

Annexure VII

ANNUAL REPORT ON BUSINESS RESPONSIBILITY

At AU Small Finance Bank (**AU Bank**), we believe that the organisation is a critical component of the social fabric and its accountability is extended to all facets of society and the environment.

We believe that the optimum use of resources is the paramount responsibility of an organisation. The Bank follows Social Environment Management System (SEMS) practices, which are integral to our business model. These practices are well integrated in our systems and processes throughout the chain. We are committed to set the highest benchmark(s) for environment and sustainability measures in our operations and strive for fulfilling our commitment through SEMS. While conducting our business, we work hard to consistently improve our internal management system, products and services to make a more positive and meaningful societal and environmental impact.

Our Business Responsibility Report (Report) for FY 2018-19 follows the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, as notified by the Ministry of Corporate Affairs (MCA). The disclosures made under this report provide transparent and relevant information on the Bank's

efforts and performance against the principles of Business Responsibility as defined by Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, covering topics across environment, social, governance, and stakeholder perspective.

AU DHARMA – AU BANK'S APPROACH TO BUSINESS RESPONSIBILITY

The Bank conducts business operations in a fair, transparent and accountable manner, which is also backed by a strong policy framework and an internal Code of Conduct. We have implemented suitable internal controls & monitoring mechanism to ensure adherence to all our ethical business practices. We lay special attention on the fact that even in our day-to-day operations our governance framework and predefined business practices are adhered to without any compromises. Therefore, we have defined and designed our working practices in the form of AU Dharma.

Our thoughtfully devised 'AU Dharma' guides the Bank's entire team in discharging their everyday duties in a fair and professional manner.

AU Dharma – Six Core Guiding Pillars



SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company	L36911RJ1996PLC011381			
2. Name of the Company	AU SMALL FINANCE BANK LIMITED			
3. Registered address	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur- 302001 Rajasthan			
4. Website	www.aubank.in			
5. E-mail id	investorrelations@aubank.in			
6. Financial Year reported	1 st April 2018 to 31 st March 2019			
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	National Industrial Classification 2008 Section K: Financial and Insurance Activities Code: 64191			
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	Being a banking company, it is engaged in banking and financial services, including retail banking, Small & Mid-Corporate, Business Banking, Digital Banking and treasury operations. <ul style="list-style-type: none"> • Deposits • Advances • Investments & Other liability products 			
9. Total number of locations where business activity is undertaken by the Company	(a) Number of international locations- NIL (b) Number of national locations – 572 as on 31 st March 2019			
10. Markets served by the Company	Local	State	National	International
	✓	✓	✓	X

SECTION B: FINANCIAL DETAILS OF THE COMPANY AS ON 31ST MARCH 2019

1. Paid-up capital	₹29,23,574,860
2. Total turnover (crore)	₹3,410.86
3. Total profit after taxes (crore)	₹381.81
4. Total spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%)	1.20%
5. List of activities in which expenditure in 4 above has been incurred	<ol style="list-style-type: none"> 1. Promotion of sports <ul style="list-style-type: none"> • AU Bank Sports Village is a platform to facilitate physical and emotional development of the marginalised and disadvantaged children from rural and slum areas. • Sports is used as a tool of intervention and incentivising them to learn. • Construction of sports ground and infrastructure with Round Table India. 2. Promotion of Education through <ul style="list-style-type: none"> • AU Skills Academy: Vocational training centre to serve the unemployed youth who are aspiring to start or to build their career • AU Self Employment Training Centre: Vocational training workshops for rural women to get skilled and self-employed • Financial & Digital Literacy Camps: Spreading awareness about financial and digital literacy in rural and unbanked geographies through community engagement. • Other Initiatives: Supported 50 government schools of five districts of Rajasthan in mid-day meal programme through Akshaya Patra Foundation • Helping three slum schools with Alternative Development Centre, distribution of schoolbags and other educational materials in governments schools in the vicinity of Jaipur and Shahpura 3. Promotion of Preventive Healthcare through <ul style="list-style-type: none"> • Organ donation camps with Mohan Foundation, Shekhawati Agarwal Samaj for eye check-up camps, Khatu Shyam Health Camps at Khatu Shyam, Open Air Gym, contribution to Pratyek Vyakti Ki Umeed ki Sansthan • Making available safe drinking water through installation of water coolers at Jaipur, Shahpura and nearby areas. 4. Promotion of Art & Culture <ul style="list-style-type: none"> • Kabir Yatra with Lokayan Sansthan, Promotion of art & culture at Jaipur.

