



Governance

UN SDGs impacted



“



RAJEEV JAIN

Vice Chairman & MD, Bajaj Finance Ltd. and Director, Bajaj Finserv Ltd.

We believe that good corporate governance is key to creating long-term sustainable value. It is also fundamental to the way we do business. We ensure ethical governance by cultivating a workplace where transparency, fairness, integrity, and accountability are valued and practiced."

Transparency and Integrity in Everything We Do

At Bajaj Finserv, we are committed to

Fairness

Accountability

Transparency

Ethical Conduct

with stakeholder interests at the core of everything we do.

These principles are embedded in our values—Being Responsible, Customer Obsession, and Doing the Right Thing—which form the foundation of our Culture Wheel and guide responsible business conduct. The Group's legacy of strong corporate governance predates SEBI's Listing Regulations and Clause 49. We continue to uphold these standards through ethical practices, clear disclosures, and robust oversight.

Key Elements of Our Corporate Governance

- ◆ Compliance with all applicable laws/regulations.
- ◆ The Number of Board and Committee meetings exceeding statutory requirements including meetings dedicated to discussing strategy, operating plans, and risks.
- ◆ The Board comprises directors from diverse background and substantial experience enabling them to provide appropriate guidance to the executive management as required.
- ◆ Panel of Independent Directors with outstanding track record and reputation.
- ◆ Audit Committee comprising of Independent Board members.
- ◆ Independent Directors chairing all Committees of the Board.
- ◆ Independent Assurance on arm's length of Related Party Transaction(s).
- ◆ Pre-briefing sessions with Committee's Chair with statutory auditors, internal auditor, chief risk officer, chief human resources officer, and members of executive management who are the process owners.
- ◆ Strategic Investment Committee with an Independent Director as the Committee's Chair to evaluate, scrutinise and recommend investment opportunities to the Board.
- ◆ Separate meetings of Independent Directors conducted without the presence of Non-Independent Directors or executive management.
- ◆ Discussions between Independent Directors with Chief Internal Auditor and Statutory auditors done in absence of the 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 the Directors with key elements of each of the businesses.
- ◆ Complete and detailed information is provided to Board members well in advance to enable thorough evaluation of matters for meaningful discussions.
- ◆ Representation of the Company via non-executive and independent directors 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 giving an update on the company's performance.
- ◆ The Board has adopted key governance policies and codes aligned with industry best practices, which are available for stakeholders to download/view from the Company's [website](#) (refer to [Annexure 1 – Codes and Policies](#)).
- ◆ Board and Risk Management Committee (RMC) maintain oversight of ESG strategy and performance.
- ◆ An executive level ESG committee, also monitors performance on ESG across all group companies.
- ◆ Customer service/Policyholder Protection, Grievance Redressal and Claims Monitoring committee in all material subsidiaries.
- ◆ Implementation of comprehensive risk management framework, internal control systems and monitoring key risks across all subsidiaries by the Group Risk and Assurance team.
- ◆ Defining Customer Service protocols for businesses by the BFS strategy team.
- ◆ Review and standardisation of investment processes and monitoring investments related risks by the Group Investment team.
- ◆ Terms of reference of various Committees in line with best practices and governance guidelines.



GOVERNANCE

Board of Directors

The Board of Directors (BoD) and its committees are crucial in promoting good governance, which includes ethical business practices, transparency, and accountability, creating long-term value for stakeholders. The Company ensures a balanced composition of Independent and Non-independent Directors to maintain the Board's independence and separate governance from management functions.

The Board's responsibilities include:



Formulating the overall strategy for the Company



Ensuring compliance with applicable laws



Reviewing major action plans



Reviewing and approving financial results



Overseeing subsidiaries



Enhancing corporate governance practices



Establishing a Code of Conduct for Board members and senior management

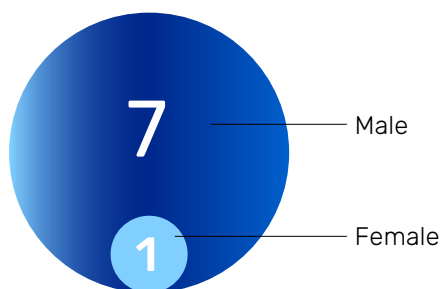


Acting in the best interest of shareholders, the community, the environment and various stakeholders



Formulating policies and conducting performance reviews

Board of Directors Composition (as on 31 March 2025)



Executive Directors (EDs)



Non-Executive Directors (NDs)



Independent Directors (IDs)

BFS and its subsidiaries are compliant with Regulation 24 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR)*.

*Reg. 24. (1) At least one Independent Director on the Board of Directors of the listed entity shall be a Director on the Board of Directors of an unlisted material subsidiary, whether incorporated in India or not.

Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16, the term "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

In compliance with regulations, no Director of Bajaj Finserv Ltd. exceeds the prescribed limits for Directorships, Independent Directorships, or committee memberships. This compliance is confirmed quarterly to SEBI through the Corporate Governance Report. Additionally, while directors are common across group entities, their participation in committee and Board meetings is carefully considered. All Directors strive to attend all scheduled meetings, which are planned a year in advance, and their exemplary attendance is disclosed in the Annual Reports.

Board Diversity and Average Tenure

The Board of Directors comprises individuals with diverse backgrounds and complementary expertise, enabling robust oversight of the Company's governance and strategic direction. Our directors are accomplished leaders across domains such as management, financial services, technology, innovation, business transformation, risk management,

internal controls, law, and assurance — collectively enhancing the Board's effectiveness.

Director appointments follow a merit-based process, with selections made solely on qualifications and potential contributions, irrespective of race, colour, religion, gender or nationality.

In line with SEBI Listing Regulations, the Company has adopted a comprehensive Board Diversity Policy, which is implemented through the Nomination and Remuneration Committee (NRC). The NRC ensures that diversity is a key consideration in the nomination process.

Outlined below are the NRC's key roles and responsibilities

- | | |
|---|--|
| <p>1 Identify and recommend qualified individuals for Directorship and senior management roles.</p> | <p>6 Develop a policy on Board diversity and performance evaluation criteria.</p> |
| <p>2 Evaluate and oversee Board and individual Director performance, potentially with external support.</p> | <p>7 Approve/modify remuneration for Whole-time Directors and senior management.</p> |
| <p>3 Define the criteria for director qualifications, attributes, and independence.</p> | <p>8 Decide on tenure extensions for Independent Directors based on evaluations.</p> |
| <p>4 Formulate and recommend policies on Director and employee remuneration.</p> | <p>9 Serve as the Compensation Committee for employee stock option schemes under SEBI regulations.</p> |
| <p>5 Ensure remuneration is balanced, performance-linked, and aligned with Company goals.</p> | |

Note:
Detailed terms of reference of the Committee can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/2.bfs-tor-consolidated-nrcpdfpdf?scl=1&fmt=pdf>.

The Group's Board Diversity is compliant with the current Government of India regulations.

● **88%** Male

● **13%** Female



GOVERNANCE

Expertise of Board of Directors

Management and Governance

8 Directors

Understanding of Accounting and Financial Statements

8 Directors

Risk, Assurance and Internal Controls

7 Directors

Financial Services

6 Directors

Technology and Innovation

6 Directors

Regulatory, Public policy and Economics

6 Directors

Consumer Behaviour, Sales, Marketing and Customer Experience

5 Directors

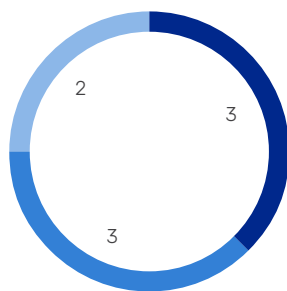
Human Resource

7 Directors

Business Transformation and Strategy

6 Directors

Board Average Tenure (in years)



- Less than 5 (3 IDs)
- Between 5 to 10 (2 IDs and 1 NDs)
- More than 10 (2 NDs)

Note: IDs - Independent Directors, NDs - Non-executive Directors

Non-executive Directors' Compensation

The Company believes that Non-executive Directors' ('NEDs') (including Independent Directors) compensation must reflect the time, effort, attendance and participation in Board and Committee meetings. The remuneration is proportionate to attendance and ensures directors' remuneration is commensurate with their time, effort, attendance and participation.

Information Access to the Board

The Board of Bajaj Finserv is provided with comprehensive and timely information on key matters concerning the Company and its subsidiaries, particularly those requiring strategic input. Senior management presents regular updates, and Directors have independent access to company officers, fostering transparency and open communication. The information shared goes well beyond the mandates of the Companies Act and SEBI Listing Regulations in both depth and quality. Given the Group's diverse operations,

sector-specific presentations are made to strengthen governance oversight and ensure strategic alignment.

The Independent Directors of the Company are made aware of their roles and responsibilities at the time of their appointment through a formal letter of appointment, which also stipulates various terms and conditions of their engagement.



The familiarisation details can be accessed at:

<https://www.aboutbajajfinserv.com/investor-relations-policies-and-codes>

Independence of Board Committees

The Company ensures that its Board Committees operate independently, with most members being Non-executive and Independent Directors. This structure supports objective oversight, transparent governance and alignment with stakeholder interests.

The Company through its strong governance framework ensures that

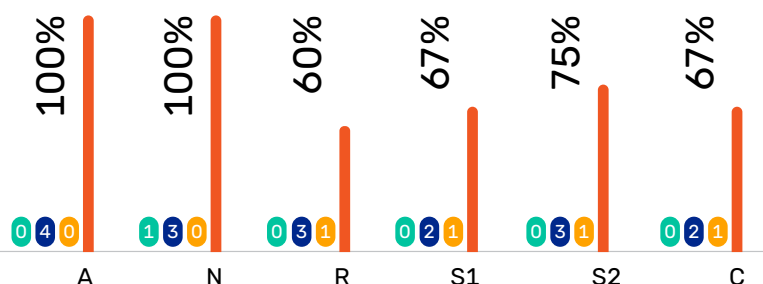
over 60% of Board Committee members are Independent Directors.

