

Details of our ESG initiatives

Corporate Governance

For us, corporate governance reflects principles rooted in our values and policies and embedded in our day-to-day business practices. The commitment of Bajaj group to the highest standards of corporate governance predates the provisions of the SEBI Listing Regulations and clause 49 of erstwhile Listing Agreement. Ethical dealings, transparency, fairness, disclosure, and accountability are the main thrusts of the working of the Bajaj group. The Company maintains the same tradition and commitment. Bajaj Finserv is a conglomerate of different financial services businesses – lending, general and life insurance, digital distribution, digital healthcare platform, stock broking, asset management and investment – operated through subsidiaries and joint ventures. Through representation on the Boards of its subsidiaries, Bajaj Finserv seeks adoption of key group principles of corporate governance across its companies.



Key governance practices are as follows:

- Compliance with applicable law.
- Benchmarking and adopting best practices amongst peers and other leading organisations.
- Number of Board and Committee meetings more than the statutory requirement, including meetings dedicated for discussing strategy, operating plans, and risks.
- The Company's Board comprises directors from diverse backgrounds and substantial experience, who can provide appropriate guidance to the Executive Management as required.
- Panel of Independent Directors with outstanding record and reputation.
- Pre-Audit Committee meetings of the Committee's Chair with Statutory Auditors, Internal Auditor and Members of Executive Management who are the process owner.
- Separate meeting of Independent Directors without presence of Non-Independent Directors or Executive Management.
- Confidential Board evaluation process where each Board member evaluates the performance of every Director, Committees of the Board, the Chairman of the Board, and the Board itself.
- Presentations by key Senior Management team members of the Company and its subsidiaries to familiarise Directors with key elements of each of the businesses.
- Complete and detailed information provided to Board members in advance to enable them to evaluate matters carefully for meaningful discussions.
- Representation of the Company via Non-Executive and Independent Director on the Board of its material subsidiaries which ensures an institutionalised structure of control over subsidiaries.
- Half-yearly communication from the Chairman to all shareholders of the Company giving an update on the Company's performance.
- Adoption of key governance policies and codes by the Board in line with best practices, which are made available to stakeholders for downloading/ viewing from the Company's website.
- Apart from Bajaj Finserv and its listed subsidiaries, which carry out familiarisation programs for its Directors, as required under the SEBI Listing Regulations, even unlisted material subsidiaries on an ongoing basis keep their respective Directors abreast of matters relating to the industry, business models, risk metrics, mitigation and management, governing regulations, ESG, information technology including cyber security, their roles, rights and responsibilities, major developments and updates on the Company, etc.
- The Company has indicated material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to businesses in the Statutory reporting section of this Report.

Full details of the Company's Corporate Governance are presented separately in the [Report on Corporate Governance on page 42 of the Annual Report](#).



Nurturing Ethics and Integrity

Bajaj Finserv and its subsidiaries embrace policies and processes which are mostly consistent in their coverage and application across important stakeholders for the business. This foundation enables Bajaj Finserv Group through its operations and regular engagement across different platforms and stakeholders to maintain exacting standards of ethics, consistency in conduct, clear, transparent, and fair dealings which are established and followed without any exception by all employees, partners and people engaged in activities across Bajaj Finserv companies.

The value of ethics and integrity is deeply ingrained and practiced in day-to-day operations across Bajaj Finserv. None of the products withhold any relevant information needed by customers to make informed decisions. Some of the key elements of its policies and practices in this regard include:

- Bajaj Finserv along with its subsidiaries embraces a consistent Code of Ethics and Personal Conduct (CoEPC) which covers good working, cultural and integrity norms. It includes 'disciplinary actions & grievance redressal policy' and 'whistle blower policy/ vigil mechanism', allowing employees to consult on issues, anonymously report and / or escalate grievances of any nature including harassment, fraud / suspected fraud, unethical behaviour, instances of leak or suspected leak of unpublished price sensitive information, etc. which are detrimental to our Company's interest or/and is a process/ policy violation.
- A framework of policies and processes is in place to safeguard employees who report any unethical behaviour, against discrimination, harassment, victimisation, or other unfair employment practice. Bajaj Finserv and its material subsidiaries also accord employees direct access to the Chairman of their Audit Committee.
- Bajaj Finserv and its listed subsidiaries have a separate Code of Conduct for its Directors and Senior Management – '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.' The Annual Report carries Director's and Senior Management's affirmation as communicated to all stakeholders by the Chairman & Managing Director.

- Depending on the nature of severity of misconduct/non-compliance of CoEPC/CoC/policies, appropriate action ranges from counselling, warning, suspension, and pay deduction to termination.