SECTION C: OTHER DETAILS (AS ON 31ST MARCH 2019)

1. Does the Company have any Subsidiary Company/Companies	The Bank does not have any subsidiary company
2. Do the Subsidiary Company/Companies participate in the BR initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).	Not Applicable
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	No

SECTION D: BR INFORMATION**1. Details of Director/Directors responsible for BR**

S. No. Particular	Details
a. Details of Director responsible for implementation of the BR policy/policies	
DIN	00009526
Name	Mr. Sanjay Agarwal
Designation	Managing Director & CEO
b. Details of the BR Head	
DIN Number	Not Applicable
Name	Mr. Sunil Parnami
Designation	Chief of Investor Relations, M&A
Telephone number	022-62490607
E-mail id	sunil.parnami@aubank.in

2. Principle-wise (as per National Voluntary Guidelines) BR policy/policies**(a) Details of compliance (Reply in Y/N)**

S. No. Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1. Do you have a policy/policies for	Y	Y	Y	Y	Y	Y	N	Y	Y
2. Has the policy being formulated in consultation with relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3. *Does the policy conform to any national/international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	-	Y	Y
4. **Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y
5. Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6. Indicate the link for the policy to be viewed online?	https://www.aubank.in/au-notice-board								
7. Has the policy been formally communicated to all relevant internal and external stakeholders?	Policies/code that are internal documents of the Bank are accessed by employees and the other relevant policies have been posted on the Bank website and can be accessed at above link.								
8. Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	-	Y	Y
9. Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	-	Y	Y
10. Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	-	Y	Y

*The policies are developed and aligned to applicable compliance requirements, RBI norms and guidelines, requirements of listing agreement with stock exchanges, or the Bank's internal requirements and best practices.

**The policies are being put up to the Board for approval after signature of respective process owner(s).

(b) If answer to the question at serial number 1 against any principle, is 'No', explain why (Tick up to 2 options)

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the principles	-	-	-	-	-	-	-	-	-
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The Company does not have financial or human resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next six months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next one year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)	@Refer below								

@The Bank works closely with collective trade and industry associations, while there is no specific policy outlined for this principle and also we do not take part in any lobbying or policy advocacy.

Principle-wise policies

S.no	Business Responsibility Principles	Relevant Policies/Code
P1	Ethics, transparency and accountability	Fraud Risk Management Policy, Compliance Policy, Risk-based Internal Audit Policy, Anti-Bribery and Anti-Corruption Policy, Code of Conduct for Employees, Code of Conduct for Directors and Senior Management Personnel, Code of Conduct – Prohibition of Insider Trading Policy and Policy on Related Party Transactions and Materiality
P2	Contribute to sustainability throughout their lifecycle	Fair Practice Code for Lenders, MSME Policy Manual, Policy on Business Correspondents and Social and Environmental Management System
P3	Employee wellbeing	Learning & Development Policy, Code of Conduct for Employees, Capacity Building Policy, Compensation Policy, Whistle Blower Policy & Vigil Mechanism, Employee Leave Policy and Prevention and Redressal Against Sexual Harassment Policy
P4	Stakeholder engagement and responsiveness	Investor Grievance Redressal Policy, Communications Policy, CSR Policy and Customer Service Policy
P5	Promote human rights	Citizen's Charter, Charter on Customer Rights and Fair Practices Code for Lenders
P6	Environment Protection	Social and Environmental Management System
P7	Public and regulatory policy	The Bank does not have any policy/code for this principle
P8	Corporate social responsibility	CSR Policy and Social and Environmental Management System
P9	Customer value	Customer Grievance Redressal Policy, Customer Service Policy, Customer Compensation Policy, Collection of Dues & Repossession of Security, Charter on Customer Rights and Fair Practice Code for Lenders

3. Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assesses the BR performance of the Company? Within three months, three to six months, annually or more than one year?

Annual assessment of the SEMS Standards and BR initiatives is presented to the Board and detailed deliberation is conducted on the impact of the BR initiatives and future strategies around it.