- A** Audit Committee
- N** Nomination and Remuneration Committee (NRC)
- R** Risk Management Committee
- S1** Stakeholders Relationship Committee
- S2** Strategic Investment Committee
- C** Corporate Social Responsibility (CSR) Committee

Independence

(in %)

- Non-executive Directors
- Independent Directors
- Executive Directors



Our Leadership

Bajaj Finserv's leadership team comprises experienced professionals across finance, strategy, investments, HR, legal, risk, technology and sustainability. They drive sustainable growth, ethical governance, and a purpose-driven culture, aligning business functions with long-term goals

and the Group's ESG agenda. While Bajaj Finserv, as a Core Investment Company (CIC), is not required to separate the roles of Chairman and Managing Director—given its limited operations apart from renewable energy—its subsidiaries maintain clear role separation, with independent CEOs and

Chairpersons. BFS focuses on building institutional frameworks and fostering accountable, forward-thinking leadership.



More details are available on the website at: [Bajaj Finserv People and Committees](#)





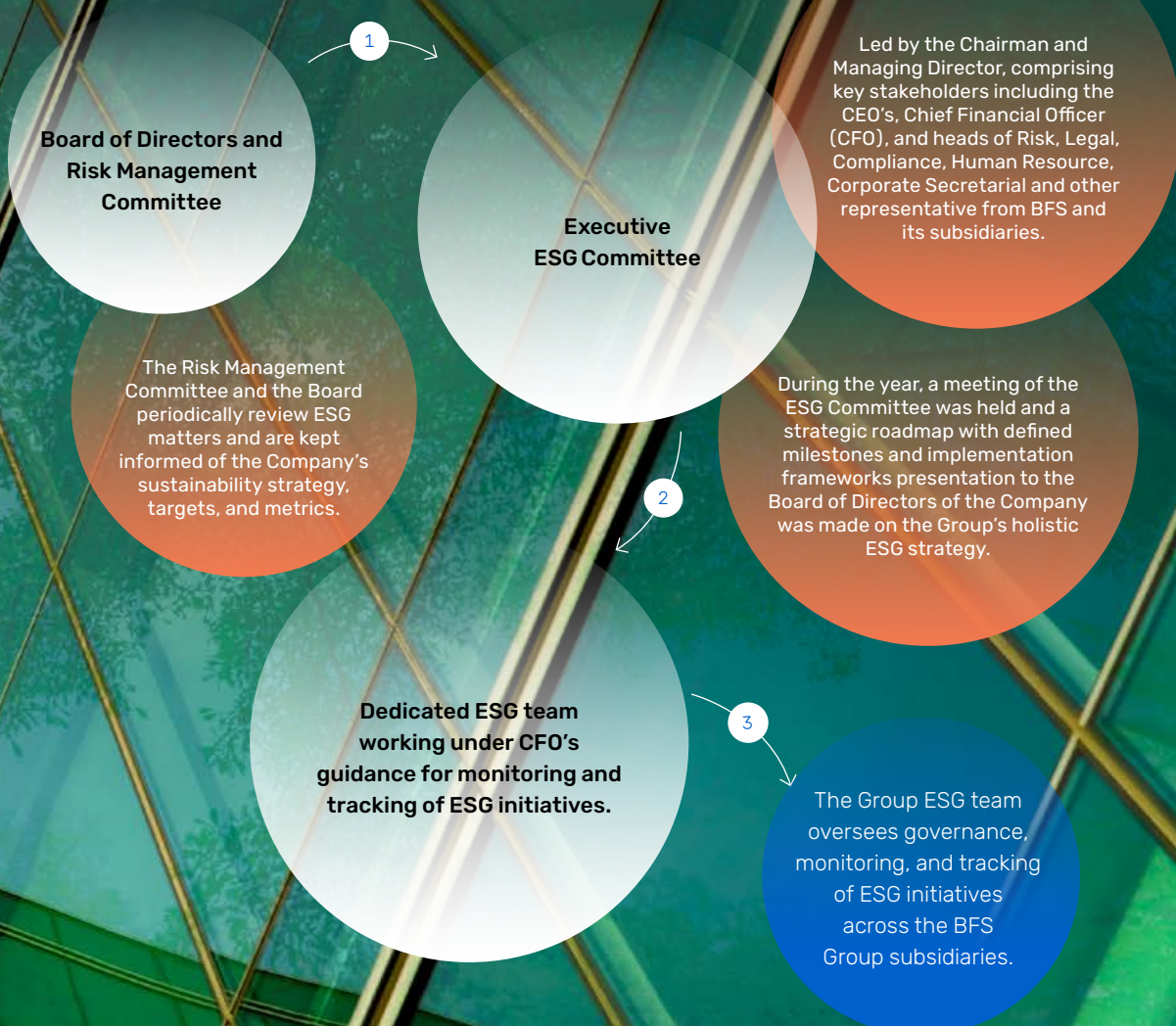
GOVERNANCE

ESG Governance

The Group places strong strategic focus on ESG governance to drive sustainable and responsible business practices. The Company proactively equips the Board and Independent Directors with regular updates on industry trends, business operations, risk management, regulations, cybersecurity, ESG initiatives, and key developments across the Group. ESG implementation is overseen by the Board of Directors and a dedicated ESG Committee, ensuring alignment with regulatory requirements and long-term sustainability goals.



ESG Governance Structure



GOVERNANCE

Nurturing Ethics and Integrity – Our Governance Philosophy



“



V. RAJAGOPALAN






President (Legal and Taxation), Bajaj Finserv Ltd.

We are committed to upholding the highest standards of corporate governance across our businesses at Bajaj Finserv. Towards this, we continue to stay compliant with laws and regulations, maintain a strong reporting culture and build robust internal controls systems to enable responsible growth."

BFS Group companies are built on values derived from our heritage and founders' ethos, which the organisation aims to bring to life through exemplary conduct while engaging with multiple stakeholders and reflected in the way the Group works. The Group's commitment to this Ethos symbolises trust, integrity, transparency, excellence and commitment to stakeholders and the society.



The Ethos serves as the Group's DNA and is defined by the following:

-  Building institutions that are resilient and long-term oriented
-  Keeping customers at the centre
-  Building institutions that serve and contribute to the development of our nation and society
-  Commitment to excellence
-  Integrity and trust with all stakeholders

This Ethos is embedded in our Code of Ethics and Personal Conduct which embodies our commitment and assurance to stakeholders that we will be responsible in all our actions and will always do the right thing as we grow and expand our businesses. The value of ethics and integrity is deeply ingrained and practiced in day-to-day operations across the Group.



GOVERNANCE

Our Policies and Frameworks

To uphold our dedication to fostering an ethical culture within the Group, we have carefully developed a thorough set of Board approved policies and frameworks. We emphasise strict adherence to these guidelines, ensuring they form the foundation of our operations and decision-making processes across all our Group Companies.

Policies and Frameworks	Description
Code of Ethics and Personal Conduct for all employees, senior management and Board	<ul style="list-style-type: none">♦ The Group maintains zero tolerance for unethical practices, strictly prohibiting bribery in any form across all business dealings. This commitment is embedded in the Code of Ethics and Personal Conduct (CoEPC), adopted across all Group companies, and is binding on employees, Directors, and Senior Management.♦ There is a separate Code of Conduct (CoC) for Directors and Senior Management. The CoC mandates that our top leadership shall observe the highest standards of ethical conduct and integrity and shall work to the best of their ability and judgement. All the Board members and Senior Management personnel have affirmed compliance with the Code for the year ended 31 March 2025. A declaration to this effect, signed by the Managing Director, forms a part of the Annual Report.♦ The CoEPC outlines expectations of integrity, culture, and conduct, and is supported by a Whistle Blower Policy, grievance redressal mechanisms, and clear provisions for disciplinary action.
Whistle blower Policy	<ul style="list-style-type: none">♦ Offers a thorough framework for receiving and resolving complaints or grievances from stakeholders.♦ Addresses various concerns, including instances of corruption, improper business practices, and behavioural issues.♦ Outlines a staircase methodology and specifies action to be taken by committees responsible.♦ The policy safeguard employees against victimisation for reporting under whistle blower, POSH, disciplinary action, insider trading policies.♦ The Board views any non-compliance seriously and initiates action commensurate with proven violations. Employees can report concerns, anonymously if needed, including harassment, fraud, or policy violations, and are protected from retaliation.♦ Bajaj Finserv and its material subsidiaries also provide direct access to the Audit Committee Chair.
Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI)	<ul style="list-style-type: none">♦ Ensure Transparency and Equality: The policy aims to promote fair and transparent communication of material information, ensuring that all stakeholders receive equal access to price-sensitive data.♦ Prevent Selective Disclosure: It seeks to eliminate selective sharing of Unpublished Price Sensitive Information (UPSI), thereby upholding market integrity and investor trust.
Adherence to Confederation of Indian Industry ('CII') Charters	<ul style="list-style-type: none">♦ Bajaj Finserv Limited (BFS), has signed charters of Confederation of Indian Industry ('CII'): 1) Model code of conduct for ethical business practices, 2) Charter on fair and responsible workplace guidelines for collaborative employee relations, and 3) Charter on fair and responsible workplace guidelines for contract labour.