Culture of Transparency

- Bajaj Finserv companies adhere to transparency and fairness in dealings with customers and other stakeholders. Information relating to services and products across Bajaj Finserv operating companies is disclosed as per the regulatory requirements, and the same is available on the individual company's website about their products and available services.
- With our focus on transparency, we pursue a transparent and detailed communication protocol with stakeholders. The Company communicates with stakeholders by way of investor presentations, quarterly and event-based updates available on the website. Bajaj Finserv companies pursue similar communication protocols with stakeholders across their businesses and related operations as per regulatory requirements, including but not limited to, publishing of earnings, call transcripts, prompt dissemination of price sensitive information, etc.
- Transparent disclosures across Bajaj Finserv companies are pursued with zero tolerance towards unethical business practices and adherence to necessary policies concerning anti-fraud, anti-bribery, conflict of interest, prevention of insider trading, prevention of money laundering, prevention of sexual harassment, and related party transactions.

Upholding the Spirit of Accountability

- With 'Accountable Empowerment' being a core principle at the Group, we believe that empowerment and accountability go together. Bajaj Finserv and its subsidiary companies are managed professionally by competent and qualified professionals, while being proficiently overseen by the Boards of Directors.

The Company, through its chairperson, has signed the following charters of Confederation of Indian Industry ('CII'):

- Model code of conduct for ethical business practices,
- Charter on fair and responsible workplace guidelines for collaborative employee relations, and
- Charter on fair and responsible workplace guidelines for contract labour.

- The remuneration of senior management across Bajaj Finserv Group is benchmarked with appropriate peer groups and it comprises fixed pay, variable pay and long-term incentive (including stock options).
- All practices at the Company reflect an endeavor to maintain exacting standards of governance, which in certain cases extend beyond legal requirements. Examples of such endeavors include:
 - We conduct periodic meetings between Independent Directors and Senior Management.
 - The framework of succession planning for management is placed before the Board for its review.
 - Chairperson of the Audit Committee conducts quarterly pre-audit committee meetings with members of Senior Management, and internal as well as statutory auditors, to review the financial performance and observations of auditors.
- We follow a confidential Board evaluation process, where each Board member evaluates the performance of every Director, Committees of the Board, the Chairman of the Board as well as the Board.

Risk Management

Bajaj Finserv and its companies are committed to managing risks in line with its established boundaries of risk appetite. The risks (material and non-material, stakeholders, operational and social) are based on systematic frameworks which identify, evaluate, mitigate and monitor risks that could potentially have a material impact on the value of the organization or potentially hinder the Group in achieving its stated business objectives and goals.

In Bajaj Finserv and each of the material subsidiaries, at the highest level, the Board of Directors have established Risk Management Committees, which assist the Boards in maintaining oversight and review of the risk management principles and policies, strategies, risk appetite, processes, and controls. The Committees amongst others also review ESG risks. At Bajaj Finserv, the risks emanate from its subsidiaries and hence the Chief Risk Officers from its respective subsidiaries also participate in such meetings on need basis. Details of the risk assessment by the respective material subsidiaries are included in their Annual Reports (available on their websites), including their risks management frameworks.

Engaging in Prudent and Responsible Business Conduct

Imbued in Bajaj Finserv companies is a strong culture of responsible business conduct, for building long-term businesses, providing sustainable growth, and meeting interests of its stakeholders. Besides adopting ambitious standards of governance, Bajaj Finserv and its companies remain committed to prudent business practices, to ensure that businesses are not exposed to undue risks.

Some of the illustrative prudent business practices we follow are:

- Recognising the risks that our businesses carry and taking the interest of our stakeholders into consideration, all material subsidiaries have consistently maintained liquidity / solvency more than the norms laid down by relevant regulators:

	Subsidiary	As of 31 March 2023		As of 31 March 2022		As of 31 March 2021	
		Regulatory requirement	Company ratio	Regulatory requirement	Company ratio	Regulatory requirement	Company ratio
Capital to Risk-weighted Assets ratio (CRAR)	BFL	15% (RBI)	24.97%	15% (RBI)	27.2%	15% (RBI)	28.3%
	BHFL	15% (RBI)	22.97%	14% (RBI)	19.7%	13% (RBI)	21.3%
Solvency Ratio	BAGIC	150% (IRDAI)	391%	150% (IRDAI)	344%	150% (IRDAI)	345%
	BALIC	150% (IRDAI)	516%	150% (IRDAI)	581%	150% (IRDAI)	666%

- Bajaj Finance maintains low leverage levels and has always raised equity capital upon reaching 6 to 7 times, much more conservative than regulatory stipulation and most other NBFC's (Non-Banking Finance Company).
- More than 99% of fixed income portfolio of Bajaj Allianz Life Insurance Company and Bajaj Allianz General Insurance Company comprises the highest credit rated securities (sovereign / AAA or equivalent).

