural anchors which form the backbone of its culture and is propagated to attract and retain talent.

BFL is an equal opportunity employer. It had 24,518 permanent employees at the end of the reporting year. BFL employees are not part of any employee association. No complaint related to child labour, forced labour, or involuntary labour was received in the reporting year. During the year, the Company received one complaint related to sexual harassment, and the same has been appropriately resolved.

The Company and its subsidiaries make payment of 'fair living wages' by ensuring compliance of the Minimum Wages Act, 1948 and the Payment of Bonus Act, 1965. BFL and BHFL provide internal career growth opportunities to their employees through an internal job posting mechanism.

In FY2020, along with compliance to all applicable laws pertaining to labour, BFL has continued with its philosophy of maintaining employee friendly policies. The Company periodically reviews its employee policies to make them more beneficial and employee friendly.

BFL's wellness initiative 'Pure Life' continued focusing on promoting health and physical well-being of its employees through various programs including comprehensive medical check-ups, doctor on phone, marathon opportunities and periodic health tips. BFL has appointed a

visiting doctor to provide emergency medical care and assistance, or preventive health advice to employees in its Corporate Offices. Additionally, BFL's senior employees undergo a health coaching program to set an example for other employees.

BFL and its subsidiaries have adequately insured all their employees under group term insurance, life insurance and accidental insurance policy. In addition, BFL runs an 'I-care' program through its employees to provide finance assistance to the employee or their family in the times of need.

The learning approach at BFL is designed to enhance the individual and organisational capabilities needed to execute business in an efficient manner. The Company follows a two-pronged learning and development approach; i) building leadership capabilities; and ii) role-based capabilities. BFL runs multiple functional development programmes, called schools, while continuing with organisation wide learning and development initiatives focussing on enhancing managerial and leadership capabilities. The schools primarily cater to role based and functional needs of collections, operations, sales, customer experience and capability building units. BFL operates 'Rural Training Centre' in four locations to equip its rural employees with the requisite functional and technical skills.

BFL conducts an annual employee engagement (ESAT) survey, through Kincentric (earlier known as Aon Hewitt), to gauge satisfaction of employees in the Company. Kincentric is a global leader in human resource consulting, the ESAT survey, through a series of objective questions, helps the Company assess level of satisfaction of employees on three important dimensions; (i) Say - employees consistently speak positively about the Company to co-workers, potential employees and customers; (ii) Stay - employees have an intense desire to be a member of the Company and associate their future with it; and (iii) Strive - employees feel motivated to exert extra effort for the Company. FY2020 ESAT score saw a 2 percent point increase to 91%, putting the Company in the top quartile of employee engagement across all industries in India.

In FY2020, BFL received the following awards and accolades for its employee practices:

- April 2019: Ranked 9th in the 'Best large workplaces in Asia 2019 by 'Great Place to Work®'
- April 2019: Featured amongst 'India's 20 Best Workplaces in BFSI – 2019' by 'Great Place to Work®'
- May 2019: Featured amongst 'One of the best workplaces' among organisations having more than 10,000 employees by 'Great Place to Work®'
- May 2019: Recognised as 'One of the best in NBFC industry' by 'Great Place to Work®'
- June 2019: Ranked 11th in the 'India's Best Companies to work for 2019' by 'Great Place to Work®'
- August 2019: Featured among the 'Aon Best Employer' in the Aon Best Employers – India 2019 programme.
- December 2019: Best 50 People Capital Index Companies for 2019 – Jombay.