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this

report? How frequently it is published?

Business Responsibility Report is published by the Bank annually and is hosted at its website at <https://www.aubank.in/disclosures>

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Ethics, Transparency and Accountability

We are determined to ensure that our operations are run ethically and transparently across the value chain. The Bank's work culture is built around 'AU Dharma' and the focus is on making employees responsibly entrepreneurial with ownership.

The Board of Directors and Senior Management affirm annually that they have acted ethically, honestly, diligently and in good faith to protect the Bank's properties, brand equity and image. They have acted in the Bank's best interests and its entire fraternity of stakeholders, while discharging their fiduciary obligations.

Through its Code of Conduct on Prohibition of Insider Trading, the Bank endeavours that no person is deriving any benefit or assisting any other person(s) to derive any benefit by virtue of having access to or possessing of price sensitive information relating to financial results or operations of the Bank; or passing it to any other person with whom the Bank has business dealings; or do an act which can have an unusual movement/trend in securities trading and may have an impact on the Bank's price of the securities.

While hiring any vendor for providing any material/services to the Bank, we ensure that a covenant pertaining to anti-bribery and anti-corruption is stipulated in the required agreement(s). This binds the service provider(s) to observe the highest standards of ethics during the supply of services and execution of the transaction and not to indulge in any corrupt practices. Employees at the time of their induction and at regular intervals are imparted classroom trainings & through Human Capital Management software for orientating them towards ethical business practices and organisation philosophy around it. For achieving the objective of this principle, the Bank has adopted the Compliance Policy, Fraud Risk Management Policy, Anti-Bribery and Anti-Corruption Policy, Code of Conduct for employees, Code of Conduct on Prohibition of Insider Trading and Code of Conduct for Direct Selling Agent among others.

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Bank's policy relating to ethics, bribery and corruption serves as the guiding principles for all employees of the Bank including Director(s) and the Bank ensures its compliance in its dealings/transactions with vendors/service providers & business correspondents of the Bank. The Bank is neither part of any other group; nor has it any joint ventures/NGOs.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

The Bank received nine stakeholder complaints in FY 2018-19 from scores and other sources viz letter &

e-mail and 100% of those complaints were resolved satisfactorily; and no complaint was pending as on 31st March 2019.

The details of customer complaints are disclosed in the schedule no. 18(12) of notes to accounts.

Principle 2: Goods and Services that are Safe and Contribute to Sustainability Throughout their Lifecycle

AU Bank caters to the financial requirements of its customers by providing them finance facilities according to their requirements. As a Small Finance Bank, our primary focus is to lend for priority sector and cater to the requirements of underbanked, unbanked and unserved customer segments. Below are some of the customers that were provided credit assistance to set up their businesses and outlines the impact of the Bank's operations.

Raju Bhai – Customer AU BANK

Raju Bhai a progressive farmer who hails from a village near Ahmedabad had understood that dependence on agriculture alone for livelihood will never be enough to fend for his family. Raju's life prospered when he showed courage and took decision against all odds and approached AU. He received due support and the loan was sanctioned under '**Pradhan Mantri Mudra Yojana**'.



At AU Bank, we extended our support and gave wings to his aspirations by catering to his financial requirements, followed by our swift processing and fast approval process. Raju Bhai is earning handsome surplus, besides the income from his agriculture income. He has a well-settled pick-up vehicle business with three vehicles and two drivers who are paid ₹8000 each. "Starting this business was the best decision of my life, for someone who has struggled through those droughts as a farmer to someone who now counts the farm income as a bonus, I now feel truly empowered," he says.

Renuka Patel – Customer AU BANK

The journey of Renuka Patel has its own ups and downs. From an employee earning a nominal amount of ₹15,000 to the owner of two stitching factories. This story is about empowering an ambitious women entrepreneur who turned her 'employment' status to 'owner'.

Renuka started working at the age of 40. From being one of the workers in the stitching and embroidery factory of her husband's friend Mr. Nayak, she went on to become a supervisor in a few years. With her hard work, Renuka was supervising work in Mr. Nayak's four factories; and at times kept advising Mr. Nayak on his business expansion plan. Mr. Nayak knew she was ready for her own flight. Therefore, he offered to sell one of his factories to her and drive her entrepreneurial journey.

She approached AU as she knew they supported entrepreneurs like her. AU has always been a step ahead when it comes to promoting women empowerment and entrepreneur(s). Under the **Pradhan Mantri Mudra Yojana**, we provided her a loan of ₹4 lakh to start her entrepreneurial journey in 2017.

In the six-month time span, Renuka has set up two business units, one for stitching and embroidery in Vastral, Ahmedabad and another in the nearby village of Mahijeda for making cloth bags. Her household income has gone up substantially in a short span. She is employing more than 13 full-time women workers and 5-7 women who work from their homes in Vastral.

"I aspire to employ every housewife (home-maker) in Vastral so that maximum women become self-reliant." she beams.



Financial Inclusion

While financial inclusion is defined as extending banking services to the unreached, at AU it goes beyond. We understand their requirements and partner the borrower's success **"Unki jeet mein hamaari jeet hai"**. We are determined to foster and nurture inclusive

developments through our financial inclusion agenda. Our target customer segments are residents of semi-urban and rural India and include low and middle-income individuals and micro/small businesses and the loans are extended with a bottom-up approach.

In FY 2018-19, the Bank disbursed MUDRA loans of ₹3482 crore. The Bank opened 33,658 BSBD accounts with a balance of ₹12 crore. For the period under review, the Bank has issued 2,61,000 RuPay Cards, more than 300 financial literacy camps were organised which have benefitted more than 23,000 beneficiaries. Out of total number of branches of the Bank 28.43% branches & Banking Outlets are in unbanked area. We have started issuing policies under Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). We have issued 650 policies under (PMJJBY) and a few policies under PMSBY and are planning to go live with Atal Pension Yojana (APY) in coming year.

1. List up to three of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

Our products and services are designed keeping in mind the profile of our customers and their impact on environmental concern, risk opportunities around it.

Product Example – Secured Business Loans to MSME

AU Bank has been catering to the underserved, unreached and unbanked rural and semi-urban areas for their financial requirements through the Bank's swift loan-approval process. The Bank has been relentlessly supporting these businesses with its collateral backed loans and has been helping them in growing their operations. It recognised their potential and supported them through devising a way to informally assessing them in the absence of reliable formal data.

In terms of our product suite, we have a full spectrum of retail loans including vehicles loans, consumer durable loans, MSMEs, SME and mid-corporate, liability & third party investments, transaction banking, mobile and digital banking.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional)

(a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?

Being in the banking industry, the Bank works towards reducing its resource consumption substantially. The material used and procured by the Bank primarily comprise paper and grid electricity for which your Bank is creating awareness among end users for sustainable consumption. In addition, your Bank has created a

robust technology platform to build a new age digital banking ecosystem and it is focussed on efficient use of natural resources and reducing carbon footprint in the environment.

The Bank's products and processes are directed towards technology advancement and digitisation of our banking services in a customer-friendly manner. The result of the same is visible with customer empowerment by providing them Banking with ease, less paperwork with TAB Banking and reduction in waste generation.

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year

The Bank is adopting sophisticated technology to digitise its operations and make products available digitally. We have witnessed strong growth in the adoption of TAB-based account opening, android-based mobile banking, and internet banking, thus minimising paper usage. The focus is to deliver a seamless omni-channel integrated solution that will ensure consistent high-level customer experience across all channels website, internet banking, mobile applications, chat bots and it has reduced the customers' travel time and expenses, thereby reducing the fuel consumption and carbon emissions.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)?

(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Banking being a service-oriented business, sustainable sourcing for its products is not substantial. However, as a responsible corporate citizen, the Bank endeavours to reduce the environmental impact of its operations. The Bank does not utilise raw materials/resources directly, yet in procurements of electrical equipment ESP star ratings are taken into consideration while procuring products for its branches/offices to save electricity.

As the resources of the Bank are intangible/fungible in nature adequate and timely measures are being adopted by the Bank to ensure that its resources are utilised efficiently and optimally for sustainable use.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

AU Bank procures significant items including marketing, promotional, stationery, consumable materials from local SME vendors. While procuring

the goods or services we also ensure that quality of services/products is not compromised and best quality products and services should be provided to the customers. AU Bank carefully selects its vendors keeping in mind development of the local community.

The Bank as part of vendor management process conducts proper checks before appointing any vendors, consultants/service providers and ensures to select the best. The Bank's Code of Conduct enumerates its expectations from vendors/suppliers and partners.

AU Bank majorly contributes to the development of capacity and capability of thousands of smaller businesses by providing them easy access to credit and banking services, quite a few of them being vendors of AU Bank.

5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

The above principle description is not applicable for a banking company and the Bank ensures that applicable e-waste disposal guidelines are followed in disposal of e-waste originating from its operations.

Principle 3: Employee Wellbeing

Employee engagement

AU Bank duly acknowledges the employee as its assets and initiatives for continuous engagement programme, training and development are undertaken. Several behavioural and functional training programmes are conducted on an ongoing basis. Regular trainings are organised on products and services, behavioural and leadership development, among others.

Our Human Capital Management tool, an online platform, provides role-based ongoing training to employees. Communication channels have been augmented to communicate key achievements, policy and process changes, project launches, recognitions of success stories, and policies. Intranet, webcasts, mailers, posters, video steaming and other modes to leverage the technology to the extent possible for cost-effective and timely employee communication.

AU Bank is an equal opportunity employer and selects employees purely on merits, keeping in mind the job requirements, required skillsets and provides equal opportunities to all sections of society irrespective of caste, creed, gender, race, colour, age, marital status and religion. The Bank's operations do not promote any child labour, forced labour or any form of involuntary labour and discrimination. Its approach towards its employees revolved

around the following policies viz., Code of Conduct for Employees, Maternity Leave policy, Whistle Blower Policy, Employee Leave Policy, Prevention of Sexual Harassment Policy and other policies, codes and charter.

The policies, codes and charter are easily accessible to the Bank employees.

Talent Development

The belief that any institution is only as strong as its employees is deeply embedded within the AU Bank work culture and ethos. The Bank invests significantly in employee development across all verticals. The Bank has a substantial human capital resource base and hence it is imperative for the Bank to work harder to align each employee with the Bank's Dharma's. AU Bank continues to invest in a world-class human capital management system for its employees to redress their concerns, queries and to disseminate information. The system also offers e-learning modules for enhancement of employee skillset at work, which leads to greater employee satisfaction.

The training and development programmes are synchronised, where the focus of the training programme is on strengthening the skills & knowledge of the employees; the objective being to make them ready to undertake higher roles in their growth journey with the organisation.

With this approach your Bank, supports employees through learning & development at each stage of their career path to bolster their morale and productivity. Through AU connect programme we accustom the new people with the Bank's culture, HR policies, compliance mechanism. Training programmes are organised where they also get an opportunity to meet the business leaders. Several training sessions were organised by the Bank by collaborating with external agencies. Your Bank also organises various certification programmes wherein they are updated with Basics of Banking, Compliance, AML, KYC and other elements of the banking industry.

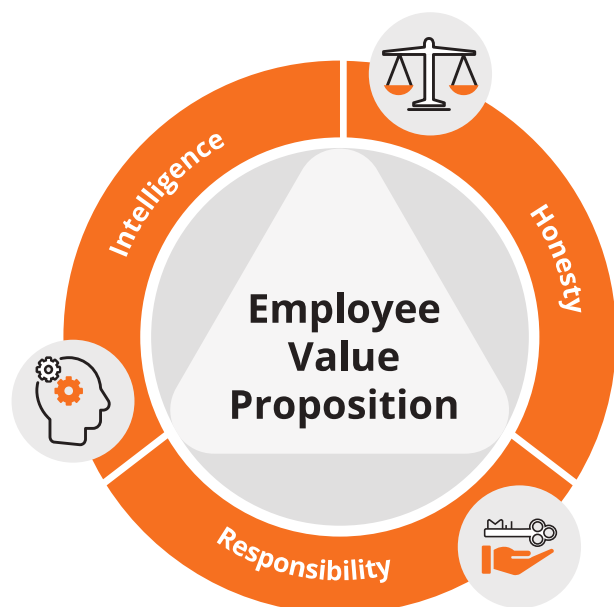
Health and Safety

Employees are trained to handle emergency situations. Training is also provided to security personnel to deal with various other threats and risks. To prepare ourselves better to react in an emergency, a Fire Safety and Evacuation drills were conducted periodically at our offices. During the training, our team practised evacuation, assembly area procedure and the use of fire extinguishers. The participants were briefed about the fire impediments, its detection and suppression, identification and use of fire-fighting equipment. It is followed by a demonstration and practice of first-aid, fire-fighting using fire extinguishers available in offices of the Bank.



