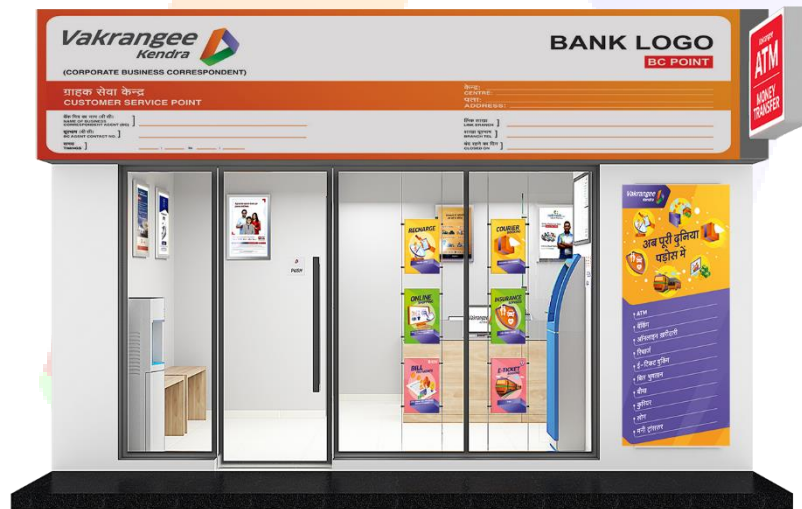


## Progress Status Report on Materiality Issues & Target KPIs



### CORPORATE OFFICE:

Vakrangee Corporate House

Plot No. 93, Road No. 16, M.I.D.C., Marol, Andheri (East), Mumbai – 400093, Maharashtra

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## 1. Stakeholder Engagement

An integral part of our values is trust, which acts as the foundation for the relationship we maintain with all our stakeholders including Government, Banks, Partners, Businesses, Franchisees and many more. Through our values and policies, we aim to foster entrepreneurial spirit in our employees as well as franchisees, who are our key partners.




We have formal mechanisms in place to ensure continuous bilateral engagement with key stakeholders to understand their expectations and concerns. We identify our key stakeholders based on their influence on our organization and extent of impact our operations have on them. All our key stakeholder groups participate actively in our materiality analysis exercise.

After identification of stakeholders, a formal engagement is carried out at a fixed frequency or as required. It also helps us in sharing information on its approach and actions in areas of stakeholder interest. We have multiple communication/engagement channels mentioned in the Stakeholder engagement framework below, which provide us with valuable feedback which are incorporated in our business decisions. We evaluate a variety of sources in order to obtain a precise picture of our stakeholder's concerns. This involves various communication channels like customer and employee surveys, meetings, specialist unit workshops and discussions with individual stakeholder groups.

Materiality assessment was performed through engaging with all stakeholder groups and listing the material topics identified by them. A rating exercise was conducted to identify the material topics of high, medium and low priorities. The prioritisation considered importance to the stakeholders as well as importance to Vakrangee. The materiality assessment was carried out against the following filters – financial impacts & risks, legal drivers, internal policy drivers, peer performance and stakeholder concerns. This led to the generation of the materiality matrix, which is shown in this section. We have considered the topics in the high and medium priority zone to be our focus material topics. Our strategies and progress are measured with respect to how well they address the material issues identified. The identified material topics are mapped with GRI topics. Based on this prioritization, we have considered only the topics in the high and medium priority zone to be our focus material topics as detailed below. These focus material topics have been classified into economic, environment, social and governance aspects which are aligned with our business principles. Various sections in our report details our strategies and progress with respect to these focus material topics. The materiality matrix is given below

## Stakeholder Engagement Details for FY 2020-21

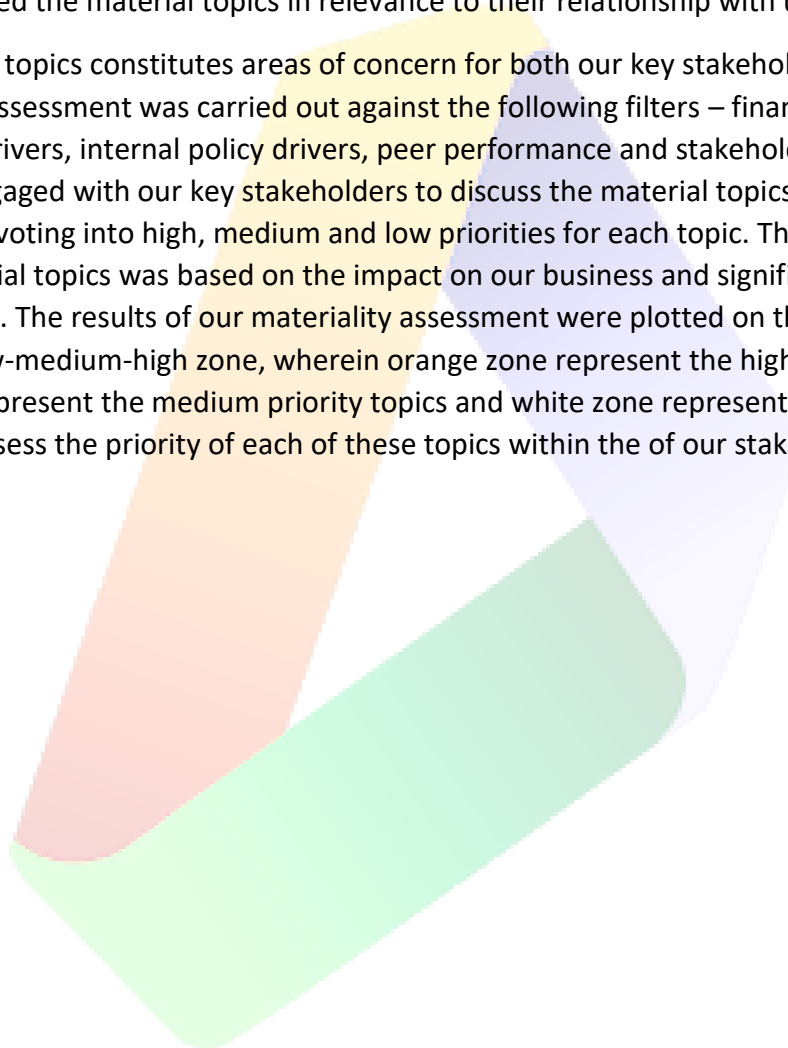
Stakeholder	Engagement Method	Key topics highlighted
 <p>Franchisees</p>	A designated Relationship Manager present for each franchisee cluster, Regular store surveys to ensure franchisee and customer satisfaction, Field team on Ground, Webinars with Business Service Heads and State level or District level Franchisee meets with Senior Management including MD/CEO and State Heads, Rewards & Recognition schemes	<ol style="list-style-type: none"> <li>1. Marketing Support &amp; Strategy</li> <li>2. Training, guidance and support</li> <li>3. Franchisee Satisfaction</li> <li>4. Grievance addressal</li> </ol>
 <p>Employees</p>	Training & communications, Annual employee surveys, Mentorship programs and Employee affinity groups, Rewards & Recognition schemes	<ol style="list-style-type: none"> <li>1. Human Rights issues</li> <li>2. Employee Engagement &amp; Feedback</li> <li>3. Operational aspects</li> <li>4. Performance review</li> <li>5. Talent development Training, skill development</li> <li>6. Code of conduct and Business conduct processes and policies</li> <li>7. Company business initiatives and strategies</li> <li>8. Franchisee and Customer behavior and response towards Company's Business model</li> </ol>
 <p>Business Partners</p>	Regular Quarterly and ad hoc need based interactions with Business Service Partners and senior management, team webinars, training	<ol style="list-style-type: none"> <li>1. Service availability in remote locations</li> <li>2. Service Manual and Training Guidelines</li> <li>3. Customer reach and business sales targets strategy</li> <li>4. Business risks and their mitigation strategies</li> <li>5. IT related Integration; Data privacy and security</li> </ol>
 <p>Shareholders and Investors</p>	Quarterly Conference call, press releases, analysts meet, one-on-one meetings, Board presentations, Annual General Meetings, Reports, Investor presentations on quarterly basis, Domestic as well as International Roadshows, Site visits, ESG Audits & Ratings	<ol style="list-style-type: none"> <li>1. Environment, Social and Governance strategy</li> <li>2. Key company level Strategy and developments</li> <li>3. Company Business Performance</li> <li>4. Technological innovations</li> <li>5. Shareholder voting rights</li> </ol>
 <p>Customers</p>	Regular store surveys to ensure franchisee owner and customer satisfaction, Chatbots and Virtual Assistant, SMS/ WHATSAPP Campaign for any offers or service introduction	<ol style="list-style-type: none"> <li>1. New services and offerings</li> <li>2. Customer Grievance addressal and Satisfaction</li> <li>3. Customer Queries</li> <li>4. Data Privacy and Security</li> </ol>
 <p>Community</p>	Monitoring of community interventions, CSR programs, recruitment of franchisee owners	<ol style="list-style-type: none"> <li>1. Livelihood generation</li> <li>2. Social Infrastructure development for local rural communities</li> <li>3. Financial, social and Digital Inclusion</li> <li>4. Easy access to basic services like Universal Banking, Insurance and social security benefits through DBT (Direct benefit transfer)</li> </ol>
 <p>Suppliers and Vendors</p>	Monitoring and review, regular meetings with Contract Manager – progress review meetings, technical review meetings, longer-term review and audits, Supplier code of conduct undertaking by the suppliers and vendors	<ol style="list-style-type: none"> <li>1. Product and service requirement</li> <li>2. Quality Check and Pilot testing</li> <li>3. ESG Compliance on the product (EPEAT certification) and of supplier and vendor</li> </ol> <p>Code of Conduct for Suppliers</p> <ol style="list-style-type: none"> <li>4. Performance review and audit survey review on supply chain monitoring</li> <li>5. Performance review on product and service as per the requirement</li> <li>6. Feedback on support and maintenance of the respective product or service</li> <li>7. Grievance Addressal</li> <li>8. Product Customization (Example ATM made Divyang friendly as well as paperless ATM customization done as per our discussion with Supplier OEMs.)</li> </ol>

Stakeholder	Engagement Method	Key topics highlighted
<p>Industry bodies (Confederation of ATM Industry, CATMI)</p> 	<p>Trade events, conferences, newsletter, publications, Interaction with regulatory bodies on an on-going basis through Industry body membership such as CATMI for ATM, BCFI, Meetings with NPCI (National payment corporation of India), Meetings with RBI</p>	<ol style="list-style-type: none"> <li>1. ATM growth</li> <li>2. Advocacy for best industry practices</li> <li>3. Technological innovations in ATM industry</li> <li>4. Education and training</li> <li>5. WLA initiatives and Financial Inclusion initiatives</li> <li>6. Financial and social inclusion initiatives in Rural India.</li> <li>7. Industry feedback and expectation management on White label ATM business and Business correspondent banking services in India.</li> <li>8. Industry representation to Reserve Bank of India (RBI) and DFS (Department of Financial services)</li> <li>9. Prevention of any unethical practices if any and corrective strategy being implemented</li> <li>10. Digital India, RuPay cards and ATM expansion initiatives</li> </ol>
<p>NGO, NPO and civil societies</p> 	<p>Monitoring of community interventions, CSR programs</p>	<ol style="list-style-type: none"> <li>1. Healthcare access</li> <li>2. Promoting education</li> <li>3. Youth employment</li> <li>4. Environmental sustainability</li> </ol>
<p>Government and Regulatory bodies</p> 	<p>Meetings and representation to Regulatory bodies on periodic basis, membership in associations</p>	<ol style="list-style-type: none"> <li>1. Promotion of financial, social and digital inclusion</li> <li>2. Industry feedback and expectation management on White label ATM business and Business correspondent banking services in India.</li> <li>3. Industry representation to Reserve Bank of India (RBI) and DFS (Department of Financial services)</li> <li>4. Review discussion with National Payments Corporation of India (NPCI)</li> <li>5. WLA License renewal and periodic Audit performed by RBI</li> </ol>

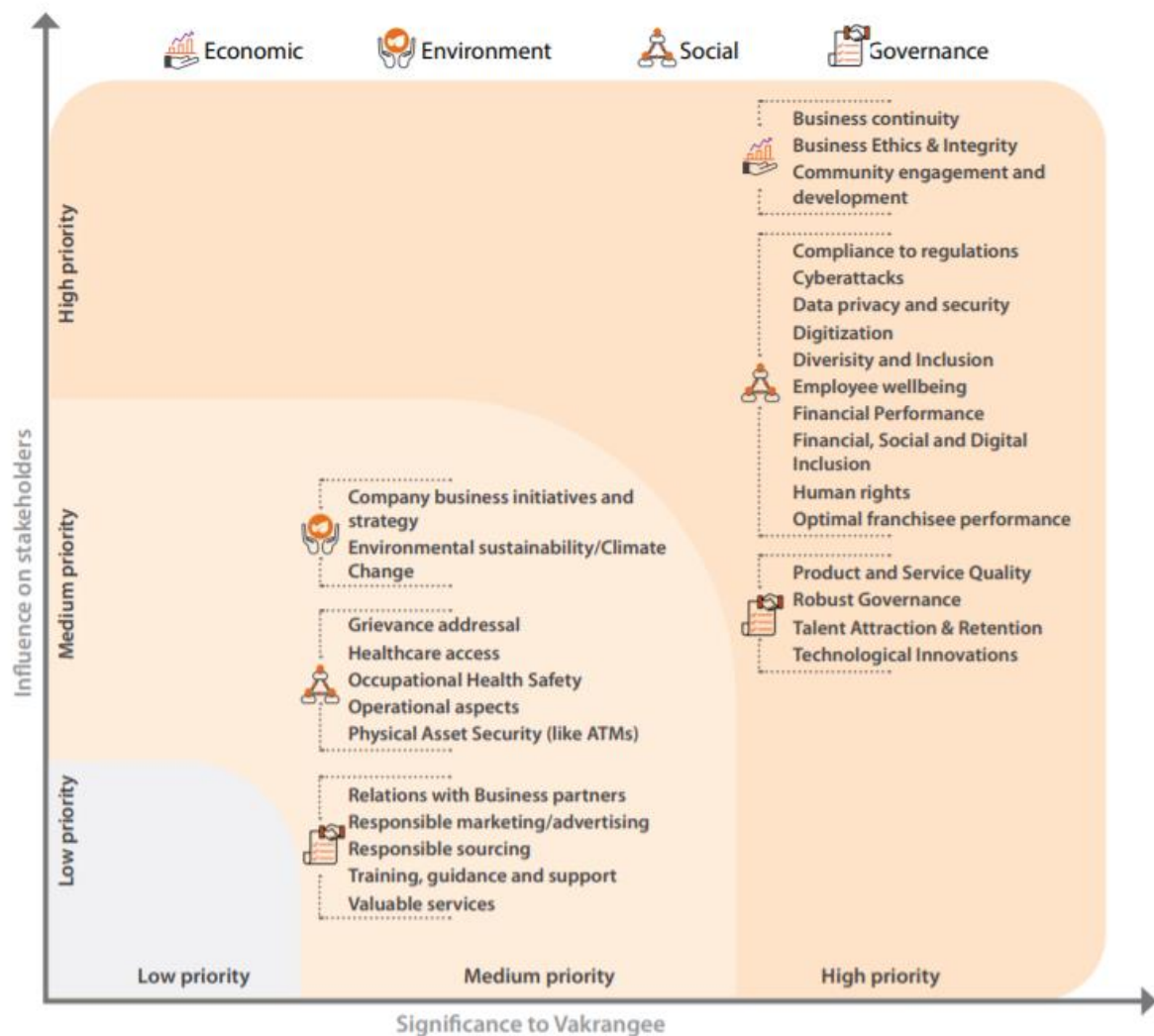
## 2. Materiality Assessment

Context of the company, we analyzed the materiality in relation to our goals and the expectations. We offer three business segment services in the last mile delivery retail outlets named – Next Gen Kendras. We offer Banking services, Insurance services, ATM services and Ecommerce & Logistics facilities at our Kendras through our partners. Hence these areas of operation have been the basis of determining the material topics for our business. By the materiality exercise, we aim to identify both the ESG risks and opportunities we face as a business. As part of our existing ongoing engagement with our stakeholders, we undertook our first materiality exercise in 2019, where our stakeholders communicated the material topics in relevance to their relationship with us.

The material topics constitute areas of concern for both our key stakeholders and us. The materiality assessment was carried out against the following filters – financial impacts & risks, legal drivers, internal policy drivers, peer performance and stakeholder concerns. We have engaged with our key stakeholders to discuss the material topics and captured stakeholder voting into high, medium and low priorities for each topic. The prioritization of the material topics was based on the impact on our business and significance to key stakeholders. The results of our materiality assessment were plotted on the Materiality Matrix in low-medium-high zone, wherein orange zone represent the high priority topics, blue zone represent the medium priority topics and white zone represent low priority topics. To assess the priority of each of these topics within the of our stakeholders.







Based on this prioritization, we have considered only the topics in the high and medium priority zone to be our focus material topics as detailed below. These focus material topics have been classified into economic, environment, social and governance aspects which are aligned with our business principles. Various sections in our report details our strategies and progress with respect to these focus material topics.

### 3. Overview of progress on Key Material Issues

Sr. No.	Materiality Issue Identified & Description	Linkage with Capital	Stakeholder Ownership	Business Strategy on Mitigation & KPI Defined Targets	Status of Progress
1	<p><b>Rapid technological Innovation and transformation:</b></p> <p>As a technology company, Disruptive innovations may hit Company's Financials as well as Business operations. We understand that technological obsolescence is a practical reality. As a financial-technology company, we use technologies like IoT and biometric identification and biometric enabled transactions and payments, to provide our services. Disruptive innovations may hit Company's Business operations as well as financials. Recently, The Government of India has been focusing on digital payments across the country as well as Consumers are switching to Mobile apps for ease and convenience. Currently, there is no mobile app for consumers and Not all payment mechanism are enabled at our outlet network such as QR code and UPI payments. This can have a material impact if consumer preferences grows or shifts happens for new technology like a mobile app or payment solutions.</p>	Economic Capital, Intellectual Capital	Director - Research & Development, Chief Technology Officer (CTO) & Chief Operating Officer (COO)	<p>We continuously evaluate technological obsolescence, and makes necessary investments to employ the best available technology. Our procurement policy considers all regulatory requirements and capabilities of future upgrades. We understand the importance of a next generation business model in the digital age. To align with the government's mission of digital payment and leverage the advantage, we are in the process of implementing a Unified Payment Platform to process all payments including card payment, UPI, AEPS, Aadhaar Pay, QR, amongst others. It will enable our Next-Gen Vakrangee Kendra outlets to accept payment from our customers through any mode of payment. We are one of the pioneers of Aadhaar enabled Payment System (AePS) based banking. Implementation of an integrated digital payment mechanism empowers us to make banking services available to every citizen of India.</p> <p>We have also recently launched a Mobile Super App based business platform : BharatEasy App, India ka Super App. By downloading a single Vakrangee's BharatEasy Super App mobile application, our customers can access a wide array of Products and Services which would significantly reduce their requirement to switch between multiple</p>	<p>Already in final stage of launching all types of payment mechanisms at our Kendras.</p> <p>The target year for achieving the target is FY2021-22.</p>



<p>apps. This would lead to superior customer experience and convenience.</p> <p>A unique differentiator and a sustainable competitive advantage of our Digital Super App platform would be our ability to leverage the Vakrangee OnGround Ecosystem – a vast well-diversified pan-India level 11,700+ physical store network as points of physical assistance, especially to consumers in Semi Urban and rural remote locations. This Unique Proposition of Digital along with Physical: “Phygital” would help the Digital channel to scale up rapidly, and would significantly reduce our costs related to acquiring customers, physical assistance, order fulfilment and returns management of online orders. Furthermore, leveraging our physical presence would result into better customer interaction, strong brand recall and better service experience and trust for our customers.</p>					
2	<p><b>Business Continuity plan for Acute Physical Risks.</b></p> <p>There has been an Increased severity and frequency of extreme weather events such as cyclones and floods. All the services provided at our outlets are through our proprietary technology portal called Vakrangee Kendra Management System (VKMS). A franchisee logs in to the portal and finds a list of all services which can be provided to the customer. Due to this, our complete transactions flow through</p>	<p>Economic Capital, Natural Capital (Environment)</p>	<p>Chief Technology Officer, Risk management Committee, Corporate Strategy Team, GHG Reduction committee, Facilities Team</p>	<p>We ensure that the Business Continuity Plan considers various climate-related risks and the same is reviewed and updated from time to time. We also include review meetings with our vendors responsible for hosting our data servers in which climate-related risks are also discussed along with their mitigation. Currently, our data servers function on active-passive mode. In such setup, in case of any downtime at our primary data center, we require a timeline of about one day to shift to our disaster recovery setup and restore</p>	<p>Respective stakeholders are working on a new initiative of setting up active-active setup for our data servers.</p> <p>Our Target year to implement the same is by 2023.</p>

our data servers and location of these data servers is of prime importance keeping in mind the climate-related risks. In case of any extreme weather events such as cyclones or floods at locations where our data servers are present, our business will get impacted as our franchisees would not be able to provide services to the customers from our portal. This is a big business risk we face as we would be dependent on restoring of our data servers to ensure business continuity. Despite extreme weather events having occurred in a specific city/location where our data servers are placed, the impact would be multi fold as business operations will get impacted across the country at all our Kendras.

our functioning. We are working on a new initiative of setting up active-active setup for our data servers. In this setup, apart from our primary data center, we would be having a near Disaster recovery site to reduce latency and a far Disaster Recovery site in a different seismic zone to address earthquake related risks. In this setup, there would be no or minimal downtime required to shift from primary data center to disaster recovery site.