Policies and Frameworks
Know Your Customer Policy (KYC)
Description

- ✦ Establishes a unified framework to ensure regulatory compliance and mitigate financial crime risks across subsidiaries. It mandates standardised customer identification, a risk-based approach with enhanced due diligence for high-risk entities, and continuous transaction monitoring.
- ✦ The policy outlines clear roles, robust record-keeping, mandatory employee training, and periodic reviews aligned with evolving regulations.
- ✦ Each customer-facing subsidiary adopts a Board-approved KYC policy, tailored to its specific regulatory requirements reinforcing governance and enhancing the customer experience.

Information Security Policy

- ✦ BFS Group's Information Security Policy adopts a multi-layered approach to protect information assets. It covers governance, risk assessment, third-party oversight, audits, data privacy and employee awareness.
- ✦ IT controls include access management, backups, patching, BCP/DR, and secure cloud practices. Security operations involve VAPT, SOC monitoring, incident response, and endpoint protection (DLP, antivirus).
- ✦ Physical and HR security are also integrated. The policy requires annual reviews and formal exception approvals to maintain a robust, adaptable security posture.
- ✦ Each Group Company also maintains its own policy, aligned with this framework and relevant regulatory requirements.

Cyber Security Policy

- ✦ Provides a comprehensive framework to safeguard digital assets through proactive threat management, incident response, and a strong security culture. Key controls include network security, secure configurations, patching, DLP, VAPT, incident management, and anti-phishing measures, supported by threat intelligence and employee training.
- ✦ The policy mandates annual reviews, formal exception approvals, and is complemented by company-specific policies aligned with regulatory requirements. Group companies have also secured cyber insurance appropriate to their business scale, ensuring resilient protection against evolving threats.

Responsible and Sustainable Business Conduct policy

- ✦ Our ESG strategy is anchored in the Board-approved, Group-level Responsible and Sustainable Business Conduct Policy, which serves as the overarching ESG framework for the entire Bajaj Finserv Group. This policy outlines our strategic focus areas and guides all subsidiaries in shaping their individual ESG strategies in alignment with NGRBC principles.
- ✦ It emphasises balanced stakeholder engagement, responsible environmental practices (including indirect impact), employee well-being and universal human rights. Subsidiaries are directed to develop tailored ESG approaches within this framework.
- ✦ Key focus areas include:
 - Strong governance
 - Financial inclusion
 - Environmental stewardship
 - Societal empowerment through CSR
 - Customer centricity
 - Employee development
 - Cyber security
 - Stakeholder collaboration



GOVERNANCE

Policies and Frameworks

Intragroup Investment Policy

Description

- ♦ Governs all intragroup investments across BFS Group companies (excluding CIC and regulatory capital investments), with a focus on optimising returns and ensuring regulatory compliance.
- ♦ Investments must be Board-approved, on an arm's-length basis, and in line with applicable laws.
- ♦ Loans require Committee or Board approval, debt investments must treat group and external investors equitably, and private placements by listed entities follow SEBI norms. The policy is reviewed annually.

Anti-Money Laundering (AML) Policy

- ♦ BFS Group's AML Policy sets minimum standards for subsidiaries to prevent money laundering and terrorism financing, in line with applicable regulations. It mandates risk-based controls, KYC/due diligence, employee training, and clear reporting protocols.
- ♦ The policy outlines the AML framework, defines laundering risks, and stages, and requires designated officers, record-keeping, secure information sharing, audits, and regular reviews.
- ♦ All customer-facing subsidiaries also maintain their own AML policies tailored to their specific regulatory environments.

Related Party Transactions (RPTs)

- ♦ All Related Party Transactions (RPTs) in FY2025 were conducted in the ordinary course of business, at arm's length, and were not material under the Companies Act and SEBI Listing Regulations. Each transaction received prior approval from the Audit Committee and was reviewed quarterly.
- ♦ Disclosures as per Ind AS 24, including those involving promoters with 10% or more holdings, are provided in the BFS Annual Report and filed biannually with stock exchanges.
- ♦ Additionally, an independent assurance by Economic Laws Practice confirmed arm's-length pricing of FY2025 RPTs. No materially significant RPTs were identified that could pose a conflict of interest.

~76,000

Employees were provided training on Ethics and Compliance covering modules such as Anti-Bribery, Corruption and Fraud Prevention, Anti-Money Laundering, etc. that translates to approx.

73% coverage across the BFS Group in FY2025.

Culture of Transparency

Bajaj Finserv fosters a strong culture of transparency and integrity, ensuring all business practices align with ethical governance. The Company regularly discloses information on its products, services, and financials in line with regulatory requirements, and maintains zero tolerance for unethical conduct through robust anti-fraud and anti-bribery policies. These policies are publicly accessible, and proactive stakeholder communication underscores the Group's commitment to accountability and trust.

Transparency in Action.

- ♦ **Transparency and Fairness:** We set high standards for transparency and fairness in dealings with customers and stakeholders.
- ♦ **Information Disclosure:** We make product and service information available in accordance with regulatory requirements through various channels including individual company websites. Our financial disclosures are probably amongst the best in the industries we operate within.
- ♦ **Communication Protocols:** We maintain clear and consistent communication channels, including publishing earnings, call transcripts, and prompt dissemination of price-sensitive information.
- ♦ **Zero Tolerance for Unethical Practices:** The Group maintains zero tolerance for unethical business practices.
- ♦ **Assessment for related party transactions:** Bajaj Finserv and its subsidiaries undergo independent third-party assurance to ensure transparency in all related party transactions within the group.
- ♦ **Adherence to Policies:** We implement and comply with the following policies on:
 - Anti-fraud and anti-bribery
 - Conflict of interest
 - Insider trading prevention
 - Money laundering prevention
 - Sexual harassment prevention
 - Related party transactions
- ♦ **Public Accessibility:** Our policies and codes are available to the public on the Company's [website](#).
- ♦ **Material Subsidiaries:** Material subsidiaries provide additional relevant policies and codes on their websites.

Upholding the Spirit of Accountability

With 'Accountable Empowerment' being a foundation pillar at the Group, we believe that empowerment, accountability and rewards are intrinsically linked. Bajaj Finserv companies are managed professionally by highly competitive and qualified professionals, while being effectively overseen by the Boards of Directors.

- ♦ The remuneration of senior management across Bajaj Finserv Group is regularly benchmarked against appropriate peer groups and comprises fixed, and variable pay and long-term incentive (including stock options).
- ♦ Bajaj Finserv Ltd.'s CEO, being part of the Promoter group, the Company's remuneration framework does not include granting of stock options for this position.
- ♦ To reinforce accountability and align executive compensation with long-term performance and ethical conduct, all material subsidiaries of BFS have implemented robust Clawback and Malus provisions. These provisions enable the Company to recover or withhold compensation in instances of material non-compliance, financial misstatements, or conduct detrimental to the organisation.
- ♦ All practices at the Company reflect our ongoing commitment to maintaining standards of governance, which in certain cases exceed legal requirements. Examples of such endeavours 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.
 - The 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.
- ♦ All Group Companies follow a rigorous planning process that includes an Annual Operating Plan and a Long-Range Strategic Roadmap. These are the result of months of management-led performance reviews and benchmarking across business lines and functions, culminating in a dedicated Board-level review of the proposed plans. BFS drives strategy along with all subsidiaries and closely monitors execution of the same through monthly reviews.



GOVERNANCE

Risk Management

Managing risk is fundamental to financial services industry and it is key to ensure sustained profitability and stability. In a rapidly changing economic, geopolitical, regulatory and financial environment, Bajaj Finserv Limited and its subsidiaries have continued to leverage on their strong risk management capabilities.

Risk to the Company stems largely from its subsidiaries. Hence, the primary approach of the Company's risk management is monitoring the risks of material subsidiaries, which individually or in aggregate could culminate into a key capital or reputational risk for the Company.

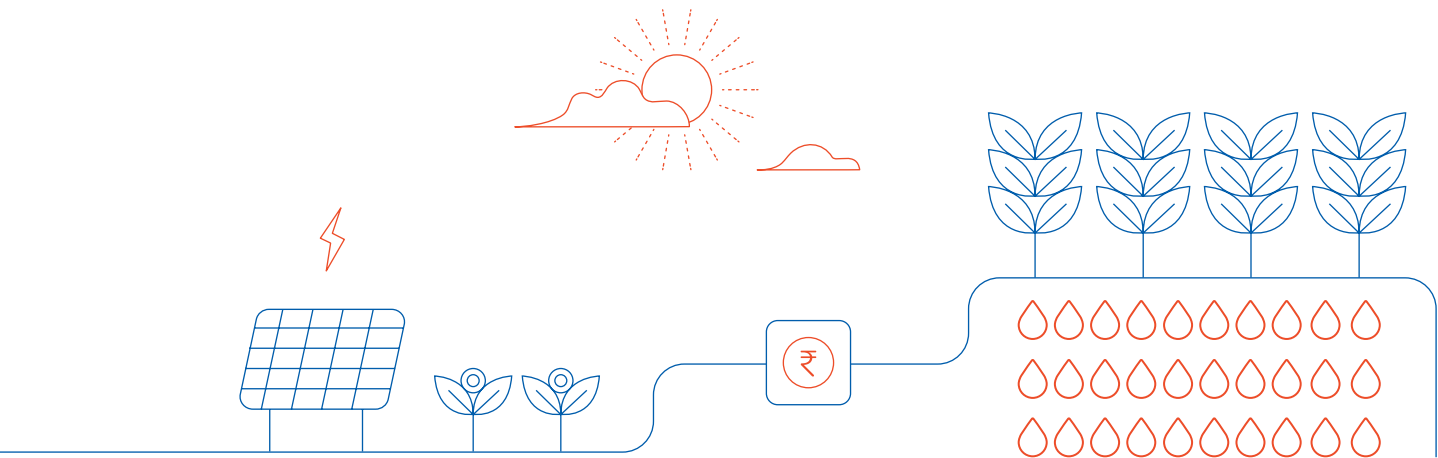
Risk Governance Structure

Risk Organisation

- ◆ Effective risk management at Bajaj Finserv Group companies is anchored in shared risk principles, clear organisational structures, and defined processes at the respective company level.
- ◆ Our strategy addresses both internal and external risks across short- and long-term horizons, supported by a robust governance framework.
- ◆ The structure includes active oversight by the Board of Directors, the Risk Management Committee (RMC), and the Executive Risk Management Committee (ERMC) of material subsidiaries, which ensures strategic implementation of the risk framework. The RMC and ERMC facilitates risk identification, assessment, mitigation, and monitors effectiveness.
- ◆ The agile governance approach enables swift response to emerging risks and opportunities, helping us maintain a competitive edge and deliver sustained stakeholder value.
- ◆ The Group risk and assurance on a continuous basis engage with subsidiaries to understand the nature of risks, the assessment of risks as regards its criticality (severity and likelihood), mitigating actions and controls, monitoring and reporting of the same on a periodical basis to its Risk Management Committee.

Risk Identification and Risk Assessment

- ◆ These risk champions/owners across the companies serve as a first line of defence, fostering and embedding a culture of risk identification, risk assessment, control, and treatment.
- ◆ Each of the material group company is having risk team lead by CRO/ head of risk who identify the relevant risk to the respective company, categories risks into key/critical and non-key/non-critical risks and assess the risks based on defined parameters.



Risk Response and Control Activities

- ✦ Bajaj Finserv Group companies have implemented risk-management systems, policies and processes that provide clear and transparent control mechanisms. Established systems are in place to deploy targeted mitigation strategies to reduce the risks to an acceptable level.

Risk Monitoring and Risk Reporting

- ✦ The governance system includes structured review mechanisms such as quarterly risk management reviews by the Executive committees of material group companies.
- ✦ The Risk Management committee (RMC) of the respective material group companies is responsible for formulating, implementing, monitoring, and periodically revising all risk-related policies and strategies.
- ✦ The risk mechanisms are designed to identify potential events, including risks and opportunities, based on comprehensive monitoring systems.
- ✦ Each risk team (of the respective material group companies), on a periodic basis, reports on the risk framework and risk exposures to the BFS Board RMC.
- ✦ Risks which have not been mitigated to an acceptable level are monitored against the key risk indicators, which are periodically reviewed for appropriateness by the respective subsidiaries.

Details on risk identification, assessment, mitigation steps and established processes are covered in greater detail in the Annual Report – Other Disclosures – Risk Management section published on the respective websites for all the material subsidiaries.

Integration and Risk Control Mechanisms

Bajaj Finserv Ltd. and its subsidiaries have implemented a sophisticated three line-of-defence model to cultivate a proactive and risk-aware culture throughout the organisation as detailed below.

First Line of Defence – Business Units and Frontline Operations



Primary responsibility for risk identification, assessment and management



Day-to-day risk ownership and operational controls

Implementation of policies and procedures aligned with risk appetite

Second Line of Defence – Specialised Risk Oversight Function



Independent risk assessment and compliance monitoring



Development of risk frameworks, policies and limits

Support to first line activities

Third Line of Defence – Independent Assurance Functions



Objective and independent assessment of risk management effectiveness



Evaluation of internal control and design operational effectiveness



Direct reporting line to Audit Committee

Systematic review of governance and risk processes

Engaging in Prudent and Responsible Business Conduct

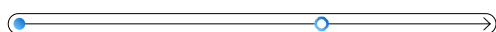
Bajaj Finserv Group companies foster a strong culture of responsible business conduct, focused on building long-term, sustainable businesses that serve stakeholder interests.

Along with upholding industry-leading governance standards, the Group follows rigorous, disciplined practices to avoid undue risk exposure. Recognising the inherent risks in our businesses, all material subsidiaries consistently maintain liquidity and solvency ratios well above regulatory norms, ensuring resilience and stakeholder confidence.

BFL

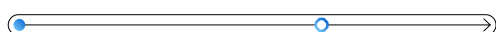
Capital to Risk Weighted Asset (CRAR)

FY2025



15% (RBI) 21.93%

FY2024



15% (RBI) 22.52%

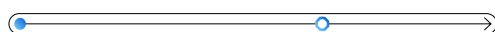
FY2023



15% (RBI) 24.97%

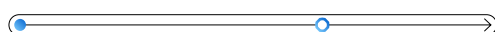
BHFL

FY2025



15% (RBI) 28.24%

FY2024



15% (RBI) 21.28%

FY2023



15% (RBI) 22.97%

BAGIC

Solvency Ratio

FY2025



150% 325%

FY2024



150% (IRDAI) 349%

FY2023



150% (IRDAI) 391%

BALIC

FY2025



150% 359%

FY2024



150% (IRDAI) 432%

FY2023



150% (IRDAI) 516%

● Regulatory Requirement

● Company Ratio

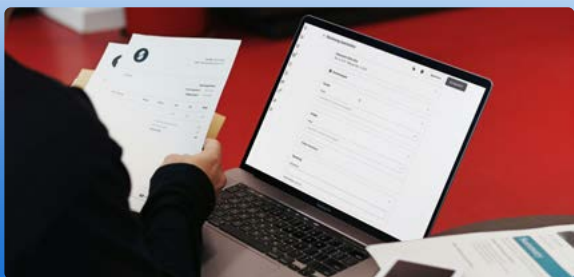


GOVERNANCE

Fraud Risk Management

Given the nature of our businesses, Bajaj Finserv prioritises the identification, mitigation and monitoring of fraud risks across all Group companies. It's group companies' comprehensive anti-fraud programme includes preventive fraud control mechanism, annual fraud-risk reviews, regular policy reviews, and quarterly monitoring, with Board-level oversight through the Audit, Risk, and Whistle Blower Committees. A robust Internal Financial Control (IFC) framework ensures adequate financial controls are in place and tested regularly, safeguarding the Group's assets and reputation.

Our Four Pillars of Fraud Risk Strategy



Prediction and Prevention

This includes financial controls for areas with potentially higher risk (e.g. estimates, revenue recognition, non-standard journal entries and manual journal entries), control over the financial reporting process, and addressing the possibility of management override. This also includes the controls in built at underwriting stage with the analytical and anti-fraud models to identify bad actors at pre onboarding stage itself.



Response

This includes robust Investigations and Strict Consequence Management, including FIRs and Police Complaints and reporting to regulatory authorities, as relevant.



Detection

This involves Predictive/Preventive Analysis, Early Warning Signals and Default Investigations.



Collaboration

This encompasses Industry Collaboration, Regulatory collaboration – blacklisting fraudsters and misinformation spreaders and group level collaboration as permitted under the relevant regulations.

Frauds across all our Companies are thoroughly monitored through dedicated anti-fraud units with direct oversight by the Board Risk and Audit committees.

Responsible Investment

Our insurance subsidiaries, BAGIC and BALIC, which manage the largest assets under the Bajaj Finserv Group, recognise their fiduciary responsibility to both policyholders and the broader ecosystem. Their ESG philosophy is aligned with overall organisational strategy and serves as the foundation for all investment decisions. The Responsible Investment Policy guides their ESG-integrated portfolio management approach, acknowledging that ESG factors can influence investment performance across sectors, asset classes, and time horizons. The Responsible Investment Principles, approved by their respective Boards in April 2022, have been consistently implemented since.

ESG Approach towards Responsible Investments

We have implemented a comprehensive investment framework around ESG when building a portfolio, thus improving ESG practices, outcomes and disclosures through stewardship (based on the existing stewardship policy).

Our investment strategy integrates ESG consideration at multiple levels:

- 1 Systematic ESG screening and evaluation of potential investments.
- 2 Regular monitoring of ESG performance metrics across our portfolio.
- 3 Active engagement with companies to drive positive ESG outcomes.
- 4 Transparent reporting on ESG integration and impact.
- 5 Ongoing evaluation of our approach to advance ESG standards and adopt best practices.

Total weightage of securities with internal ESG rating of 5 and above, as a % of Total AUM invested in eligible securities. Sovereign securities (GSec, State Development Loans SDLs, unlisted government-owned bodies/companies) and Collateralised Borrowing and Lending Obligations (CBLs) will be considered eligible and ESG compliant or 'good to invest.' ETFs, AIFs, REITs, and InvITs, are excluded from ESG evaluation.

This comprehensive approach allows us to identify both risks and opportunities that might be overlooked in the traditional way, leading to more informed investment decisions and better long-term outcomes for our stakeholders, especially the society at large.

ESG Integration

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

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

Voting

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

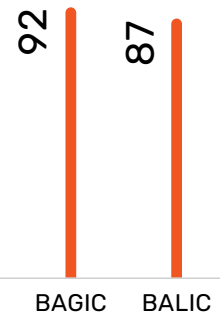
Proportion of Investment Portfolio Assessed for ESG

(as on 31 March 2025)

Portfolio Assessed

(%)

Total eligible Assets Under Management (AUM)



Exceeding Sustainable Investment Commitments

As of March 2025, BALIC and BAGIC are ahead of their commitment demonstrating an accelerated progress toward comprehensive ESG integration.

~90%

Insurance Investment portfolio assessed for Responsible Investments by BAGIC and BALIC; against a target of 80%