



Annexure 1

CORPORATE SOCIAL RESPONSIBILITY POLICY

Approver	Board of Directors
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Policy Owner	Sustainable Banking
Review frequency	Annual

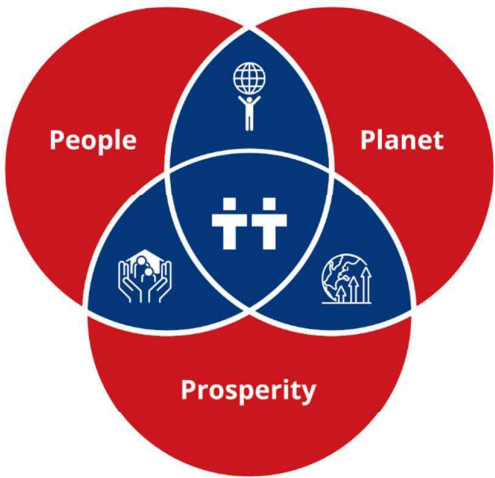
Revision History and Approvals

Revision No.	Issue Date	Amendment Description
Renewal	2019-20	Renewal
Revision 1	2020-21	Incorporation Section 135 Amendments dated 22.1.21 (Renewed with Amendments vide Resolution # 64/62/BOD/2020-21)
Revision 2	2021-22	Refinements in Clause 1, 5 and 5.4.2 (Renewed with Amendments vide Resolution # 0315/076/BOD/2021-22)
Renewal	2022-23	Renewal with refinements in 4.8, 5.2, 5.4 and 8

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ESAF SMALL FINANCE BANK
Corporate Social Responsibility (CSR) Policy



CORPORATE SOCIAL RESPONSIBILITY POLICY

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1. Preamble

The origin of ESAF in 1992 has been in response to the convictions on social responsibility, as articulated in its vision for creating a just and fair society. By now for quarter of a century, we have journeyed with the underprivileged and the marginalised to bring them forward to the main stream. With that heritage, at **ESAF SMALL FINANCE BANK**, we are committed to the triple bottom line approach pursuing our vision- to be India’s leading SOCIAL bank, carving out an exemplary reputation as a bank that synergises economic, social and environmental responsibility

In the GOI norms, the concept of Corporate Social Responsibility (CSR) is governed by clause 135 of the Companies Act, 2013, which was enacted in August 2013. The CSR provisions within the Act is applicable to companies with an (a) Annual turnover of INR 1,000 crore and more, or (b) A net worth of INR 500 crore and more, or (c) A net profit of INR 5 crore and more, during the immediately preceding financial year

The companies (Corporate social Responsibility Policy) Rules, 2014 require companies to setup a CSR Committee consisting of at least 3 board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. The Act lists out a set of activities eligible under CSR. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act.

2. Purpose & Scope

Through the CSR projects and programmes, ESAF SFB will pursue inclusive and sustainable development of the community in and through its domain of operations. Beyond charity donations, aligned with its vision statement, the bank will pursue transformation of lives and communities and would choose projects accordingly.

This policy shall apply to all projects, programs, donations and activities undertaken by the Bank in fulfilment of its corporate social responsibility and shall be reviewed and updated from time to time with changes in the CSR rules and applicable laws regulations as and when required.

3. CSR Policy Statement

ESAF SMALL FINANCE BANK is committed the transformation of lives and communities by:

- 3.1. Addressing social, environmental and economic needs of the poor and the marginalized sections of the society
- 3.2. An approach that integrate the solutions to the critical problems of the society into the strategies of the bank to benefit the communities at large with a Triple Bottom Line impact.
- 3.3. Employee participation and networking with likeminded agencies in the projects for larger synergy and impact as an institution
- 3.4. Aligning the corporate social responsibility strategies with the ESAF vision for a just and fair society, fighting the partiality of prosperity



4. Key Focus Areas and Implementation

The Key focus areas for CSR activities of ESAF SMALL FINANCE BANK will be chosen in such a way that the broad vision of the bank is fulfilled. ESAF SFB envisions itself to be India's leading social bank that offers equal opportunities for the whole society through universal access and financial deepening, thus providing financial inclusion, livelihoods and economic development as a whole.