<b>3</b>	<p><b>Data Usage and Privacy</b></p> <p>Being technology portal based Platform where pan India franchisees are connected online, our Breach of user data privacy, data leakage, cyber-attacks are key material concerns. As a technology-driven company, our Intellectual Capital is one of the most important assets of our business. Our business model deals with sensitive information of our business partners and customers who access our services through various channels. With a growing population of digitally literate citizens, data is one of the most valuable assets in our organisation. Utmost</p>	<p>Intellectual Capital, Social Capital, Governance</p>	<p>Director Research &amp; Development, Chief Technology Officer (CTO), Risk management Committee</p>	<p>We have well-defined policies and processes designed to aid all major decisions and actions in a manner that protect our Data and those of our stakeholders. Our collection of policies for ethical usage and data privacy includes Fraud Prevention Policy, Data Privacy policy, Acceptable Use Policy, Intellectual Property Rights &amp; Ownership Policy, Information Security &amp; Management Policy, Data protection program and Data Request Management Policy. In addition, we are certified with ISO/IEC 27001:2013 Information Security Management System and ISO 20000-1:2011 Information Technology Service</p>	<p>Over next 3 years, we plan to undertake certifications such as ISO 31000 Risk Management; ISO 22301 Societal security – Business continuity management; ISO/TR 13569 – Financial services – Information security guidelines; ISO/IEC 13335 Information technology – Security techniques – Management of information and communications.</p>
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	<p>security to this asset further builds trust of our stakeholders. One of the biggest challenges faced by the industry is implementation of user privacy rights and data security. Intangibles such as User Data - Customer, Partner and Franchisee Data, knowledge, procedures, systems and protocols play an integral role. One of our top priorities is ensuring information safety as we house sensitive information of our customers.</p>			<p>Management to strengthen our data security and implement best practices. Our Data Privacy program handles data protection and privacy by categorizing data based on sensitivity (confidentiality), criticality (availability), identifiability (privacy) and compliance. We have also installed “anti-skimming card reader” at its ATMs to prevent skimming attacks.</p> <p>On Long term basis, we are planning to undertake certifications such as ISO 31000 Risk Management; ISO 22301 Societal security – Business continuity management; ISO/TR 13569 – Financial services – Information security guidelines; ISO/IEC 13335 Information technology – Security techniques – Management of information and communications.</p>	<p>Our Target year to implement the same is latest by 2023.</p>
<b>4</b>	<p><b>Responsible sourcing</b></p> <p>We are committed to sustainable growth and in alignment to our sustainable Sourcing Policy, we have incorporated environmental considerations in procurement decisions related to purchase of products and office related products to minimize the environmental impact across the lifecycle of the products and services which we procure. We expect all our suppliers to comply with necessary environmental sustainability standards defined in this policy and adopt best practices to reduce our environment footprint. We expect our suppliers to review these</p>	<p>Natural Capital (Environment), Governance, Social Capital</p>	<p>Head Procurement, GHG Reduction committee, Purchase Committee</p>	<p>We are committed to sustainable procurement. We give preference to suppliers with lower environmental impact of products and services, thereby having a clear focus on the following parameters:</p> <ul style="list-style-type: none"> <li>• Reduction of water consumption</li> <li>• Reduction in consumption of energy</li> <li>• Efforts in keeping the environment green</li> <li>• Encouraging diversity of talent</li> <li>• Encouraging compliance with human rights Conventions</li> <li>• Adhere to all applicable laws of land</li> <li>• Provide clear, accurate and appropriate reporting</li> </ul>	<p>Our Long term target to assess all our Key Top 25 suppliers on ESG parameters and compliance by 2022.</p>

	standards, ensure adherence and improve up on parameters on a regular basis to help contribute to the welfare of the society and environment.			to the company on all relevant matters	
				We regularly interact with our suppliers and monitor their performance against the ESG requirements.	
				Our certification ISO 20400:2017 on Sustainable Procurement implements responsible sourcing. In the FY2019-20, we assessed 7 suppliers on their environmental and social impact.	
				Our Target is assess all Major suppliers / Vendors (25 key suppliers) in next 12 to 18 months.	
5	<b>Physical Asset Security (like ATMs)</b>  Security and safety of franchisee and outlets is of utmost importance. Hence, any risk arising from theft, physical burglary attack, any damage or loss to outlet has to be evaded. ATM is a valuable asset of the company, which is given to the franchisee on a custodian basis. Therefore, proper maintenance of the ATM asset as well as security of the asset has been of prime importance to the company.	Social Capital, Economic Capital	Head ATM Business & Corporate Strategy Team	We have implemented a master Insurance policy which now covers the entire hardware of the Kendra, ATM machine, cash-in-transit and cash at outlet upto INR 10 lakhs. This policy was finalized and executed in FY2019-20.  ATM maintenance is completely taken care of by a unique offering. Herein, all year servicing of ATM along with coverage of any damage of spare parts is taken care of by simple monthly maintenance plus insurance product.	<b>Our target is Achieved.</b>
6	<b>Cyber risk</b>  Breach of user data privacy, data leakage, cyber-attacks are reasons of concern in today's business environment. Increasing number of devices connected to the internet not only helps in data management but also makes data more vulnerable and	Intellectual Capital, Governance	Director R&D, CTO	Few of our mitigation measures include: • Validation and filtration of end-point inputs- End-point devices are the entry point for authentic and valid data into the system. We use an authentic and legitimate end-point device • Mandatory Access Control (MAC) • Digital signatures using asymmetric	<b>Our target is Achieved.</b>

