

20 March 2021

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| THE MANAGER, BSE LIMITED DCS - CRD PHIROZE JEEJEEBHOY TOWERS DALAL STREET, MUMBAI - 400 001 | THE MANAGER, LISTING DEPARTMENT NATIONAL STOCK EXCHANGE OF INDIA LTD. EXCHANGE PLAZA, C-1. BLOCK G, BANDRA - KURLA COMPLEX, BANDRA (EAST) MUMBAI - 400 051 |
| SCRIP CODE: 500034 | SCRIP CODE: BAJFINANCE – EQ |

Dear Sir/Madam,

Sub: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We refer to our letter dated 15 March 2021 intimating about decision of the Board of Directors for seeking approval of shareholders for increase in the number of stock options up to 10,000,000 (Nos) convertible into equal no. of equity shares under the Employee Stock Option Scheme, 2009 (Scheme) and other modifications pertaining to vesting schedule.

Now, we enclose herewith the postal ballot notice seeking approval of shareholders by way of special resolutions in connection with aforesaid modifications to the Scheme.

The postal ballot notice has been sent only through electronic mode to those shareholders whose email addresses are registered with the Company's Registrar and Share Transfer Agent viz., KFin Technologies Private Limited (KFin) /Depository Participants and whose names appear in the Register of Members as on cut-off date i.e. Friday, 12 March 2021 in accordance with circulars issued by Ministry of Corporate Affairs (MCA), from time to time. The Company has also made arrangements for those shareholders who have not yet registered their email address to get the same registered by following the procedure prescribed in the notice.

As per the provisions of the MCA circulars, shareholders can vote only through the remote e-voting process. The notice containing e-voting instructions and other necessary details has been hosted on the website of the Company i.e., <https://www.bajajfinserv.in/finance-investor-relations-general-meeting-and-postal-ballots>

Thanking you,
Yours faithfully,
For **BAJAJ FINANCE LIMITED**

R. VIJAY
COMPANY SECRETARY
Email ID: investor.service@bajajfinserv.in

Encl.: As above

BAJAJ FINANCE LIMITED

(CIN: L65910MH1987PLC042961)

Registered office: Akurdi, Pune - 411 035

Email ID: investor.service@bajajfinserv.in

Website: www.bajajfinserv.in/corporate-bajaj-finance

Phone: (020) 7157 6403 Fax: (020) 7157 6364

POSTAL BALLOT NOTICE

[Pursuant to Sections 110 and 108 of the Companies Act, 2013 read with Rule 22 and Rule 20 of the Companies (Management and Administration) Rules, 2014]

Dear members,

NOTICE is hereby given that pursuant to the provisions of Sections 110 and 108 of the Companies Act, 2013 (the "Act") read with Rule 22 and Rule 20 of the Companies (Management and Administration) Rules, 2014, Secretarial Standard-2 on general meeting (the "SS-2"), Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations") including any statutory modification(s), clarification(s), substitution(s) or re-enactment(s) thereof for the time being in force, guidelines prescribed by the Ministry of Corporate Affairs (the "MCA"), Government of India, for holding general meetings/conducting postal ballot process through e-voting vide General Circular Nos. 14/2020 dated 8 April 2020, 17/2020 dated 13 April 2020, 22/2020 dated 15 June 2020, 33/2020 dated 28 September 2020 and 39/2020 dated 31 December 2020 (the "MCA Circulars") in view of COVID-19 pandemic and any other applicable laws and regulations, the following items of special business are proposed to be passed by the Members of Bajaj Finance Limited (the "Company") through Postal Ballot via remote electronic voting ("e-voting").