We believe that each of the above approaches used in combination can add value and may be suitable for diverse types of investment class and with diverse types of investment goals. ESG assessments are performed using an in-house methodology for current/prospective investments. These assessments, along with our other research analysis of the companies, help in making informed decisions for our investment portfolio. We also use data provided by external agencies for ESG research and assessments.

Making Responsible Investment

Our insurance subsidiaries have a sizeable investment portfolio. Being cognisant of their duty to act in the best long-term interests of stakeholders (including policyholders), we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). Thus, where consistent with fiduciary responsibilities, Responsible Investment principles have been adopted by insurance subsidiaries in April 2022 through their Board approved policies.

We believe that engagement with investee companies is at the core of making these assessments and this is also enshrined in Board approved stewardship policy, which in addition to voting, includes monitoring and engaging with investee companies.

Our insurance subsidiaries have defined a glidepath to improve Assets Under Management (AUM) coverage towards investments with high ESG ratings and are well on track to achieve it. As on March 31, 2023 approximately 90% of Bajaj Allianz General Insurance Company's applicable portfolio and approximately 80% of Bajaj Allianz Life Insurance Company's applicable portfolio has been assessed for ESG³.

Following approach has been considered on ESG when building a portfolio and thus improving ESG practices, outcome, and disclosures (through stewardship):

ESG Integration

- ESG topics to be incorporated into existing portfolio construction practices
- Explicitly and systematically including ESG topics in investment analysis and decision making



Voting

- Exercising voting rights on management/ shareholder resolutions (and submitting resolutions)
- Expressing approval (or disapproval) on relevant matters



Engagement

- Interactions/ engagements with stakeholders, current or potential investees/issuers, policy makers or standard setters in order to:
 - Improve practice on ESG issues,
 - Improve public disclosure



³ Applicable portfolio means all the investments other than ETFs, AIFs, RelTs, InvITs, and unlisted Equity

“ Sustainability is not about ticking the boxes. It is about laying out a path with clearly defined goals as to where one would want to be within a given time, executing a plan with the same rigour as one would apply to achieve business outcomes and, most importantly, engaging with and communicating progress to all stakeholders. ”



S. Sreenivasan
Chief Financial Officer,
Bajaj Finserv Ltd.

Launch of ESG-focused fund

To further to promote Responsible Investing, BALIC launched ‘Sustainability Equity Fund’ in FY2023 through which our customers can invest in socially responsible companies evaluated on ESG norms. The fund is benchmarked to the Nifty 100 ESG Index, and its focus is to invest in selected companies from the investment universe which conduct business in socially and environmentally responsible manner while maintaining governance standards.