The Company and its subsidiaries have taken requisite steps to prevent spread of COVID-19. At the outset they took various measures like, (i) cancelled all international trips, physical trainings and conferences, (ii) curtailed domestic travels, (iii) took extensive precautionary measures like sanitisation of offices, availability of hand sanitisers and masks, and (iv) introduced operations in multiple shifts to ensure lesser number of employees at the workplace - enabling social distancing. Post lockdown, all employees were moved immediately to work from home and advised to strictly follow lockdown guidelines of the Government as employee safety is the topmost priority. BFL has prepared its offices with additional health protocols viz. operationalisation of central emergency service desk (CESD) into 24*7 helpline for employees, continuous communication to employees on protection, social distancing and self-declaration

survey for employees on health status etc. for the safety of its employees.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

As equal opportunity employers, BFL and its subsidiaries ensure that there is no discrimination of any type against any socially disadvantaged sections in the workplace. All employees have the same opportunities for growth and development. Employees are treated fairly and uniformly in terms of compensation, development and growth. BFL had 24,518 permanent employees at the end of the reporting year, which included 814 women and 6 differently abled. In FY2020, BFL added 6,126 employees. BFL adheres to the Apprentice Act, 1961, including statutory modification and amendments thereof, to the extant applicable - it hired 49 apprentices during the reporting year.

Further, during FY2020, BFL undertook various social welfare initiatives across branches like: (i) blood donation drives across branches; (ii) monetary and material goods support to flood affected areas such as Kolhapur, Sangli and Jorhat through multiple donation drives; (iii) Daan Utsav across the Company to distribute clothes, first aid kits, food items etc. to those in need; and (iv) employees of the Company and its subsidiaries collectively contributed over ₹ 3.3 crore to 'PM CARES FUND' for the fight against COVID-19 in April 2020.

Principle 5: Businesses should respect and promote human rights

BFL is dedicated to upholding the human rights of all its internal and external stakeholders and ensures compliance with all applicable laws pertaining to human rights. The Company did not receive any complaint relating to violation of human rights in FY2020.

Principle 6: Businesses should respect, protect, and make efforts to restore the environment

BFL's Code of Conduct includes respecting the environment, eliminating waste and conserving resources as working norms. As a financial services Company, BFL does not have a natural resource intensive business, and its environmental impact is largely limited to the operations of its offices.

The Company takes multiple initiatives to reduce its environmental impact, few of such initiatives are given below::

- Reducing consumption of paper with usage of e-agreement for sales financing business; and tele-binding for personal loans businesses.
- Selecting and designing offices to facilitate maximum natural light utilisation.
- Plantation of 2,30,000 saplings across 350+ locations through BFL's tree plantation initiative.
- E-waste policy – handing over e-waste to certified handlers for proper disposal.
- Installation of rainwater harvesting system at the Finserv House in Pune with a capacity of approximately 12,000 litres.
- Provision of shuttle services for employees to reduce the number of vehicle movement between offices in Pune.
- Switching from conventional lighting systems to LED lights at most of the branches in metro areas.
- Video conferencing facility in 48 different locations to reduce the need for employee travel.

- Use of cloud based virtual servers to increase energy efficiency and data security.
- Password-enabled centralised printing system to reduce paper waste.
- Using digital platform for circulating documents for Board meetings, and meetings with senior management.
- Digital learning initiatives - over 40% of overall learning initiatives for employees are conducted digitally.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

BFL keenly participates in putting forward its views on the setting of new industry standards or regulatory developments pertaining to the non-banking finance industry. While making recommendations, BFL attempts to balance the interests of various stakeholders.

Principle 8: Businesses should support inclusive growth and equitable development

The Corporate Social Responsibility (CSR) philosophy of the Bajaj Group has been formulated under the vision and principles of the Bajaj Group's Founding Father, Late Shri Jamnalal Bajaj, who believed in creating shared value through fair and equitable business functioning. The Group believes that 'majority of expenditures under CSR are converted to 'investments in resource creation' for use over generations.'

The Bajaj Group believes that true and full measure of growth, success and progress lies beyond balance sheets or conventional economic indices. It is best reflected in the difference that business and industry make to the lives of people. Thus, community development forms the core of all CSR initiatives undertaken by the Bajaj Group. These initiatives are designed to reflect the needs of the target population. In order to ensure community ownership and sustainability of the CSR programmes, key stakeholders such as governments, NGOs, local communities and other local institutions are actively engaged during project planning as well as implementation.