SPECIAL BUSINESS:

1. Modification to the Employee Stock Option Scheme, 2009:

To consider, and if thought fit, to pass the following resolution as a special resolution:

"RESOLVED THAT in partial modification of the special resolution passed by the members of the Company by postal ballot on 15 December 2009 and special resolution passed by the members of the Company at their twenty-seventh Annual General Meeting held on 16 July 2014 and pursuant to section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013, the Rules made thereunder, the Articles of Association of the Company, the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and relevant provisions of Circular No. CIR/CFD/POLICY CELL/2/2015 dated 16 June 2015 issued by the Securities and Exchange Board of India and/or any amendments thereof (collectively referred to as "ESOP Regulations"), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations"), including any statutory modification(s) and/or re-enactment of the Act or the Guidelines, for the time being in force and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company in its sole discretion (hereinafter referred to as the "Board", which expression shall also include any committee including Compensation Committee constituted by the Board for this purpose), consent of the members be and is hereby accorded for variation in the Employee Stock Option Scheme, 2009, (hereinafter referred to as "scheme") for increase in number of stock options by 10,000,000 and for other modification(s) mentioned in the statement annexed to this notice.

RESOLVED FURTHER THAT the Board be and is hereby authorised to create, offer, issue and allot at any time to or for the benefit of such person(s), who are in the permanent employment of the Company, present or future, as decided by the Board, equity shares and/or equity linked instruments (including options) upto 10,000,000 options convertible into 10,000,000 equity shares of the face value of ₹ 2 each fully paid-up upon payment of the requisite exercise price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may decide in accordance with the ESOP Regulations or other provisions of the law as may be prevailing at the relevant time.

RESOLVED FURTHER THAT such shares as are issued by the Company in the manner aforesaid shall rank pari-passu in all respects with the then existing fully paid-up shares of the Company.

RESOLVED FURTHER THAT pursuant to section 67(3)(b) of the Companies Act, 2013, consent of the members be and is hereby accorded to authorise the Company and/or its subsidiary(ies) to grant interest free loan, financial assistance or provide security in connection with the loan to BFL Employee Welfare Trust, or any other Trust that may be constituted hereafter, for subscription of equity shares of the Company to be issued pursuant to the aforesaid scheme from time to time.

RESOLVED FURTHER THAT the maximum number of stock options that can be granted under the scheme, to any option grantee, in any year shall not exceed 1% of the issued capital of the Company at the time of grant of stock options.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares and/or equity linked instruments (including options) of the Company are issued to the option grantees for the purpose of making a fair and reasonable adjustment to such equity shares, the maximum number permissible under the scheme of stock options convertible into equity shares be deemed to be increased in proportion to such additional equity shares issued in the aforesaid corporate action(s).

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and/or the price of acquisition payable by the option grantees under the scheme shall automatically stand increased or reduced, as the case may be, in the same proportion as the present face value of ₹ 2 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the equity shares allotted under the scheme on the stock exchanges, where the equity shares of the Company are listed as per the provisions of the listing agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT pursuant to the ESOP Regulations, the approval of the members be and is hereby given to the scheme, as amended considering the increased number of equity shares and/or equity linked instruments (including options) and the Board be and is hereby authorised on behalf of the Company to make any modifications, changes, variations, alterations or revisions in the said scheme from time to time or to suspend, withdraw or revive the scheme from time to time as may be specified by any statutory authority and/or to give effect to any laws, rules, regulations, amendment(s) thereto and to do all other acts, deeds, matters and things as are necessary to give effect to the above resolution and with power on behalf of the Company to settle any questions or difficulties that may arise with regard to the creation, offer, issue and allotment of shares without requiring the Board to secure any further consent or approval of the members of the Company in this regard.”

2. Grant of options to employees of holding and/or subsidiary company(ies), under the amended Employee Stock Option Scheme, 2009:

To consider, and if thought fit, to pass the following resolution as a special resolution:

“RESOLVED THAT in partial modification of the special resolution passed by the members of the Company by postal ballot on 15 December 2009 and special resolution passed by the members of the Company at their twenty-seventh Annual General Meeting held on 16 July 2014 and pursuant to section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013, the Rules made thereunder, the Articles of Association of the Company, the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and relevant provisions of Circular No. CIR/CFD/POLICY CELL/2/2015 dated 16 June 2015 issued by the Securities and Exchange Board of India and/or any amendments thereof (collectively referred to as “ESOP Regulations”), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “SEBI Listing Regulations”), including any statutory modification(s) and/or re-enactment of the Act or the Guidelines, for the time being in force and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company in its sole discretion (hereinafter referred to as the “Board”, which expression shall also include any committee including Compensation Committee constituted by the Board for this purpose), consent of the members be and is hereby accorded for variation in the Employee Stock Option Scheme, 2009, (hereinafter referred to as “scheme”) for increase in number of stock options by 10,000,000 and for other modification(s) mentioned in the statement annexed to this notice.

