

# Business Responsibility Report

<b>Section A General Information about the Company</b>		
1	Corporate Identification Number	L65993PN2007PLC130076
2	Name of the Company	Bajaj Auto Ltd.
3	Registered Address	Mumbai-Pune Road, Akurdi, Pune 411035
4	Website	www.bajajauto.com
5	Email Address	brr.response@bajajauto.co.in
6	Financial year reported	1 April 2014 – 31 March 2015
7	Sector(s) that the Company is engagement in	Automobile
8	3 key products/services manufactured/ provided by the Company	Motorcycles and Three-wheeler commercial vehicles
9	Total number of locations where business activity is undertaken by the Company	Akurdi, Chakan and Waluj (Maharashtra) and Pantnagar (Uttarakhand)
10	Markets served by the Company	India and 62 countries across the world
<b>Section B Financial details of the Company</b>		
1	Paid up capital (INR)	289.37 crore
2	Total turnover (INR)	22,194.43 crore
3	Total profit after tax (INR)	2,813.74 crore
4	Total spending on CSR as percentage of PAT (%)	Refer Annual Report on CSR activities
5	List of the activities in which expenditure in 4 above has been incurred	Refer Annual Report on CSR activities
<b>Section C Other details</b>		
1	Other Information	Refer main report
<b>Section D BR information</b>		
1	Details of Director/s responsible for BR	Mr. Madhur Bajaj, Vice Chairman
2	Principle-wise BR policy/policies	Refer main report
3	Governance related to BR	Refer main report
<b>Section E</b>		
1	Principle- wise performance	Refer main report

## Preface

As mandated by Securities and Exchange Board of India (SEBI), India's top 100 listed entities based on market capitalisation on the BSE and NSE, are required to submit a 'Business Responsibility Report' (BRR) alongwith their Annual Report. This report is required to be in line with 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVGs), as released by the Ministry of Corporate Affairs in July 2011.

Bajaj Auto Ltd. (BAL) presents its third BRR in line with the NVGs and the BRR requirement of SEBI. This BRR presents key initiatives undertaken by the Company, driven on the triple bottom line aspects. The BR performance of the Company is assessed annually by BAL's Board of Directors.

BAL has a market presence in the sports and commuter motorcycle segments, as well as the commercial vehicle segment. BAL manufactures its products in India, at three plants located in Maharashtra, and one in Uttarakhand. While BAL serves the Indian market through key product lines such as 'Boxer', 'Platina', 'CT 100', 'Discover', 'Pulsar' and 'RE', it also exports its products internationally, across 62 countries. The Company has an extensive network of dealers and distributors through which it carries out its business operations.

## Principle-wise performance

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

Central to BAL's Company philosophy is the adherence to ethics, transparency and accountability in all aspects of the business. BAL considers trust, integrity and credibility as key elements in creating value for their stakeholders. In order to translate this principle into practice, BAL adopted a company-wide 'Code of Conduct' (CoC) in 2009. All business operations are carried out in line with the CoC. All employees are provided a hard and e-copy of the CoC, and are trained on its requirements during induction. Further, all BAL employees are required to adhere to the CoC's requisites. The CoC details integrity, cultural and good working norms, as well as the process to address violations for each.

A separate CoC specifically pertains to the Company's Directors and Senior Management. It states that 'Directors and Senior Managers shall observe the highest standards of ethical conduct and integrity and shall work to the best of their ability and judgment'. A declaration of the Directors and Senior Management affirmation to the CoC is communicated to all stakeholders by the Managing Director, through the Annual Report.

The CoC contains a 'Grievance Redressal Policy' and a 'Whistle Blower Policy' which enable employees to raise concerns to the Company's Management. An enforcement committee consisting of Senior Management personnel is deployed to investigate complaints received through the whistle blowers channel.

- Grievance Redressal Policy: Pertains to personal grievances which are not addressed through counselling, feedback etc.
- Whistle Blower Policy: Employees can report instances of unethical behaviour, or suspected fraud or violation of CoC or ethics policy, to the Management. There are adequate measures taken to ensure safeguards against victimisation of employees who avail of the mechanism. There is also a provision for direct access to the Chairman of the Audit Committee in exceptional cases.

As of the year 2014-15, no complaints were received with respect to the above two policies.

Additionally, BAL is an industry partner of the World Economic Forum's initiative, 'Partnership Against Corruption Initiative' (PACI), and has undertaken a zero-tolerance policy towards bribery.

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

BAL recognises the impacts to and dependencies on natural resources in its business operations. Therefore, BAL is working towards aligning its sustainability actions across the entire value chain, including product development, plant operations and supply chain management. This also provides BAL with an opportunity to ensure safety and resource efficiency, and provides a platform for product innovation and stakeholder engagement.

### **Product Sustainability:**

All products designed by BAL are compliant with environmental standards in the Indian Central Motor Vehicle Rules (CMVR). This includes regulating tail-pipe emissions of air pollutants such as Carbon Monoxide (CO), Hydro-carbons (HC), Nitrogen oxides (NOx) gases as well as particulate matter.

Further, BAL's models are certified by the Automotive Research Association of India (ARAI). BAL also ensures compliance with the BS III norms and the mandatory COP (Conformity of Production) requirements. All models exported to advanced markets are made in compliance with Euro 3 emission norms.

BAL is constantly improving drivability, driver ergonomics, fuel efficiency and durability of its three-wheeler models. Recently, BAL bolstered its highly successful and reliable Platina line to launch the 'Platina 100 ES and Platina 100', with a fuel efficient DTSi engine which gives a fuel efficiency of 96.9 kmpl on the 'Indian Driving Cycle' (IDC).

### **Sustainable Sourcing:**

BAL's 'Green Purchasing Policy' outlines guidelines for energy, water and natural resource conservation for the entire supply chain.

All major vendors are being certified for ISO14001/ OHSAS. An update is provided in the table below:

<b>Vendor Cluster</b>	<b>ISO 14001/OHSAS certified upto March 15</b>
Chakan	31
Waluj	42
Pantnagar	15
<b>Total</b>	<b>88</b>

In order to enhance interface and enable value chain efficiency, BAL engages with its vendors through 'Bajaj Auto Vendor Association' (BAVA). Currently, 137 out of 384 vendors are a part of BAVA. BAVA provides training programmes to vendors on company policies pertaining to quality enhancement, work management, logistics efficiency, health and safety and environmental conservation.

Vendor clusters convene on a monthly basis with BAL plants and purchase department to share updates through BAVA.

BAL provides an impetus to vendors through the 'Cluster Kaizen Competition' on a half yearly basis, which evaluates them based on new initiatives/good practices adopted by the vendors.

From various energy saving initiatives adopted by BAL vendors, 4.26 lakh units (kWh) was saved in 2014-15 by 'Forging' category vendor groups.

Another supply chain wide sustainability initiative is BAL's 'Total Productive Maintenance' (TPM) policy, practiced by Tier I and II vendors which has enabled equipment, operational, human and cost efficiencies. As on date 141 Tier I vendors and 78 Tier II vendors are practicing TPM. BAL assesses vendor performance on TPM through improvement targets provided on a yearly basis. In order to

provide an incentive to enhance TPM, BAL awards its vendors based on various productivity initiatives adopted by them. 94 vendors were awarded 'TPM' and 47 vendors were awarded the 'TPM Excellence' up to 2014-15.

For supply chain cost efficiency, a focus was given to 'Vendor VAVE', yield improvement, alternate eco-friendly process and localisation of RM suppliers. For conversion cost reduction, focus was given on electricity cost reduction, consumable cost reduction, optimisation of man, machine and fixture resources. In logistic cost reduction, focus was given on 'Bill to Ship to' (B2S2) initiative and supply chain rationalisation, among others. Ultimately, enhancing efficiency and optimising processes to reduce environmental impact also have a positive effect on cost efficiency.

A B2S2 initiative was started by four Waluj and Chakan cluster vendors. Prior to this initiative, 'child part' vendors of sub-assemblies were routed through BAL, now 'child part' vendors are supplying parts directly to sub assembly vendors on behalf of BAL.

This has led to the following benefits:

Sr. No.	Activity	All Clusters		
		Before B2S2	After B2S2	% Reduction
1	Truck Turnaround time	5 Hrs	3 Hrs	-
2	Total Distance Travelled (kms/month)	1,290	610	-
3	Total Fuel Consumed (Diesel ltrs/month)	215	113	50%
4	Documentation Paper work (documents/ mth)	542	0	-
5	Carbon Emission (Tons/KL)	3	1.4	50%

BAL encourages local procurement of goods for its manufacturing operations. As of this year, over 70% of the procurement is carried out locally. This has a dual benefit, as it creates a significant positive impact on the local economy, as well as reduces the Company's carbon footprint.

The purchase department has adopted an 'Input-Process-Output' (IPO) methodology to ensure zero rejection at BAL and vendor end. This results in the reduction of scrap generation across the supply chain. For effective implementation of IPO, training is being provided to vendor CEOs, plant heads and staff. IPO is currently being undertaken by a majority of BAL's critical vendors.

**Waste Reduction:**

All four plants are working towards reducing the waste generated in their operations, through a variety of innovative solutions. At the Pantnagar plant, during the pre-treatment line, the phosphating process was replaced by the tectalis process, which enabled zero hazardous waste generation. Further, the paint shop effluents were 100% treated and used for gardening. At the Chakan plant, waste paint was being sent to MEPL Ranjangaon, a hazardous waste disposal site. However, through an initiative launched at the Chakan plant, the waste paint is now incinerated in the premise. The heat recovered from this is utilised for paint shop chemical heating. This has resulted in fuel savings of up to 40%. Additionally, RO treated industrial effluent (upto 40 kilo litres per day) was used in paint shop processes.

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

BAL believes that employees are one of its greatest assets, thus, it is dedicated to create a safe, inclusive and positive workplace for all its employees.

In 2014-15, BAL hired 1,562 employees. This raised its total employee count to 9,183 including trainees. All four plants have registered trade unions, and 53% of employees are party to company recognised employee associations. The count on permanent employees with disabilities stands at 25 as on 31 March 2015.

BAL encourages employment of women in all its departments. As of this year, there are 67 permanent women employees. In 2014-15 the number of total women employees went up by 22%, from 198 to 242. Further, BAL has a 'Policy on Prevention of Sexual Harassment at Workplace' in place to ensure their safety and security. During the International Women's Day celebration, sessions on women's health and self-help were organised.

BAL believes that constant sharpening of competencies is essential to further enhance our productivity, quality and engagement. Therefore several skill and competency development opportunities are provided to all employees. Training is imparted through a variety of programmes, such as classroom, on-the job, out-bound and online programmes. In 2014-15, 3,000+ of its total workforce was trained through 300+ training programmes, covering 8,000 man-days. Corporate trainings in particular, covered about 1,700 permanent employees, including 51 women employees. The number of programmes has seen an increase of nearly 31% over the last year. Over a 60% increase in number of training man-days has been achieved through these programmes. Emphasis on ensuring effectiveness of training programmes has yielded encouraging results, with 96% of programmes achieving a feedback score of 80% or more in 2014-15.

BAL assesses its employees for their potential as future leaders against its 'Leadership Competency Framework' which defines leadership attributes and demonstrable behavior of a BAL leader. It gives data points for each employee on his strengths and areas of development and hence aids in making individual- specific development plans. In November 2014, BAL co-created with IIM - Ahmedabad a unique leadership training program for employees transitioning from individual contribution role to manager's manager role.

There were no complaints relating to child labour, forced labour, involuntary labour or sexual harassment in the last financial year and pending, as on the end of 2014-15.

The 'Corporate Hospitalisation Benefit Scheme' covering BAL's staff and 'Hospitalisation Welfare Scheme' covering BAL's workers provides healthcare benefit to a large number of employees. A total of 1,351 employees have received the benefit of these schemes over the last two years.

In order to boost employee morale and promote the culture of continuous improvement BAL gives 'Kaizen Awards' to deserving employees. 293 'Shining Kaizens' were awarded last year. This award is provided to best kaizens in terms of innovative ideas or kaizens resulting in improvement in productivity, quality and cost. The number of kaizens per person per annum went up from 5.5 to 6.3.

A variety of employee engagement initiatives addressed the interest of different employees. BAL also provides recreational facilities on campus for its employees. The gym facility at Akurdi which was inaugurated last year has more than 100 members. A significant initiative started this year was weekly yoga classes to promote good health. Other initiatives such as 'Trekking Club', 'Photography Club', 'Inter-Departmental Cricket Tournament', 'Cricket Quiz', 'Women's Day Celebration', 'Poetry Competition' etc. were held.

Thanks to our holistic employee development and engagement initiatives, we could contain attrition within single digit levels.

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

BAL has always been an equal opportunity employer. In order to sustain this practice, BAL launched a 'Code of Conduct for Affirmative Action' back in 2006. This Code ensures preference is given to business vendors from socially disadvantaged sections of the society, provided other business considerations are equal. Further, BAL ensures there is no discrimination of any type for socially disadvantaged sections in the work place.

In line with affirmative action, in 2014-15 BAL recruited 1,562 new employees, of which 125 (8.0%) belong to socially weaker sections of the society, such as scheduled castes and scheduled tribes. At present, employees from scheduled castes and scheduled tribes constitutes 6.7% of the workforce.

## Principle 5: Businesses should respect and promote human rights

BAL is dedicated to preserve the human rights of all its internal and external stakeholders, and therefore ensures compliance with all applicable laws pertaining to human rights. In this regard, a legal compliance report is submitted to the Company's Board of Directors on a quarterly basis. There were no complaints on violation of human rights for 2014-15.

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

BAL is committed to creating and preserving a cleaner environment and is continually striving to reduce the environmental impact of operations through sustainable practices and responsible use of resources.

BAL's Safety, Health and Environment (SHE) Policy guides all Company operations and activities. SHE is an important pillar of TPM. 'Safety' includes reducing accident probabilities through safe working practices. 'Health' covers worker training on hygiene and health practices, noise reduction, access to safe drinking water, provision of individual health check-ups, etc. 'Environment' activities focus on reducing air, water and land pollution, and management of hazardous waste and resource conservation.

Plant-wise highlights of key environmental initiatives are provided below:

### Waluj Plant

Certified for ISO 14001 (Environment Management Systems) and ISO 18001 (Occupational Health and Safety Assessment Series OHSAS)

Resource consumption reduced in 2014-15 compared to last year: 1.6% reduction in power (KWH/ Vehicle), 0.5% reduction in fuel (kg/vehicle) and 11.1% reduction in water (cubic meter/vehicle)

Water Positive Plant

Zero Discharge Plant

'Excellent Energy Efficient Unit' Award (National Level) for 2014 by Confederation of Indian Industry (CII)

'Gold Award' (Apex level) in Indian Green Manufacturing Challenge' instituted by International Research Institute for Manufacturing, Chennai

### Pantnagar Plant

Certified for ISO 14001 (Environment Management Systems) and ISO 18001 (Occupational Health and Safety assessment Series OHSAS)

Installation of energy saving devices such as energy efficient pumps and LED streetlights

Zero Discharge Plant

Water consumption reduced by 20% compared to last year. Treated water use for gardening has been increased.

Installation of an organic waste convertor is being planned for 2015-16, which will convert 100kg of canteen waste to manure on a daily basis

### Chakan Plant

Certified for ISO 9001 (QMS certification)

Reverse Osmosis plant of 100 cu. meters (0.1 million litres per day) installed.

Resource consumption reduced in 2014-15 compared to last year: 17.9% reduction in power (KWH/ Vehicle), 44% reduction in fuel (kg/vehicle) and 27% reduction in water (cubic meter/vehicle)

Water Positive Plant

Zero Discharge Plant

Use of 5 star equipment

Reduction in packaging material

Challenger Award in green manufacturing excellence, instituted by Frost and Sullivan.

### Akurdi Plant

Use of drip irrigation/sprinkler systems for horticulture

2% reduction in energy consumption compared to last year, through energy efficiency measures such as installing motion sensors, solar water heater for canteen - dish washing and provision of daylight in roof sheets

Zero Discharge Plant

Water conservation initiatives such as reuse of treated water for toilet flushing, and replacing water cooled with air cooled systems

Canteen waste generated is utilised for bio-gas generation

All four plants of BAL operate as per the 'Consent-to-Operate' provided by the State Pollution Control Board (SPCB), and are within limits with regards to the emissions and waste generated. No show cause notice/legal notice was received from Central Pollution Control Board or SPCB.

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

BAL is a member of various national as well as international associations, through which it actively engages in policy advocacy. BAL puts forward its views on the setting of new industry standards or regulatory developments pertaining to the automotive manufacturing industry, broadly in areas like Governance and Administration, Economic Reforms, Inclusive Development Policies, among others.

Some of the key associations of which BAL is member are:

- Confederation of Indian Industry (CII)
- Society of Indian Automobile Manufacturers
- Association of Indian Automobile Manufacturers
- World Economic Forum
- Federation of Indian Export Organisations
- Business and Community Foundation
- Indian Federation of Green Energy
- International Road Federation - India Chapter
- The Automotive Research Association of India
- Mahratta Chamber of Commerce, Industries and Agriculture
- NAFEMS Ltd.
- National Safety Council
- The Advertising Standards Council of India
- Forum of Free Enterprise
- Indian Merchant Chamber
- Bombay Chamber of Commerce And Industry

### **Principle 8: Businesses should support inclusive growth and equitable development**

The CSR philosophy of BAL has been formulated under the vision and principles of the Company's Founding Father, late Shri Jamanalji Bajaj, who believed in creating shared value through fair and equitable business functioning. BAL believes that 'majority of 'expenditures' under CSR are converted to 'investments in resource creation' for use over generations.

As of 2014-15, CSR donations committed by the Company under section 135 (Schedule VII) of the Companies Act, 2013 totals to ₹ 119.25 crore. These activities cover a variety of stakeholders, and are implemented through employee initiatives, welfare groups, NGOs, charitable bodies, local authorities and social organisations.

Given below, is a list of key CSR initiatives carried out by BAL in 2014-15 (list not exhaustive):

#### **1. Education**

Through PPPs, BAL is upgrading 5 Industrial Training Institutes (ITI) in India. There are two in Pune, one in Pantnagar, one in Aurangabad, and a fifth ITI was newly adopted in Uttarakhand. The Company is taking consistent actions to better the quality of output from the Institutes. As of 2014-15, over 450 students are being trained across these ITIs.

#### **2. Health**

In association with the Indian Ministry of Health and Family Welfare, the Department of AIDS Control (DAC) and CII, BAL initiated a PPP to provide accessible and better health-care to HIV-AIDS patients. MSACS (Maharashtra State AIDS Control Society) awarded a certificate of appreciation to the Bajaj YCMH ART Centre in recognition of their efforts to provide excellent HIV care. From August 2008 onwards, the Bajaj YCMH ART Centre at YCM hospital, Pimpri, has registered over 12,000 cases of which over 5,300 are active cases for Anti-Retro Viral Therapy. This Centre is now considered a benchmark for such centres, and is the largest one run by an industry.

### 3. Others

- Through **blood donation** camps organised by factory employees, over 885 employees donated blood for local hospitals.
- In September 2014, employees from the Akurdi Plant collected nearly 2,000 old and new books through a **book donation drive** which were distributed among eleven schools in various local village schools.
- In order to ensure safety and **disaster management** of the local area, the fire department's vehicles made 33 fire calls outside the plants to carry out fire-fighting and rescue operations.

In addition to the above activities, BAL contributes to rural and urban development in the areas of its operations through the Jankidevi Bajaj Gram Vikas Sanstha (JBGVS). JBGVS reaches 84 villages in Maharashtra, 11 villages in Sikar district of Rajasthan and 1 village in Pantnagar, Uttarakhand. Through education, health care, environmental, economic and social activities, JBGVS touches 67,500 people, most from economically weaker sections of the society, such as scheduled castes, scheduled tribes, nomadic tribes, and other backward classes.

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

BAL's philosophy 'Distinctly Ahead' guides its customer engagement process. BAL is rigorous in ensuring it is able to actively communicate and engage with customers on a variety of platforms, such as call centres, web based interfaces, dealer showrooms and service centres. Further, in order to enhance customer satisfaction, clear any pending issues and generate referral sales, BAL organises service camps for its customers.

For BAL, safety is of supreme importance, which includes safe use of its products. Every product is sold with an owner's manual which includes safety checking mechanisms, do's and don'ts and fuel saving tips, thus encouraging consumers to use BAL's products in a responsible manner. To ensure the right type of communication with regards to newly launched products, and create in depth awareness on 'Feature Advantage and Benefits' (FABs), BAL carries out a mobile 'Showroom On Wheels' programme.

Additionally, BAL has a dedicated organisational structure called Customer Insight (C.I.), which carries out internal surveys to understand consumer behaviour and complaints.

BAL carries out various field activities on a pan-India level, to engage with customers at a ground level. An example of this is the 'Swarozgar Campaign' which tackles the issues of unemployment in rural and semi-urban areas, through triggering the need to enter the three-wheeler business, and thus providing self-employment opportunities to rural youths.

The number of cases pending at the consumer forum as of end of March 2015 is 439, while 136 cases were filed during the year. There were 3 case filed against the Company regarding irresponsible advertising, however no case is pending as of 31 March 2015.