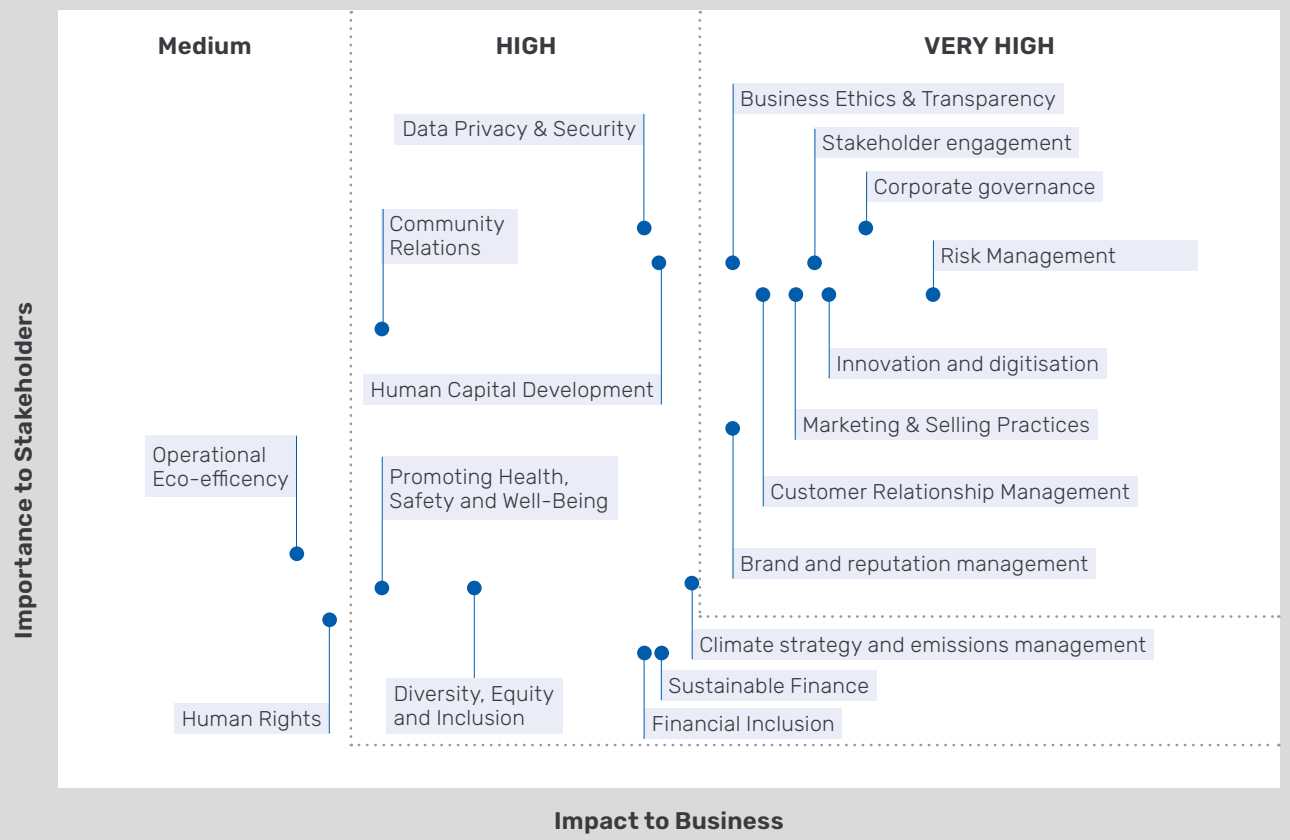
Materiality

Our sustainability interventions focus on issues that are most material to our stakeholders and us. For this purpose, during the year, a Materiality Assessment was conducted that intends to determine environmental, social and governance topics that are identified, prioritised, and integrated within the overall strategy to make business sustainable for the long run. This assessment was performed under guidance from an external partner along with oversight from the senior management and ESG leadership teams from Bajaj Finserv companies.

The materiality assessment exercise was conducted through survey-based forms and engagement with diverse stakeholders to identify relevant sustainability matters. Identification of material topics was from a universe of material topics through secondary research and industry analysis.

The outcome of the assessment is a materiality matrix depicted below:

Materiality Matrix



Given below is reference to the actions taken by the Bajaj Finserv and its companies against the above topics:



Brand and Reputation Management

Nurturing Ethics and Integrity



Diversity, Equity, and Inclusion

Striving for women empowerment and Diversity and Inclusion



Community Relations

Empowering Society



Innovation and Digitization

Customer Centricity



Operational Eco Efficiency

Preserving and Protecting Environment



Financial Inclusion

Reaching Financial Services to Millions of Indians



Human Rights

Human Capital Management



Marketing and Selling Practices

Nurturing Ethics and Integrity and Customer Centricity



Business Ethics and Transparency

Nurturing Ethics and Integrity



Human Capital Development

Human Capital Management



Climate Strategy and Emission Management

Preserving and Protecting Environment



Risk Management

Engaging in Prudent and Responsible Business Conduct and Risk Management



Corporate Governance

Building on Corporate Governance



Promotion Health, Safety and Well Being

Human Capital Management



Data Privacy and Security

Information Security, Cyber Security and Fraud Controls



Stakeholder Engagement

Stakeholder Engagement



Customer Relation Management

Customer Centricity



Sustainable Finance

Making Responsible Investment and Preserving and Protecting Environment

Striving for Women Empowerment

Women empowerment is one of the key priorities for sustainable and inclusive development of our society. We have several initiatives for empowerment of women, within Bajaj Finserv companies and outside, which support the women empowerment agenda.

Nurturing growth of women employees

- To support women colleagues, Bajaj Finserv and its subsidiaries have put in place robust women-centric policies promoting inclusion, equity, and diversity across various departments and roles such as women safety, cab facility, women travel policy, flexible working hours (specially post maternity), preferential transfers etc.
- D&I councils formed across Group companies during the year.
- For more diversity and inclusion initiatives refer 'Human Capital Management' section on page [36]

Empowering women through social impact programmes

- We strive to empower women (including young girls) through our various CSR programs in areas of healthcare, education, and livelihood (refer 'Empowering society' section on page [26]).

Empowering women customers / value chain partners

- Bajaj Allianz General Insurance Company offers women specific critical illness insurance plan for protection against eight life-threatening conditions. Upto FY2023, more than 1,900 women were insured under this plan.
- "Group Sampoorna Suraksha Kavach" and "Group Sampoorna Jeevan Suraksha," provide financial assistance to the member's family in case of death. Bajaj Allianz Life Insurance Company has provided coverage for approximately 20 million lives with a total Sum Assured of ₹970 billion in FY2023. These plans provide Sum Assured ranging from ₹1,000-2,00,000.
- Insurance subsidiaries provide significant entrepreneurship opportunities to women with more than 39,000 women insurance agents representing 29% of its total insurance agents as on March 31, 2023 (27% as on March 31, 2022).