RESOLVED FURTHER THAT the Board be and is hereby authorised to create, offer, issue and allot at any time to or for the benefit of such person(s), who are in the permanent employment of the holding and/or subsidiary(ies) Company, present or future, as decided by the Board, equity shares and/or equity linked instruments (including options) upto 10,000,000 options convertible into 10,000,000 equity shares of the face value of ₹ 2 each fully paid-up upon payment of the requisite exercise price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may decide in accordance with the regulations or other provisions of the law as may be prevailing at the relevant time.

RESOLVED FURTHER THAT such shares as are issued by the Company in the manner aforesaid shall rank pari-passu in all respects with the then existing fully paid-up shares of the Company.

RESOLVED FURTHER THAT pursuant to section 67(3)(b) of the Companies Act, 2013, consent of the members be and is hereby accorded to authorise the Company and/or its subsidiary(ies) to grant interest free loan, financial assistance or provide security in connection with the loan to BFL Employee Welfare Trust, or any other Trust that may be constituted hereafter, for subscription of equity shares of the Company to be issued pursuant to the aforesaid scheme from time to time.

RESOLVED FURTHER THAT the maximum number of stock options that can be granted under the scheme, to any option grantee, in any year shall not exceed 1% of the issued capital of the Company at the time of grant of stock options.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares and/or equity linked instruments (including options) of the Company are issued to the option grantees for the purpose of making a fair and reasonable adjustment to such equity shares, the maximum number permissible under the scheme of stock options convertible into equity shares be deemed to be increased in proportion to such additional equity shares issued in the aforesaid corporate action(s).

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and/or the price of acquisition payable by the option grantees under the scheme shall automatically stand increased or reduced, as the case may be, in the same proportion as the present face value of ₹ 2 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the equity shares allotted under the scheme on the stock exchanges, where the equity shares of the Company are listed as per the provisions of the listing agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT pursuant to the ESOP Regulations, the approval of the members be and is hereby given to the scheme, as amended considering the increased number of equity shares and/or equity linked instruments (including options) and the Board be and is hereby authorised on behalf of the Company to make any modifications, changes, variations, alterations or revisions in the said scheme from time to time or to suspend, withdraw or revive the scheme from time to time as may be specified by any statutory authority and/or to give effect to any laws, rules, regulations, amendment(s) thereto and to do all other acts, deeds, matters and things as are necessary to give effect to the above resolution and with power on behalf of the Company to settle any questions or difficulties that may arise with regard to the creation, offer, issue and allotment of shares without requiring the Board to secure any further consent or approval of the members of the Company in this regard."

By order of the Board of Directors
For Bajaj Finance Limited

Place : Pune
Date : 15 March 2021

R. Vijay
Company Secretary
Membership No. ACS 18244

Notes:

1. Statement pertaining to the said resolutions setting out the material facts, as required under section 102(1) of the Companies Act, 2013, for the above item(s) of business is annexed to this Notice.
2. **In accordance with the MCA Circulars, the Notice along with the instructions regarding e-voting is being sent only by email to all those members**, whose email addresses are registered with the Company or with the depository(ies) / depository participants and whose names appear in the register of members/list of beneficial owners as on the Cut-off date i.e., Friday 12 March 2021. The Notice shall also be uploaded on the website of the Company at <https://www.bajajfinserv.in/finance-investor-relations-general-meeting-and-postal-ballots>, on the website of KFin Technologies Private Limited, the Company's Registrar and Transfer Agent ("KFin") at <https://evoting.kfintech.com> and on the websites of National Stock Exchange of India Limited (www.nseindia.com) and BSE Limited (www.bseindia.com). All the members of the Company as on the Cut-off date shall be entitled to vote in accordance with the process specified in this notice.

As per the MCA Circulars, physical copy of the Notice, Postal Ballot Form and pre-paid business reply envelope are not being sent to the members for this Postal Ballot.

The Company hereby requests all its members to register their email address, if not yet registered, to promote green initiative and to enable the Company to provide all communications to the members through email.

3. For receiving copy of postal ballot notice, members who have not yet registered their email addresses are requested to get their email addresses registered with KFin, on a temporary basis, by following the procedure mentioned below:
 - (a) Visit the link <https://ris.kfintech.com/clientservices/postalballot/>
 - (b) Select the company name i.e. Bajaj Finance Ltd.
 - (c) Select the Holding type from the drop down i.e. - NSDL/CDSL/Physical
 - (d) Enter DP ID – Client ID (in case shares are held in electronic form)/Physical Folio No. (in case shares are held in physical form) and PAN.
 - (e) If PAN details are not available in the system, the system will prompt to upload a self-attested copy of the PAN card for updating records.
 - (f) In case shares are held in physical form and PAN is not available in the records, please enter any one of the Share Certificate No. in respect of the shares held by you.
 - (g) Enter the email address and mobile number.
 - (h) System will validate DP ID – Client ID/Folio No. and PAN/Share certificate No., as the case may be, and send OTP at the registered Mobile number as well as email address for validation.
 - (i) Enter the OTPs received by SMS and email to complete the validation process. OTP will be valid for 5 minutes only.
 - (j) The Notice and e-voting instructions along with the User ID and Password will be sent on the email address updated by the member.
 - (k) Please note that in case the shares are held in electronic form, the above facility is only for temporary registration of email address for receipt of the Notice and the e-voting instructions along with the User ID and Password. Such members will have to register their email address with their DPs permanently, so that all communications are received by them in electronic form.
 - (l) In case of queries, members are requested to write to einward.ris@kfintech.com or call at the toll free number 1-800-345-4001.

4. In compliance with the provisions of sections 110 and 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, as amended, SS-2 and Regulation 44 of the SEBI Listing Regulations, as amended, the Company is providing facility to the Members to exercise votes through electronic voting system ("e-voting") on the e-voting platform provided by KFin to enable them to cast their votes electronically.
5. The voting rights of the Members shall be reckoned on the basis of equity shares held by them as on 12 March 2021 (End of Day), being the 'cut-off date' fixed for this purpose. Any person who is not a Member as on cut-off date should treat this notice for information purpose only.
6. The special resolution(s) shall be declared as passed if the number of votes cast in favour of the special resolution(s) are not less than three times the number of votes cast against the special resolution(s).
7. The Board of Directors at its meeting held on 15 March 2021 has appointed Shri Shyamprasad D Limaye, Practising Company Secretary (FCS No. 1587, CP No. 572) as the 'Scrutiniser' to scrutinise the Postal Ballot process in a fair and transparent manner and that he has communicated his willingness to be appointed and will be available for the said purpose.
8. The e-voting shall commence on Sunday, 21 March 2021 at 9.00 a.m. (IST) and end on Monday, 19 April 2021 at 5.00 p.m. (IST). The e-voting module shall be disabled by KFin for voting thereafter. During this period, the members of the Company holding shares as on the cut-off date, may cast their vote by electronic means in the manner given below. Once the vote on a resolution is casted by the member, the member shall not be allowed to change it subsequently.
9. Instructions for remote e-voting are as under:
 - (i) Launch internet browser by typing the URL: <https://evoting.kfintech.com>
 - (ii) Enter the login credentials provided in the email and click on Login.
 - (iii) Password change menu appears when you login for the first time with default password. You will be required to mandatorily change the default password.
 - (iv) The new password should comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.).
 - (v) Update your contact details like mobile number, email address, etc. if prompted. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep it confidential.
 - (vi) Login again with the new credentials.
 - (vii) On successful login, the system will prompt you to select the "EVENT" i.e. "Bajaj Finance Ltd."
 - (viii) On the voting page, enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR / AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR / AGAINST" taken together shall not exceed your total shareholding as mentioned above. If the member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
 - (ix) Members holding multiple folios/demat accounts may choose to vote differently for each folio/demat account.
 - (x) You may then cast your vote by selecting an appropriate option and click on "Submit". A confirmation box will be displayed. Click "OK" to confirm or "CANCEL" to modify. Once you confirm the voting on the resolution, you will not be allowed to modify your vote thereafter. During the voting period, members can login multiple times and vote until they confirm the voting on the resolution by clicking "SUBMIT".
 - (xi) Corporate/institutional members (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned image (PDF/ JPG format) of certified true copy of relevant board resolution/authority letter, etc. together with attested specimen signature of the duly authorised signatory(ies) who is/are authorised to vote, to the Scrutiniser through email at cssdlimaye@gmail.com and may also upload the same in the e-voting module in their login. The scanned image of the above documents should be in the naming format 'BFL_EVENT No'.
 - (xii) In case of any queries/grievances, you may refer the Frequently Asked Questions (FAQs) for Members at <https://evoting.kfintech.com/public/Faq.aspx> or call KFin on 1-800-345-4001 (toll free). Members may also reach out to Ms. Uma Shende - Senior Lead, Secretarial at uma.shende@bajajfinserv.in or at 020-71576180
10. The Scrutiniser shall, after conclusion of the voting period, prepare report of the votes cast in favour or against, if any, and submit the same to the Chairman of the Company. Results of the voting will be declared by placing the same along with the Scrutiniser's report on the Company's website viz., <https://www.bajajfinserv.in/finance-investor-relations-general-meeting-and-postal-ballots> as well as on the website of KFin viz., <https://evoting.kfintech.com> and will also be communicated to the stock exchanges on 21 April 2021 around 4 p.m. and the outcome will be made available at the registered office as well as at the corporate office of the Company. The results will be published in the newspapers for information of the Members. Subject to receipt of requisite number of votes, the resolution(s) mentioned in the Notice shall be deemed to be passed on 19 April 2021 i.e. last day of the voting period.

STATEMENT PURSUANT TO SECTION 102(1) OF THE ACT

Item Nos. 1 and 2 relates to modification to the Employee Stock Option Scheme, 2009.

The Company offers stock options to select employees to foster a spirit of ownership and an entrepreneurial mindset. Because of their nature, stock options help to build a holistic, long term view of the business and a sustainability focus in the senior management team. Stock options are granted to tenured employees in managerial and leadership positions upon achieving defined thresholds of performance and leadership behaviour. This has contributed to the active involvement of the leadership and senior team who are motivated to ensure long term success of the Company. Grant of stock options also allow the Company to be conservative in awarding fixed pay, balance short term incentives with risk considerations and build the focus on consistent long term results.

Impact of Covid-19 resulted in disruptions to the economy and societies all over the world. In response to the unfolding crisis, the Company suspended incentive programs and reduced salaries. Grant of stock options is an essential component of the compensation and incentive philosophy and is a source of competitive advantage in the present market and economic scenario. As the economic environment improves, it is imperative that the Company is able to retain and attract critical talent.

The Company has been granting stock options since 2010 to its employees and that of its subsidiary(ies) under the Employee Stock Option Scheme, 2009 ("scheme"). Vide special resolution dated 15 December 2009 read with special resolution dated 16 July 2014, the scheme authorises grant of stock options upto 25,071,160 stock options (adjusted to sub-division and bonus issue). Considering the average grants in last 4-5 years has been in the range of 11-12 lakh options, the present balance of approx. 8.46 lakh options would not be sufficient for future grants. In view of the same, it is proposed to enhance the limit by 10,000,000 stock options convertible into 10,000,000 equity shares of the face value of ₹ 2 fully paid-up under the scheme. This would cater to the requirements for next 5 to 6 years.

Further, as per the current provisions of the scheme under clause 7(b), in case of retirement, all unvested options get cancelled and the retiring employee is not in position to exercise these stock options. In order to extend the benefit of unvested options subsequent to retirement, it is also proposed to modify the scheme to provide that all the unvested option will vest on the last day of retirement and allow exercise of such unvested options within 6 months from the date of retirement. Presently, as per the scheme, exercise of all vested stock options by retiring employees is allowed for 6 months from the date of retirement. It is also proposed to modify the scheme to allow such exercise either within 6 months from the date of retirement or before expiry of options, whichever is earlier.

Accordingly, it is proposed to seek approval of the members for the following changes to the scheme:

- a. Addition of the following clause after the existing clause 3.1 of the scheme with following clause numbered as 3.1 B:
"3.1 B Further, vide the Special Resolution passed by the members of the Company through postal ballot on 19 April 2021, the Company has approved the increase in the aforesaid limit by addition of 10,000,000 options. The maximum limit under the scheme now stand revised from 25,071,160 options (adjusted for sub-division and bonus) to 35,071,160 options." and that the existing clause 3.1 be renumbered as 3.1 A.
- b. Substitution of the present provision appearing under clause 7(b) which provides for treatment of unvested and vested options in case of retirement, with the following new clause:
"All unvested options will vest on the last day of retirement. Such options to be exercised within 6 months from the date of retirement. All vested options to be exercised either within 6 months from the date of retirement or before expiry of options, whichever is earlier."

A copy of the scheme incorporating the aforesaid modifications shall be available for inspection by the Members. Members who wish to inspect are requested to send an e-mail to investor.service@bajajfinserv.in mentioning their name, Folio No. / Client ID and DP ID, with a self-attested copy of their PAN card attached to the e-mail.

Disclosures pursuant to the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB"), read with SEBI Circular No. CIR/CFD/POLICY CELL/2/2015 dated 16 June 2015 ("ESOP Regulations") and the Companies Act, 2013 (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force), are as under:

1. Brief Description of the scheme:

The objective of the scheme is to attract, retain, reward and motivate employees to contribute to the growth and profitability of the Company (including subsidiary company(ies)/holding company) in terms of the these resolution(s) and in accordance with the provisions of the Companies Act, 2013, the rules framed thereunder, ESOP Regulations and other laws as applicable. The scheme shall be implemented and administered by Trust by way of new issue of shares.

2. Total number of options to be granted:

Pursuant to earlier shareholders' resolution, the maximum ceiling under the scheme is 25,071,160 stock options (adjusted to sub-division and bonus). With the proposed enhancement of 10,000,000, the ceiling would be 35,071,160 stock options.

The Company has granted till date 24,224,641 stock options. Therefore, balance available for future grant would be 10,846,519 options representing 10,846,519 equity shares of face value of ₹ 2 each. Each option when exercised would be converted into one equity share of face value of ₹ 2 each fully paid up.

Vested options lapsed due to non-exercise and/or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

3. Identification of classes of employees entitled to participate and be beneficiary in the Employee Stock Option Scheme:

The scheme contains an enabling clause to the effect that the employees of the Company, and its holding and/or subsidiary company(ies), if any, as defined in the ESOP Regulations (including any statutory modification(s) or re-enactment of the Act or the Regulations, for the time being in force), and as may be decided by the Compensation Committee from time to time, excluding the employees, who are either promoter or who belong to the promoter group as defined in the Regulations are eligible to participate in the scheme.

The class of employees eligible for participating in the scheme shall be determined on the basis of grade of the employee, length of service, his role and contribution to overall performance of the Company, the performance of profit centre/division to which he/she belongs, past performance record, future potential contribution by the employee and/or such other criteria as may be decided by the Compensation Committee at its sole discretion from time to time.

Presently, the stock options are granted to employees and its subsidiary company(ies).

4. Transferability of employee stock options:

Pursuant to the scheme, the stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of stock option grantee while in employment, the right to exercise all the options granted to him till such date shall be transferred to his nominees or legal heirs.

5. Requirements of vesting and period of vesting:

Subject to exceptions in cases of death, retirement (as proposed above) and permanent incapacity, the options granted shall vest so long as the employee continues to be in the employment of the Company. The Compensation Committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than 1 year and not later than 5 years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Compensation Committee, subject to the minimum vesting period of 1 year from the date of grant of options.

6. Maximum period within which the options shall be vested:

Options granted under scheme will vest for maximum period of 5 (five) years from the date of grant of such options as stated above.

7. Exercise price:

The exercise price for the purpose of grant of options will be the closing market price one day prior to the date of grant on the stock exchange where the highest trading volume of the equity shares of the Company is registered.

8. Exercise period and the process of exercise:

The exercise period would commence from the date of vesting and will expire on completion of 5 years from the date of vesting of options. However, in case of death and permanent incapacity, the exercise period for exercise of vested and unvested stock options would be within 6 months from the event. In case of retirement, the exercise period shall be as specified herein.

The shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise.

The options will be exercisable by the option grantees by an application to the Trust to exercise the options, remittance of requisite amount and on execution of necessary documents. The options will lapse if not exercised within the specified exercise period.

9. Appraisal Process for determining the eligibility of the employees of the Company, its holding and subsidiary(ies) for the scheme:

The Company follows an annual appraisal process. Various factors such as past year's performance, grade of the employee, length of service, role and contribution to overall performance of the Company, the performance of function to which the employee belongs, merits of the employee, future potential contribution by the employee and/or such other similar factors are considered for identifying eligible employees. Based on the recommendations by Human Resources Department, the Compensation Committee determines the eligible employees and the number of stock options to be awarded.

10. Maximum number of options to be issued per employee and in aggregate:

The maximum number of options granted per employee will be determined by the Compensation Committee on a case to case basis. The number of options that may be granted to any employee, in any year, under the Scheme shall not exceed 1% of the issued capital of the Company at the time of grant of options.

As indicated at Sr. No. 2, total stock options up to 10,846,519 convertible into 10,846,519 equity shares of the face value of ₹ 2 each fully paid-up would be available for being granted under the scheme.

11. Maximum quantum of benefits to be provided per employee under the scheme:

No benefit other than grant of options is envisaged under the scheme. Maximum benefit shall accordingly refer to the maximum number of options that may be issued per employee.

12. Whether the scheme is to be implemented and administered directly by the company or through a trust:

The scheme is administered by a Trust.

13. Whether the scheme involves new issue of shares by the company or secondary acquisition by the trust or both:

The scheme would only involve issue of new equity shares by the Company to the Trust. Details on number of options convertible into shares is given above.

14. The amount of loan to be provided for implementation of the scheme by the company to the trust, its tenure, utilisation, repayment terms, etc.:

Pursuant to Section 67(3)(b) of the Companies Act, 2013 read with Rules made thereunder, the Company would provide an interest free loan to the Trust to the extent required by it for subscribing to equity shares of the Company. The loan will be repaid by the Trust upon receipt of exercise amount by the option grantees on exercise of stock options.

15. Maximum percentage of secondary acquisition (subject to limits specified under the regulations) that can be made by the trust for the purposes of the scheme:

Not applicable

16. A statement to the effect that the company shall conform to the accounting policies specified in Regulation 15 of ESOP Regulations:

The Company shall follow Ind AS 102 'Employee Share-based Payments', the Guidance Note on Accounting for Employee Share based Payments, as applicable, and/or any relevant Accounting Standards/Guidance Note as may be prescribed by the Institute of Chartered Accountants of India, from time to time, including the disclosure requirements prescribed therein.

17. Method of option valuation by the company:

The Company will determine the fair value of the options using the Black-Scholes model when the same are issued to the option grantees. The fair value will be recognized as employee costs over the vesting period, with a corresponding increase in underlying equity shares.

18. The following statement, if applicable:

"In case the company opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Board's Report and the impact of this difference on profits and on earnings per share ('EPS') of the company shall also be disclosed in the Board's Report".

The above said Statement is not applicable to the Company. As mentioned at Sr. No. 16 and 17, the Company is required to recognize share based employee benefits expense using fair value of options as per Black-Scholes model.

19. Tax treatment:

The perquisite tax as applicable from time to time on exercise of options under the scheme will be paid by the Company to the income tax authorities/Government as per provisions of Income Tax Act, 1961.

20. Details of the employees who are beneficiary of such variation:

Employees as mentioned in Sr.No. 3 and 9 above would be eligible to participate under the scheme. The employees retiring in future would benefit from the modification to the treatment of unvested stock options as mentioned herein.