On 26 March 2020, Bajaj Group committed ₹ 100 Crore towards the fight against the recent outbreak of COVID-19 pandemic, which has severely impacted the people of many countries, including India. By working with the Government and network of over 200 NGO partners, Bajaj Group ensured that these resources reach those individuals who needed it the most. As part of this initiative, support was provided to upgrade/strengthen key healthcare infrastructure in Pune, while ensuring food supply, shelter, access to sanitation, rural care, livelihood aid and awareness creation on COVID-19.

In FY2020, Bajaj Finance spent ₹ 82.19 crore against the mandatory spend of ₹ 81.92 crore under Section 135 (Schedule VII) of the Companies Act, 2013, for which projects were implemented directly or through NGOs and other welfare agencies – with further support from local authorities and business associations, wherever deemed necessary. The Company focuses mainly on Healthcare and Education to meet its CSR obligation.

For more information, please refer to the Annual Report on CSR activities as contained in the Annual Report FY2020.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

BFL strives to create a culture of 'Customer Obsession'. It continuously listens to customers and drives continuous transformation to provide a frictionless experience across the lifecycle, from pre-disbursal to closure of loan. It constantly aims to reduce the time to disburse loans to customers with minimal documentation. It has enhanced and introduced varied communication

and service channels for keeping customer informed as well as solving customer queries and requests instantly.

Further, BFL and its subsidiaries have CoC for Direct Marketing and Selling Agents. These Codes, *inter alia*, prescribes the guidelines for tele-calling such as maintaining privacy of the prospects, explaining the product, not making misleading/misrepresentation claims, telemarketing etiquettes, etc. BFL and BHFL also have a Fair Practices Code (FPC) that is made available across all their respective branches. BFL's FPC is made available in vernacular language as well. This helps the customers to understand its contents better, which includes the grievance redressal mechanism.

Bajaj Finance has adopted Net Promoter Score (NPS) as a mechanism to gauge the outcome of its customer engagement efforts. NPS is a comprehensive global methodology to measure customer loyalty. This survey is conducted through an independent third party and its outcome is given due importance in the Company's future planning process.

BFL's self-service chat bot now provides support to customers across the Company's Website, Portal, Mobile App and Wallet. BFL has also introduced 'interactive voice based' self service capability on Google Assistant and Alexa. This helps customers in solving their basic queries by just talking to these voice assistants. For the non-digitally savvy customers, BFL has introduced a 'Dynamic missed call service' for getting life-stage based details of latest relationships with BFL. To improve communication reach and effectiveness, the Company has also introduced customer communication on WhatsApp.

During the year, BFL introduced 'face recognition' based access to its service branches for customers in major cities across the country. These face recognitions-based customer service kiosks at branches provide superior experience to its walk-in customers. BFL provides critical documents like loan agreements, fair practice code (FPC) and branch notices in the language preferred by its customers. In addition, customer communications through digital channels like IVR and mobile Apps are also available to customers in vernacular languages.

In view of the COVID-19 pandemic, RBI initiated various measures which included providing debt servicing relief to borrowers where all commercial banks, co-operative banks, all-India Financial Institutions, and NBFCs were permitted to give moratorium to borrowers in respect of all term loans installments falling due between 1 March 2020 to 31 May 2020. Accordingly, BFL and its housing finance subsidiary has offered repayment moratorium to impacted borrowers to assist them in protecting their cash flows in these trying times.

The customer franchise of BFL as of 31 March 2020 was 42.60 million. BFL disbursed 27.44 million new loans in FY2020. During FY2020, BFL received 21,761 customer complaints of which 57 complaints (or 0.26% of total complaints) were pending for resolution as at 31 March 2020. There are 1,739 (Consumer, Civil, MACT, Criminal, Employee related) cases pending as on 31 March 2020. During the year, BFL did not receive any complaint regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior.