

Business Responsibility Report

Section A General Information about the Company

1.	Corporate Identification Number	L-65993PN2007PLC/30076
2.	Name of the Company	Bajaj Auto Ltd.
3.	Registered address	Mumbai-Pune Road, Akurdi, Pune 411035
4.	Website	www.bajajauto.com
5.	E-mail ID	brr.response@bajajauto.co.in
6.	Financial Year reported	April 2012 - March 2013
7.	Sector(s) that the Company is engaged in	Automobile
8.	List three key products/services	Motorcycles and 3 wheeler commercial vehicles
9.	Total number of locations where business activity is undertaken	4
10.	Markets served by the Company	India and 57 countries across the world

Section B Financial Details of the Company

1.	Paid up Capital (INR)	289.37 crore
2.	Total Turnover (INR)	20,792.74 crore
3.	Total PAT (INR)	3,043.57 crore
4.	Total spend on CSR as percentage of PAT (%)	Refer to CSR section of the annual report
5.	List of activities in which 4 has been incurred	

Section C Other details

Refer main report

Section D BR Information

1.	Details of Director/Directors responsible for BR	Madhur Bajaj, Vice Chairman
2.	Principle-wise BR Policy/policies	Refer main report
3.	Governance related to BR	

Section E Principle-wise performance

Refer main report

1. Preamble

Bajaj Auto Ltd. (BAL) presents its first Business Responsibility Report (BRR) for the financial year 2012-13, as per the framework suggested by the Securities and Exchange Board of India (SEBI) in its circular of August 2012.¹

With presence in the sports and commuter motorcycle segments and the commercial vehicle segment through key product lines of Pulsar, Discover, Boxer and RE (3 wheeler), BAL serves the Indian markets through its 791 dealers spanning the expanse of the country. The manufacturing units are located in the Industrial estates of Waluj (Aurangabad) and Chakan (Pune) in Maharashtra and Pantnagar in Uttarakhand.

BAL exports to 57 countries across Latin America, Africa, South Asia, Middle East and Europe. In the export markets, BAL has a network of dealers and distributors for assembly, sales, marketing and service.

BAL's subsidiaries do not directly participate with BR initiatives of the Company. But, technological and other best practices are shared between the companies and its subsidiaries.

2. Ethics, transparency and accountability

Matters of ethical conduct, transparency and accountability are fundamental to the way BAL conducts business. A culture of integrity and ethics is fostered throughout the Company by strong set of policies and guidelines as detailed below. BAL is an industry partner in the Partnership Against Corruption Initiative (PACI) of the World Economic Forum.

BAL introduced a Code of Conduct (CoC), effective April 2009, applicable to all its employees as a part of their service conditions. The Integrity norms of the CoC cover aspects of avoidance of bribes, availing of favours/gifts from business associates, fraud and insider trading. BAL provides every employee a copy of the Code during induction into the Company and it is also available on the "Employee Self Service" portal on the intranet.

BAL has a separate Code of Conduct for Directors and Members of Senior Management, approved by the Board at its meeting on 30 January 2008 that is published online.² It specifies that the '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 affirming the compliance of all directors and senior management to this Code is given by the Managing Director annually and is communicated to all shareholders in the annual report.

The CoC outlines a Grievance Redressal Policy and a Whistle Blower Policy for individuals to report grievances and instances of violations of the norms of the Code. An Enforcement Committee is constituted with senior management personnel to investigate the complaints and grievances received through the whistle blower channel. BAL's Internal Audit function also covers Code related aspects of corruption and insider trading risks amongst others. In FY2013, no complaints were received through the Whistle Blower channel at BAL.

3. Product life-cycle sustainability

As an automobile manufacturer, BAL is cognizant of the importance of focus on life cycle sustainability of its products. Outlined below are the several measures BAL has taken to ensure safety, resource efficiency and responsible use of its products at every life-cycle stage from sourcing of raw materials to disposal by partnering with the various stakeholders along its value chain. All manufacturing plants of BAL are OHSAS 18001 and ISO 14001 certified.

Reducing environmental impact:

- a. Fuel efficiency: The 'Discover 100' model has achieved fuel efficiency of 90.3 km/l. This is a 22% improvement achieved in less than 4 years over another model of similar capacity engine.

¹ Readers may kindly address their queries or feedback on the content of the report to brr.response@bajajauto.co.in.

² Available on http://www.bajajauto.com/bajaj_investor_code_of_conduct.asp

- b. Improved engine oil: In January 2010, BAL introduced the Bajaj Genuine Oil, "Bajaj DTSi-10,000" for all its 4-stroke motorcycles. With this newly developed product, the consumption of engine oil halved, from requiring replacement once every 5,000 km to once every 10,000 km. Since then, BAL has so far sold 10,785 kilo liters of Bajaj Genuine Oil to consumers since its launch in 2009-10, thereby saving an equivalent quantity of oil during the product use.
- c. Power to weight ratio: High strength material and plastics are used alongside design process and analysis to optimise vehicle weight and strength. As an example, the new Pulsar 200 NS has a 20% improved power to weight ratio compared to Pulsar 220. Lighter vehicles consume less fuel reducing environmental impact.

One of the environmental impacts from vehicle use is emissions. The regulatory norms on emissions are becoming increasingly stringent. BAL's vehicles are compliant with the current BS III norms in India.

Sourcing:

In 2007, BAL formed its vendor association Bajaj Auto Vendor Association (BAVA) with an objective to facilitate prevention of interface losses between vendors and BAL. It is the first-of-its-kind in the automobile manufacturing industry in India. The other objective of forming the BAVA is enabling vendor improvement activities steered through BAVA management and executive committees. As of 31 March 2013, 130 out of total 211 vendor groups are part of BAVA.

To further BAVA initiatives, BAL adopted a Green Purchasing Policy endorsed by the Head of Purchase. The policy declares BAL's commitment to conservation of energy, water and environment across its supply chain and states that the Company will endeavor to source its parts from vendors that adopt environment friendly technologies.

Following the policy, BAL has worked with BAVA to develop a road map for green procurement. The road map specifies targets against environmental parameters such as ISO/OHSAS certification, Greenery plantation, reducing consumption of power (electrical energy), reduction in water consumption, recycling and reducing packaging material. BAL helps identify external consultant to guide vendors for improvements in these areas and seeks disclosures from BAVA members on their performance. So far, 55 vendors have been certified. From the various initiatives adopted by the vendors, the casting vendor cluster has projected a savings potential of 33,02,470 kWh in a year.

BAL supports its vendors for continuous improvements on quality, cost and delivery performance in the following ways:

1. Direct assistance by deploying BAL engineers at vendor plants to identify gaps, carry out improvement and monitor the same till sustenance is achieved and transferred to vendor.
2. Specific training programs on Total Productive Maintenance (TPM) implementation for vendor plant managers at BAL plant and to vendor front line workers for skill and knowledge improvement at BAL Technology Centre.
3. BAVA forums to provide guidance on preventing interface losses and promote improvement culture among small cluster groups.
4. Extending services of BAL employed Industry/Process Experts for Non-Proprietary category.
5. Assisting Automation Projects in Non-Proprietary category, which also has reduced their dependency on skilled manpower.

By working with vendors to develop capability, BAL benefits as the improved technologies are developed with the existing vendors at better cost efficiencies. The benefits are dual - the vendors are enabled access to global markets, with upgraded technology. BAL promotes BAVA members to adopt TPM way of working and encourages their tier 1 vendors to extend the TPM way to tier 2 vendors as well. The TPM policy commits to continuous improvement

In the operations of BAL and its partners demonstrating the responsibility of BAL across its value chain.

In FY2013, 95.7% of the total supplier value of BAL was from procurement within India. Taking the unique cluster concept, in the Pantnagar plant, 17 of BAL's key vendors are situated around the unit within 1.5 km of the plant. The transportation footprint in BAL's supply chain is greatly reduced and economic development is created through increased local sourcing. This is therefore an important aspect of sustainable sourcing.

Of the non-hazardous solid waste generated by BAL, as much as 97.8% is recyclable. Of this, a portion of the canteen waste is utilised in biogas production at Akurdi, and the rest of the waste is sent to waste disposal contractors or authorised resellers. The hazardous wastes are disposed as per the Pollution Control Board norms.

4. Employees' well-being

In line with its growth plans, BAL's permanent workforce grew from 7,557 as on 31 March 2011 to 8036 as of 31 March 2013. Of this, 51 are women. In the same period, the number of associated workforce including trainees, apprentices and contract employees went up from 564 to 877. The count of differently-abled employees stands at 25 as on 31 March 2013. At all locations of operation of BAL, there are worker unions recognised by the management. 63.8% of BAL permanent employees are unionised.

High-performance culture in BAL is enabled by its performance management system that ensures objective goal setting, quarterly evaluation, transparent rewards and constructive feedback. The quarterly performance appraisal system that covers a fifth of its permanent employees ensures alignment of goals across functions and rewards high performers every quarter. All employees are covered under the annual performance appraisal that takes into account both quantitative and qualitative parameters. The objectivity, transparency and fairness of the process is ensured by the heads of each function along with the Human Resources department and Managing Director.

Human Resource Development at BAL is aligned to its strategy of differentiation and continuous improvement. A structured approach to skill and competence upgradation of employees has been put in place. Training is imparted through a variety of approaches that include class-room, on-the-job and outbound training, as well as employee tours to other manufacturing facilities. BAL imparts several aspects of safety training to all new employees at induction. As of 31 March 2013, from the permanent workforce, 41.8% received training. Further, 70.6% of BAL's permanent women employees and 5% of the employees with disabilities received training in FY2013. There were no complaints relating to child labour, forced labour, involuntary labour and sexual harassment in FY2012 and FY2013, and pending as of end FY2013.

Employee care is a key priority in BAL and HR policies are periodically reviewed and benchmarked. This year, the travel policy was revised with a view to ensuring employee comfort, safety and productivity while being on outstation tours. The hospitalisation policy has been comprehensively reviewed, resulting in the new Hospitalisation Benefit Scheme effective April 2013. A higher level of employee engagement has resulted in significantly lower levels of attrition in FY2013.

5. Stakeholder engagement

Community has always been considered an integral stakeholder by the Bajaj Group. Through the Bajaj Group's Public Charitable Trusts (over 40 in number), the Bajaj Group Companies contribute towards community development by working together with the weaker sections of society to achieve growth and development.

BAL is a signatory to CII's Affirmative Action for the Scheduled Castes and Scheduled Tribes communities. This is a voluntary commitment to support the Indian Government and civil society in an endeavor to ensure equal opportunity to all. As a part of this subscription, BAL has adopted a Code of Conduct for Affirmative Action since 2006. As per this Code, *in case of equal business offers, the Company will select a business partner belonging to a socially disadvantaged section of society.*

BAL promotes inclusive growth by employing disadvantaged/minority applicants through a variety of provisions during recruitment. The recruitment numbers in support of this practice is provided below:

Employee category	Permanent employees	Temporary employees (including trainees and contract employees)
Total recruitment in FY2013	684	1,347
Number of female employees	11	100
Number from Other Backward Classes (OBCs)	177	378
Number from Scheduled Tribes (STs)	10	25
Number from Scheduled Castes (SCs)	37	125

BAL has set up an Anti-Retroviral Treatment centre (ART) for treatment of patients with HIV/AIDS in the Yeshwantrao Chavan Municipal Hospital in Pimpri as a part of the tripartite agreement of the National AIDS Control Organisation, CII and BAL. This centre is managed by BAL's employees, and has become one of the largest such centres run by an industry, with over 3900 registered patients. The centre has been recognised as one of the best ART centres in India, owing to the quality healthcare and group counseling facilities.

In 2012, BAL initiated a structured stakeholder engagement for the purpose of the business responsibility reporting. As a first step, senior representatives from internal functions were engaged through an awareness workshop. Following this workshop, representatives were asked to identify key stakeholders to each of their functions. From this process, key stakeholders to BAL were systematically identified. These emerged to be customers, shareholders, employees, suppliers and dealers

As mandated by listing agreements, all shareholders receive communication on the Company's performance through the annual report. The Board of Directors meets quarterly or at defined periodicity with the management. The Board also reviews the 'Compliance Reports' for all legal requirements that are submitted by the Management. The legal compliances and conformance to the clauses in the listing agreement are declared and communicated through BAL's annual report. Shareholders can reach out to the Board and the Company through the Shareholders' and Investors' Committee.

The management of BAL convenes regularly through meetings of the Corporate Management Committee, Business Review Committee and Brand Management Committee for reviews, strategy, product plans and launches throughout the financial year. Key information such as Company strategy and focus areas are disseminated to the employees through Communication meets, conducted twice yearly.

6. Human rights

BAL complies with all laws and regulations of the land. Legal compliance report is placed before the Board on a quarterly basis. Furthering this, BAL has signed the 'Pledge to Fight HIV Discrimination and Stigma' of the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria as a commitment to fight the discrimination and stigma at the BAL workplace. BAL does not condone discrimination of any form at the workplace. No complaints on violation of Human Rights were received during the financial year.

There were no complaints relating to child labour, forced labour, involuntary labour and sexual harassment in FY2012 and FY2013.

7. Environment

BAL has adopted the concept of TPM³ to build and continuously improve its core competencies. For all plants, TPM audits are conducted by external experts regularly. Currently, all plants have received the TPM Excellence Award. In addition, Chakan and Waluj plants have also received the Award for Excellence in Consistent TPM Commitment from JIPM, Japan. Through the TPM initiative, all plants have made significant progress towards lean manufacturing.

The CoC covers aspects of reducing negative impact on the environment, eliminating waste and conserving resources. The Safety Health and Environment Policy⁴ endorses 'minimising generation of waste and conserving resources through better technology and practices for prevention of pollution.' By conducting in an environmentally conscious and responsible manner, the Company is making efforts to tackle the larger environmental issues. The Green Purchasing Policy and the TPM way of working extend environmental consciousness and improved efficiency respectively to the supply chain. All BAVA members are to plant two trees per employee every year.

BAL procures wind power from Bajaj Finserv Ltd., which helps in optimum utilisation of energy and to achieve sustainable environment. At Akurdi, biogas from canteen waste is used as a fuel for canteen operations.

In recognition that water is an important resource and is becoming increasingly scarce, BAL has focused on water conservation, reuse and recycle at all its plants. Through continuous improvements, water consumption reduction has been achieved from 6500 m³ per day in 1992-93 to 2200 m³ per day as of this year.

Some of the other initiatives taken up at Waluj and Chakan to reduce water usage in the last two years include replacement of underground water line to above ground and change to water saving taps in office blocks and canteens.

The emissions and waste generated from the plants are within the consent limits as per Pollution Control Board. No show-cause or other notice or summons or any other document has been served on BAL by a Government authority, Tribunal or Court or any other party during FY2013.

8. Policy advocacy

BAL has representation in national and international industry and trade associations. BAL actively participates in putting forth its views on new standards or regulatory developments pertaining to the automotive manufacturing industry as well as industry at large, broadly in areas concerning Economic reforms, Best business practices, Corporate Governance, Corporate Social Responsibilities, etc. Some of the trade/business associations where BAL is a member are listed below.

Key associations:

All India Management Association	Labour Law Practitioners Association
Business and Community Foundation	Mahratta Chamber of Commerce Industries and Agriculture
Confederation of Indian Industries (CII)	National Safety Council
Institute of Quality	
Commonwealth Business Council	Quality Circle Forum of India
Confederation of Indian Industry	Society of Indian Automobile Manufacturers' Association
EEPC India	The Advertising Standards Council of India
Federation of Indian Export Organisations	World Economic Forum, Geneva
Forum of Free Enterprise	Waluj Industries Association, Aurangabad
Chamber of Marathwada Industries and Agriculture, Aurangabad.	

³ Available online on http://www.bajajauto.com/bajaj_corporate_key_policies.asp

⁴ Available online on http://www.bajajauto.com/bajaj_corporate_key_policies.asp

9. Inclusive growth

In going 'Beyond Profits', the social and welfare objectives of the Bajaj Group are being fulfilled through the Trusts and Foundations (over 40 in number) established by the Group. The Trusts and Foundations are key stakeholders of BAL. The activities carried out are in the areas of education, health, women empowerment, self-reliance, rural development and environment & natural resources.

The guiding philosophy is primarily to assist the disadvantaged in a way such that capacity is built for self-reliance and sustenance. All activities therefore are carried out with an objective to enable sustainable development.

A comprehensive publication "Beyond Profits" covering the various community development activities of BAL and the Bajaj Group is available on http://www.jamnalalbajajfoundation.org/the_foundation/beyond_profits. The key contributions by Bajaj Group impacting the said principle of 'inclusive growth and equitable development' are given below -

1. Enabling social and economic growth through its operations

BAL has contributed to the local economic growth by operating profitably. The tax from BAL is a significant source of income to the local Gram Panchayat. The sizeable and consistent contribution by way of taxes has enabled the Panchayats/Municipal Corporations to not only pay the basic infrastructure bills but also take up significant infrastructure development projects such as sanitation and roads.