This implies addressing critical issues of the poor and the marginalized like Education, Health, Sanitation, Environment Livelihood Development, Other priority segments in Schedule VII of Section 135 of Company's Act, aligning its focus to the Sustainable Development Goals – the 17 SDGs as adapted by the United Nations, by setting targets linking to SDGs and monitoring the same for a significant participation to the achievement of SDGs.

4.1 Education

- 4.1.1 Construction and renovation of school buildings.
- 4.1.2 Education of the underprivileged
- 4.1.3 Education of girls
- 4.1.4 Digital literacy through computer education.
- 4.1.5 Merit scholarships to financially backward students.
- 4.1.6 Supply of note books and text books.
- 4.1.7 Adult Literacy Programmes

4.2 Healthcare

- 4.2.1 Medical camps (general and multi-specialty with specialist doctors).
- 4.2.2 Mobile clinics with doctors and paramedical staff
- 4.2.3 Ambulance services.
- 4.2.4 Awareness programmes for women and adolescent girls.
- 4.2.5 Blood donation and eye donation camps.
- 4.2.6 Palliative care
- 4.2.7 Geriatric care
- 4.2.8 Home based Health Care
- 4.2.9 Training Health Volunteers

4.3 Sanitation

- 4.3.1 Construction of household toilets.
- 4.3.2 Construction of toilets for children in the schools.
- 4.3.3 Facilitating sanitation for rural areas / urban slums
- 4.3.4 Community Sanitary Awareness campaigns.

4.4 Environment

- 4.4.1 Environment Education and Awareness Raising
- 4.4.2 Biodiversity conservation
- 4.4.3 Waste management systems
- 4.4.4 Circular Economy Development Models
- 4.4.5 Global Warming Risks Mitigation



4.5 Livelihood Development

- 4.5.1** Skill development for rural youth to improve employability and entrepreneurship
- 4.5.2** Skill development for rural women to promote entrepreneurship
- 4.5.4** Basic infrastructure to enhance rural livelihoods
- 4.5.4** Rural Economy Eco System Development

4.6 Any other activity as permitted under Companies Act, 2013

4.7 Creation / Acquisition of Capital Assets through CSR : The CSR amount may be spent by the Bank for creation or acquisition of a capital asset, which shall be held by –

- (a.) a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014
- (b.) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
- (c.) a public authority:

In such cases, approval of the Board shall be obtained.

4.8 CSR Implementing Agencies: - The CSR activities will be undertaken by the Bank itself or through

- (a.) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or
- (b.) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or
- (c.) any entity established under an Act of Parliament or a State legislature; or
- (d.) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

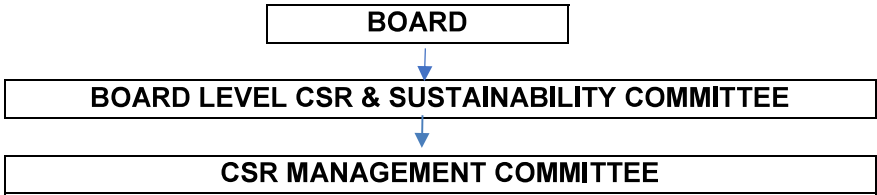
The Bank shall ensure that every entity, covered above, who intends to undertake any CSR activity of the Bank, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01st day of April 2021

4.9 Collaboration with other companies on CSR: The Bank can collaborate with other companies for undertaking CSR projects in such a manner that the CSR committees of the board respective companies are in a position to report separately on such projects or programmes in accordance with the requirement of the Companies Act, 2013. In such cases approval of the CSR Committee of the Board shall be obtained.



5. Governance & Monitoring Structure

A robust and transparent governance structure is constituted to oversee the implementation of our CSR Policy, in compliance with the requirements of Section 135 of the Companies Act, 2013. Board will constitute a Board level CSR Committee, which will be assisted by a CSR Management Committee. Sustainable banking Department will be responsible for the CSR function of the bank.



5.1 Board-Level CSR & Sustainability Committee

The CSR governance structure will be headed by the Board Level CSR committee that will be ultimately responsible for the CSR projects undertaken.

The CSR Committee of the Board shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely: -

- (a.) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
 - (b.) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 ;
 - (c.) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
 - (d) monitoring and reporting mechanism for the projects or programmes; and
 - (e.) details of need and impact assessment, if any, for the projects undertaken by the company:
- Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.”.