	unprotected.			<p>encryption: regular audits, hash chaining are standard practices to keep our data secure</p> <ul style="list-style-type: none"> <li>• We apply additional protection for data in-transit through SSL encryption to connect the client and server, ensuring that only trusted computers can access the encrypted data.</li> <li>• Key exchange policy: Loading and managing ATM encryption keys. Hardware Security Module (HSM) facilitate key lifecycle management, including generating, distributing and injecting ATM encryption keys. Comply with all other major industry standards like ISO, PCI, DSS, etc.</li> <li>• We have installed “anti-skimming card reader” at its ATMs to prevent skimming attacks.</li> </ul>	
<b>7</b>	<p><b>Environmental sustainability/ Climate Change</b></p> <p>We consider climate change as a serious environmental threat that calls for immediate and concerted action among all sections of society.</p>	Natural Capital, Economic, Social Capital	Board ESG Committee, Chief Executive Officer (CEO), GHG Reduction Committee & Corporate Strategy Team	<p>We have integrated our Business strategy and mapped our sustainability initiatives with the United Nation’s Sustainable Development Goals. Our commitment for sustainability is supported by a robust governance and risk management mechanism. Our governance bodies oversee the impact areas of our business operations and major global risks faced by all businesses, such as climate change risks as well as identify the emerging opportunities due to Climate change.</p>	<p>Our Short-term Yearly targeted goal is a 5% reduction per year in absolute Scope 1 and Scope 2 GHG emissions from our own operations, compared to a 2019 baseline.</p> <p>Our long-term targeted goal is a 25% reduction in absolute Scope 1 and Scope 2 GHG emissions from our own operations by 2025 compared to the 2019 baseline.</p>
<b>8</b>	<p><b>Compliance to NPCI, RBI and Other regulators</b></p> <p>We are providing Business correspondent</p>	Governance, Economic Capital, Intellectual Capital	Head ATM Business, Chief Executive Officer (CEO),	RBI had introduced a regulation for all ATM operators (including Banks) for upgradation of the ATMs so that EMV chip	Our Long term target to complete this up gradation by 2021.

Banking services through our BC License as well as we are operating more than 5,000 ATMs through our White Label ATM license from the Reserve Bank of India (RBI). It is very important for our company to be in full compliance with all the regulations related to Business correspondent banking and ATM segment.

#### Corporate Strategy Committee

cards can be used for cash withdrawal. This required upgradation of the card reader in each machine.

In order to comply with RBI regulation, we took the following two steps  
While procuring new ATMs, we added this requirement in our Request for Proposal (RFP) document circulated to all OEMs. This way, we ensured that all ATM purchased, post the release of RBI circular, are equipped with EMV enabled card reader  
For all our existing ATMs, we coordinated with the OEMs and started the process of upgradation of the machine by carrying out engineer visits to individual ATM sites. We have carried out this activity in a phased manner and have successfully completed upgradation of more than 90% of our ATMs.





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