21. Class of employees for whose benefit the scheme is being implemented and money is being provided for purchase of or subscription to shares:

As mentioned above.

22. Particulars of trustees or employees in whose favour such shares are to be registered including the name of the trust, address, occupation and nationality of trustees and their relationship with the promoters, directors or key managerial personnel, if any:

The scheme is administered through BFL Employee Welfare Trust. The Company allots equity shares to the Trust which transfers the same to the option grantees upon exercise of stock options.

Name and Address, Occupation and Nationality of Trustees:

| Name of Trustee | Address | Occupation | Nationality |
|--------------------|--|-------------------|-------------|
| Deepak Reddy | 6th Floor, Bajaj Finserv Corporate Office, Off Pune- Ahmednagar Road, Viman Nagar, Pune 411 014 | Company executive | Indian |
| M. M. Muralidharan | 3rd Floor, Bajaj Finance Corporate Office Ext., Panchshil Tech Park, Viman Nagar, Pune 411 014 | Company executive | Indian |
| V Rajagopalan | 6th Floor, Bajaj Finserv Corporate Office, Off Pune- Ahmednagar Road, Viman Nagar, Pune 411 014 | Company executive | Indian |

None of the trustees is related to any promoter, directors or key managerial personnel of the Company, its holding and/or its subsidiary.

23. Any interest of key managerial personnel, directors or promoters in such scheme or trust and effect thereof:

Promoters, Non-executive non-independent Directors and Independent Directors of the Company are not entitled to any stock options.

The Managing Director and other Key Managerial Personnel of the Company, its holding and subsidiary(ies), are deemed to be concerned or interested, to the extent of number of options granted and/or to be granted pursuant to the scheme.

24. Detailed particulars of benefits which will accrue to the employees from the implementation of the scheme:

As mentioned in Sr. No. 11 above.

25. Details about who would exercise and how the voting rights in respect of the shares to be purchased or subscribed under the scheme would be exercised:

The voting rights in respect of the shares will be exercised by the option grantees on transfer of shares by Trust, upon exercise of stock options.

26. Listing:

The equity shares allotted to the Trust under the scheme shall be listed on BSE Limited and National Stock Exchange of India Limited.

Pursuant to Section 62(1)(b) of the Companies Act, 2013, the Company may issue further equity shares to employees under the scheme of stock options subject to special resolution passed by the shareholders. As per ESOP Regulations, the Company may by special resolution vary the terms of the scheme offered pursuant to an earlier resolution provided that such variation is not prejudicial to the interests of the employees.

As per ESOP Regulations, separate resolution is required to be passed if the benefits of stock options are to be extended to employees of holding and/or subsidiary company(ies). Since the gamut of grant of stock options extends, presently, to employees of subsidiary(ies), separate resolution is being proposed at item no.2 of this notice.

Further, in terms of Section 67(3)(b) of the Companies Act, 2013 read with rules made thereunder, a company may provide money in accordance with any stock option scheme approved by company through a special resolution and in accordance with such requirements as may be prescribed, for subscription of fully paid-up shares in the company or that of its holding company, to be held by trustees for the benefit of the employees. The same is covered under item nos. 1 and 2 of this notice.

Based on the recommendation of Compensation Committee, the Board of Directors at its meeting held on 15 March 2021 approved the modifications to the scheme, appointment of merchant banker and other intermediaries as required, and hereby recommends the resolutions listed at item nos. 1 and 2 for approval of the Members as special resolution(s).

It is reiterated that none of the Promoters, Non-executive non-independent Directors and Independent Directors of the Company or their relatives are interested in the passing of the resolution since they are not entitled to any stock options. However, they may be deemed to be concerned or interested, to the extent of shareholding, if any in the Company.

The Managing Director and other Key Managerial Personnel of the Company, its holding and subsidiary(ies), are deemed to be concerned or interested, to the extent of stock options granted/to be granted pursuant to the scheme and to the extent of shareholding held by them or their relatives, if any, in the Company.

By order of the Board of Directors
For Bajaj Finance Limited

Place : Pune
Date : 15 March 2021

R. Vijay
Company Secretary
Membership No. ACS 18244