5.2 CSR Management Committee:

The Board Level CSR & Sustainability Committee will be assisted by a **CSR Management Committee** consisting of MD & CEO as the Chair, EVP overseeing Sustainable Banking, Head (Sustainable Banking) and Company Secretary as members. MD&CEO is authorized to reconstitute the same as and when required. CFO of the Bank shall be a permanent invitee to the committee. The quorum for the meetings will be three members present at the meeting.

The responsibilities of the CSR Management Committee will be as follows

5.3 The Responsibilities of CSR Management Committee will be

- 5.3.1.** Stewardship of CSR policy, putting monitoring mechanisms in place to track the outcomes through the Sustainable Banking Department.
- 5.3.2** Periodic reports to the board with suggestions for Board interventions to the Board through the Board Level CSR Committee
- 5.3.3** Recommend the CSR expenditure to the Board who will approve it
- 5.3.4** Identify agencies and approve projects that are in line with the CSR policy
- 5.3.5** Proposing Revisions to CSR Policy, and obtaining approval from the Board
- 5.3.6** Appointment of an independent agency to evaluate the implementation and impact assessment as and when needed,



5.3.7 Ensuring employee participation and volunteering in the CSR projects as defined the CSR Policy

5.4 Project Monitoring

The CSR Committee of the Board shall monitor the implementation of the CSR projects to confirm that the funds so disbursed have been utilised for the purposes and in the manner as approved by the Board

The CSR Management Committee, through the Sustainable Banking Department will review and monitor the time-bound actions and outcome plans and measurements and reporting the same through the CSR Committee of the Board.

5.4.1 Impact Assessment: The Bank may conduct impact study of the CSR Activities conducted by it. However, where the CSR obligation of the bank is when the CSR obligation is ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, that it shall mandatorily undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.

The Bank may book the expenditure for impact assessment towards Corporate Social Responsibility for that financial year, which shall not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.

5.4.2 Certification by the CFO: Every year, the Chief Financial Officer of the Bank shall certify to the Board that the funds disbursed by the Bank for CSR activities have been utilized for the purposes and in the manner as approved by it. The sustainable Banking Department shall submit quarterly progress report of each project containing the details of amount spent to the CFO.

5.4.3 CSR Annual Report: The Board's report shall include an annual report on CSR containing particulars as specified in Companies (Corporate Social Responsibility Policy) Rules, 2014

6. CSR Budget & Treatment of Surplus

6.1 Budget: The total budget for the CSR projects for a Financial Year shall be 5% of average net profits of the Bank calculated in accordance with Section 135 of the Companies Act, 2013

The project wise budget shall be approved by the Board based on the recommendations of the CSR Committee of the Board

6.2 Administrative Overheads: The administrative overheads in the CSR spending shall not exceed five percent of total CSR expenditure of the Bank for the financial year

6.3 CSR Spending Above the Requirements of Section 135 of Companies Act: - If the Bank spends an amount in excess of the requirements provided under section 135 of the Companies Act, 2013 in any financial year, the Bank can set off such excess amount against the requirement to spend under section 135 for such number of succeeding financial years and in such manner, as may be prescribed by the Ministry of Corporate Affairs

6.4 Budget Unspent after a Financial Year: -

6.4.1 Transfer of Unspent to a Separate Account: Any amount remaining unspent, pursuant to any ongoing project, undertaken by a Bank in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the Bank within a period of thirty days from the end of the financial



year to a special account opened by the Bank in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account,

6.4.2 Usage of Unspent from the Separate Account : Such amount shall be spent by the Bank in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer in accordance with the provisions of the Companies Act, 2013, failing which, the Bank shall transfer the same to a Fund specified in Schedule VII of the Companies Act, 2013, within a period of thirty days from the date of completion of the third financial year

6.5 Ongoing Projects: - In case of ongoing projects, the Board of the Bank shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

7. Conclusion

The terms CSR, and TRIPLE BOTTOM LINE now appear everywhere, from business news to mainstream news to super market store. But this has been the life style and legacy of ESAF over a credible period -for over three decades. Ceasing the opportunity to capitalise this legacy in sustainable development, through this policy, let us build up a new banking revolution, bridging the gaps in the society, fighting the partiality of profits, for a just and fair society.

This Policy will be reviewed annually by the Corporate Social Responsibility and Sustainability Committee of the Board and the Board of Directors.