2. Jankidevi Bajaj Gram Vikas Sanstha (JBGVS)

JBGVS acts as a catalyst for the participation of rural community in improving their quality of life, eliminating poverty, empowering women, development of human and natural resources, and promoting ecological balance. As of now, JBGVS works in 41 villages in Pune, 13 in Aurangabad, 10 in Wardha and 11 villages in Sikar, Rajasthan. The BAL plants work closely with the Jankidevi Bajaj Gram Vikas Sanstha (JBGVS) towards sustainable development of villages in the area. An impact assessment study in villages across Aurangabad and Pune district was taken up by BAL recently. The Trust not only aids in women empowerment by training women to use advanced technology for food grain storage but also helps in securing loans for women.

3. Medical facilities to the Marathwada region

Kamalnayan Bajaj Hospital in Aurangabad is one of the few leading healthcare providers in the Marathwada region, which offers treatment free of cost for those below the poverty line and at subsidised rates for others. The Hospital has introduced state-of-the-art medical facilities to the Marathwada region, which was otherwise only available in cities such as Pune and Mumbai. The Kamalnayan Bajaj Nursing College has also been established alongside to train nursing professionals. The College provides scholarships to support students with financial constraints.

4. Employees' contribution to the society

BAL provides its employees opportunities to contribute to the society in course of their employment. It has tied-up with Give India, wherein employees can donate any sum towards its activities in social empowerment. As many as 375 of employees (level 3 and above) are contributing through this provision.

Blood donation camps are also organised at the offices and plants, on a regular basis. 566 employees participated in the blood donation camps across BAL plants. BAL employees also support activities of the Trusts and Foundations of the Bajaj Group by overseeing operations and volunteering their time.

5. Contribution to sustainable development by operating responsibly

BAL has been recognised as an environmentally conscious and responsible organisation. In FY2013, the Company was the first in the Waluj area to reduce their water consumption by 40% in the face of acute water shortage in the Marathwada region (from 2200 m³ per day to 1200 m³ per day). BAL, has been an enabler of sustainable development by sharing knowledge.

6. Partnering with the Government to enable growth

Under the Public Private Partnership (PPP) scheme of the Government of India, the Company has undertaken upgradation of 4 Industrial Training Institutes (ITIs)- 2 in Pune, 1 in Aurangabad and 1 in Pantnagar.

For further details on our CSR initiatives, please refer to our CSR Report section in the annual report.

10. Customer value

Since 2007, BAL's guiding philosophy has been 'Distinctly Ahead' which is being ahead as well as being distinct in all aspects of its business - including products, technology, marketing, manufacturing, distribution and others. This vision comprises three core values of Speed, Innovation and Perfection.

In terms of products, this translates to cutting edge technology, value for money and superior customer experience. BAL's key products are designed for maximum performance on power, acceleration, speed, durability and handling to provide comfort, power and convenience to the customers, in the respective product segment.

At BAL, safety features are given utmost importance - from design to use. With every product, a product manual containing technical specifications, unique product features and benefits as well as a warranty card is made available. In addition, BAL reaches out to its customers to urge them to use only genuine parts for their vehicles. This not only promotes long life of the product as opposed to a substitute which may be substandard, but also ensures that the safety features on the vehicle are not compromised. For easy identification of genuine products, BAL products carry a unique hologram. BAL promotes its products across all media and through events and road shows in a responsible and ethical manner. As a member of the Advertising Standards Council of India (ASCI), it is bound by the clauses laid out in the ASCI code. The claims made in advertisements are backed by research and where possible, certified by a recognised authority. In being a responsible corporate citizen, all advertisements with stunt sequences carry a disclaimer informing viewer that these were performed by professionals under controlled conditions and with protective gear and must not be tried by individuals.

BAL engages with its customers through multiple channels - from customer touch-points such as dealerships, service centres to the Customer Care portal on its website to social media pages such as Facebook, Twitter etc. The Sales and Service teams of the International Business unit regularly engage with the customers in the international markets. Further, business insights are captured through outsourced market research studies by BAL's Consumer Insights and Marketing functions.

In the last 5 years, BAL had 6 instances of customer/viewer complaints against its television commercials. Most of these were against the action/stunt shots. All complaints have been duly responded to. Where required, necessary action was taken and the complaints were closed with ASCI.

The number of cases pending at the consumer forum as of end of March 2013 is 429, while 125 were received this year. Of the 13,827 customer complaints received this year, 20 complaints (0.14%) are pending resolution as on 31 March 2013.