Employee Value Proposition

Banking is a business of trust and to imbibe right values from top to bottom, the Bank focusses on three guiding principles of Intelligence, Honesty and Responsibility to be followed by employees at all levels, while dealing internally or with the external world. This has helped us in building and connecting right chords within the organisation.



1. Please indicate the total number of employees.

The total number of employees as on 31st March 2019 were 12,623 employees

2. Please indicate the total number of employees hired on temporary/contractual/casual basis.

38

3. Please indicate the number of permanent women employees.

The total number of permanent women employees were 671

4. Please indicate the number of permanent employees with disabilities.

The total number of permanent employees with disabilities were 5

5. Do you have an employee association that is recognised by management?

The Bank does not have any association.

6. What percentage of your permanent employees is members of this recognised employee association?

Not Applicable.

7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No.	Category	No of complaints filed during the financial year	No of complaints Pending as on end of the financial year
1	Child labour/forced labour/involuntary	NIL	NIL
2	Sexual harassment	1	0
3	Discriminatory employment	NIL	NIL

8. What percentage of your undermentioned employees were given safety & skill up-gradation training in the last year?

- I. Permanent Employees 92%
- II. Permanent Women Employees 91%
- III. Causal/Temporary/Contractual Employees 53%
- IV. Employees with Disabilities 40%

Principle 4: Stakeholder Engagement and Responsiveness

AU Bank regularly and timely engages with all its stakeholders and follows responsive approach to act upon their valuable feedback. At AU Bank, we have devised a comprehensive and periodic stakeholder engagement framework keeping in the mind the nature, criticality, urgency and priority of stakeholder engagement.

Investor Grievance Redressal Policy is devised to address the grievances of the investors and it is ensured that investors' concerns are duly addressed in time. The Bank has designed policy on customer rights that protects the basic rights of its customers. It was pertinent for the Bank to follow the standard banking practices while dealing with individual customers. The said policy contains the right to review, appeal and complaint; to privacy, confidentiality, and to see information related to the service or user.

1. Has the Company mapped its internal and external stakeholders? Yes/No

Yes, the Bank has mapped its internal and external stakeholders.

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?

Yes, the Bank has identified the disadvantaged, vulnerable and marginalised stakeholders. As a Small Finance Bank, we are focussing on priority-sector lending.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.

The Bank as part of CSR initiatives, identified financial literacy as one of its core area and is determined to reach out to weaker sections, beneficiaries, children from marginalised socio-economic backgrounds and the differently abled, ensuring that every person is oriented with the basics of banking and no person is deprived from banking services. In addition to this, the Bank through its financial inclusion agenda continues to remain engaged with the unbanked and underbanked population.

Principle 5: Businesses Should Respect and Promote Human Rights.

AU Bank strongly advocates respecting and promoting basic human rights. Besides, the Bank has inherently adopted an exhaustive compliance mechanism at multiple levels, which minimises the slightest possibility of any abuse of the fundamental human-rights principle while dealing with internal & external stakeholders. The Bank follows humane

approach in dealing with internal stakeholder by providing equal employment opportunities to employees from all walks of life, providing them complete freedom of choice in associating and expressing themselves at workplace. The Bank does not practice any biased approach in offering its products and services and it has devised fair practice code to ensure equanimity in its approach while dealing with internal and external stakeholders. Beyond contractual obligations, the Bank ensures that vendors & service providers rights are duly protected.

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The policy is applicable to staff of all the branches/regional offices/departments handling banking operations and related activities. At AU Bank, all banking and related activities are undertaken in compliance of applicable laws. AU Bank does not promote any abuse/compromise of human rights for all its stakeholders. Customers interest were further protected with effective implementation of Charter on Customer Rights, Customer Service policy, Customer Grievance redressal policy and other policies. These policies have been hosted on the website of the Bank for creating awareness among stakeholders about their rights and processes followed by the Bank for its operations.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

During the period under review the Bank has not received any complaint(s) on human right violation.

Principle 6: Environment Protection

The Bank firmly believes that its resources should be utilised efficiently, sustainably and optimally. AU Bank conducts its day-to-day business operations with the aim of minimising any harm to the environment. The Bank is focussed on leveraging the digital innovation in banking to reduce the usage of paper, ensuring efficient usage of electric & other resources and better waste management. The Bank's CSR focus, in line with its CSR Policy, also includes environmental sustainability, wherein the Bank directly or through its implementation partners, works on several positive initiatives for sustainable impact.

Through its Social and Environmental Management System, the Bank operates in a responsible manner and strives to ensure effective social & environmental management practices in all activities and services with special focus on the following:

- Ensuring that activities undertaken by the Bank are consistent with the applicable requirements outlined in the Social and Environmental Management System policy.
- Reviewing the projects against the applicable requirements.
- Financing projects that are designed, built and operated in accordance with the applicable requirements.

Initiatives for energy efficiency and carbon footprint reduction:

- a. Virtualisation of windows servers to save power.
- b. Fitted capacitors at the chiller end of the HVAC systems within office premises and branches.
- c. Fitted electric saver (timer) at various branches with glow-sign boards to turn off electricity at set times.
- d. Set up of APFC capacitors in electric panel across branches.
- e. Installed LED lights across all offices and branches.
- f. Use of Video Conferencing (VC) at big offices to maximise interactions across the premises without having to travel between locations, similarly, conducting recruitment HR interviews through VCs.
- g. Designed branch architecture to maximise the use of natural light to the extent possible.
- h. Set a process for double-sided printing as a default option for printing across locations/offices.
- i. Communication is sent to all internal stakeholders on the significance of responsible use of resources at regular intervals.

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others?

There are several policies that directly and indirectly focus to ensure adherence of Principle 6.

The Bank understands its role and while carrying out its operation, it acts in a socially responsible manner to address the environmental concern and continue to enhance the value for the society and in the community in which it operates. The Bank, through its CSR initiatives support initiatives that protect environment directly and through implementing partners. Under SEMS management, the Bank refrains from financing any activity that is operating in contravention of applicable environmental laws.

The Bank endeavours to create awareness among its vendors, suppliers about the policies that governs the

Bank and the compliance to be ensured in this regard. The Bank also promote vendors to adopt environment friendly measures in their operations.

2. Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for web page etc.
No

3. Does the Company identify and assess potential environmental risks? Y/N

Yes. The Bank assesses its environmental risk in multiple ways. It has implemented social environment and management system and a fair practice code, which helps the Bank to assess the potential environmental risks in its operations covering loans and banking transactions of the customers. Being custodian of the public deposits, the Bank continue to follow a stringent approach in lending & investment operations, thereby protecting the potential risk in the sector in which it operates.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

Being a banking company and nature of operations comprising financial services, this information is not applicable.

5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc?

Energy efficiency and conservation is a part of our business planning. The Bank's systems and processes are designed in manner to ensure optimum energy usage by continuous monitoring of all forms of energy and augmenting the efficiency of operations.

The Bank's branches and offices are designed in a manner to ensure maximum utilisation of day light, resulting in reduced consumption of electricity. Moreover, it procures star rated electric equipments, auto monitors, auto switch timers and LED lights are installed for cost efficient operations in the Bank.

6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Being a banking company and nature of operations comprising financial services this information is not substantial. However adequate measures are being put in place to ensure that emissions and waste

generated and discharged are within the permissible limits of laws applicable.

7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.
Nil.

Principle 7 - Businesses, When Engaged in Influencing Public and Regulatory Policy, Should do so in a Responsible Manner.

AU Bank regularly engages with multiple regulatory agencies, associations, organisations, management institutes, and others. The Bank also participates in several thought leadership and brainstorming workshops to upgrade its understanding on all critical matters. Compliance and secretarial function of the Bank keeps disseminating the important RBI, SEBI and other critical industry and regulatory circulars, updates on a regular basis to ensure the Bank's operations are run in accordance with regulatory framework.

In discussion with management requisite representations are made at appropriate forum to address the industrywide issues and issues of common importance and thus, develop policies that are beneficial to the Bank as well as its stakeholders.

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

1. Confederation of Indian Industry (CII)
2. Indian Banks Association (IBA)
3. Indian Institute of Banking and Finance (IIBF)
4. Society of Indian Automobile Manufactures (SIAM)
5. National Critical Information Infrastructure Protection Centre (NCIIPC)
6. Fixed Income Money Market and Derivatives Association of India (FIMMDA)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good?

No.

Principle 8 - Corporate Social Responsibility Inclusive Growth and Equitable Development

The Corporate Social Responsibility Policy (CSR Policy) of the Bank sets out the broad framework for guidance on the Bank's CSR activities and long-term approach around it. The Policy also sets out the principles and the rules that need to be adhered to while taking up and implementing CSR activities to be undertaken as specified in Schedule VII of the Companies Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

The report on Corporate Social Responsibility has been attached as Annexure II of the Board's report and can be referred for the content to this principle.

1. Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof?

The Bank is committed towards the improvement of communities and complements it with its efforts by focussing on the development activities as per local and national level priorities. To ensure that its initiatives are aligned with the overall CSR objectives, the Bank has identified the following core focus areas for its CSR:

- Financial Inclusion through Livelihood Enhancement & Vocational Skill training;
- Sports for Development.
- Educating society at large through Financial & Digital literacy.

The Bank has CSR policy and CSR committee in place wherein social development programme projects and priorities are decided and implemented.

The detailed description is available in the CSR report section of the annual report.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organisation?

Programmes are undertaken by the Bank on its own and its foundation i.e. 'AU Foundation', along with other credible implementing agencies.

3. Have you done any impact assessment of your initiative?

Yes, at periodic intervals, CSR Committee and Board of the Bank is presented with progress and impact of key CSR initiatives undertaken under Schedule VII of the Companies Act, 2013. CSR initiatives undertaken by the Bank is covered under the Corporate Social Responsibility section of the Annual Report.

4. What is your Company's direct contribution to community development projects amount in INR and the details of the projects undertaken?

This is covered in detail under the Corporate Social Responsibility report of the Bank forming part of Annexure II to this Annual Report.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

The Bank has undertaken several initiatives for promoting sustainable community development initiatives.

AU Bank is incorporating ways and means to permeate the successful adoption of its community development initiatives and it is adopted positively by community.

Principle 9: Businesses Should Engage with and Provide Value to their Customers and Consumers in a Responsible Manner

Customer centricity is one of the key pillars of AU Dharma. Customers being at the focal point for organisation, always have significant impact on the growth of any organisation. To provide value to its customers, the Bank has adopted a robust mechanism and has formed several customer-centric policies with an array of basic consumer services to redressal mechanism.

At AU Bank, our mission goes beyond customer servicing and we only aim for customer delight and going beyond their imagination. The focus has always been on offering simple, easily accessible, cost-effective technological solution to our valued customers. The Bank strives on effective communication of unique features of its products that cater to the differentiated requirements of customers through one-on-one meeting with customers, brochures at branches and information on the website.

AU Bank's deep customer centricity is reflected through its uniquely designed product features viz. monthly interest pay-outs, minimal paper work, digital onboarding, true anywhere banking, and others. Besides, our extended banking hours, multiple engagement channels including

mobile and digital banking that allow greater freedom, flexibility and choice to our customers.

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?

For the FY 2018-19, the Bank has resolved 97 % of complaints.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. Remarks (additional information)

As a Bank our products are intangible, thus product label requirement is not applicable to us. We promptly communicate all the features, charges, terms and conditions for all of products and services to our customers through:

- Detailed on welcome letter/receipts to customers
- Display on website, at branches via collaterals and notice boards;

- Key applicable conditions are shared with customers at the time of account opening as MITC (Most Important Terms & Conditions) and
- Any changes are shared via email/SMS/physical communications.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.

No cases are pending as on the end of the financial year pertaining to unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the preceding five years.

4. Did your Company carry out any consumer survey/consumer satisfaction trends?

The Bank is exploring agencies for conducting annual consumer survey/consumer satisfaction trends. For the FY 2018-19 the Bank has not conducted any consumer survey.

