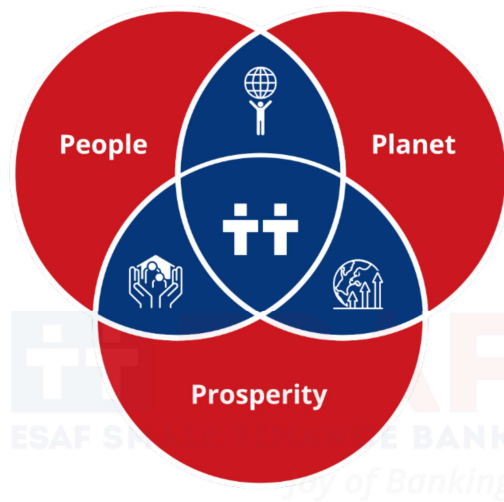


# **ESAF SMALL FINANCE BANK**

## **Corporate Social Responsibility (CSR) Policy**



### **CORPORATE SOCIAL RESPONSIBILITY POLICY**

#### **Contents**

1. <u>Preamble</u> .....	3
2. <u>Purpose and Scope</u> .....	3
3. <u>CSR Policy Statement</u> .....	3
4. <u>Key Focus Areas and Implementation</u> .....	4
5. <u>Governance and Monitoring Structure</u> .....	5
6. <u>CSR Budget and Treatment of Surplus</u> .....	6
7. <u>Conclusion</u> .....	5

## 1. Preamble

The origin of ESAF in 1992 has been in response to a strong conviction on the need for a radical change in the social fabric, as articulated in its vision for creating a just and fair society. We have journeyed with the underprivileged and the marginalised for more than a quarter century to bring them into the mainstream. With that heritage, at **ESAF SMALL FINANCE BANK**, we are committed to the triple bottom line approach for 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 are 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 set up 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 registered in the previous three years on CSR activities. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act.

*Joy of Banking*

## 2. Purpose and Scope

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

This policy shall apply to all projects, programmes, 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 and regulations as and when required.

## 3. CSR Policy Statement

**ESAF SMALL FINANCE BANK is committed to the transformation of lives and communities in the following ways:**

- 3.1. Addressing the social, environmental and economic needs of the poor and the marginalised sections of the society.
- 3.2. An approach that integrates 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 ESAF's 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, livelihood and economic development as a whole.

This implies addressing critical issues of the poor and the marginalised like Education, Health, Sanitation, Environment Livelihood Development, and Other Priority Segments in Schedule VII of Section 135 of the Company's Act, aligning with the 17 Sustainable Development Goals of the United Nations, by setting targets linking to SDGs and monitoring the same for significant participation to achieve the 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 for financially backward students
- 4.1.6** Distribution of notebooks and textbooks
- 4.1.7** Literacy programmes for adults

##### **4.2 Healthcare**

- 4.2.1** Medical camps (general and multi-speciality 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 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 generation
- 4.4.2** Biodiversity conservation
- 4.4.3** Waste management systems
- 4.4.4** Circular economy development models
- 4.4.5** Mitigation of global warming risks

#### **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** Eco-system development of the rural economy

#### **4.6 Any other activity as permitted under the Companies Act, 2013**

#### **4.7 Creation / Acquisition of Capital Assets through CSR**

The CSR amount may be spent by the Bank for the 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 a 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 Implementation 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 12AB 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 12AB and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities

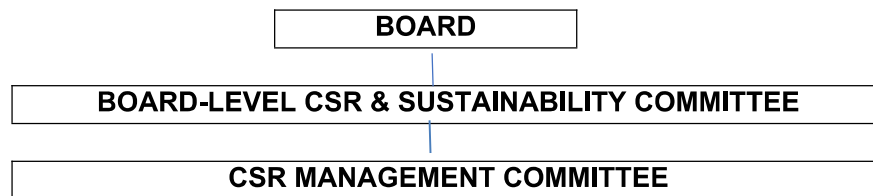
The Bank shall ensure that every entity, covered above, that intends to undertake any CSR activity of the Bank, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01<sup>st</sup> day of April 2021.

#### **4.9 Collaboration with other companies on CSR**

The Bank can collaborate with other companies to undertake CSR projects in such a manner that the CSR committees of the Board of 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 and Monitoring Structure

A robust and transparent governance structure has been constituted to oversee the implementation of our CSR Policy, in compliance with the requirements of Section 135 of the Companies Act, 2013. The Board will constitute a Board-Level CSR Committee, which will be assisted by a CSR Management Committee. The Sustainable Banking Department will be responsible for the CSR functions of the Bank.



### 5.1 Board-Level CSR and Sustainability Committee

The CSR governance structure will be headed by the Board-Level CSR Committee which 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-

- (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 utilization of funds and implementation schedules for the projects or programmes.
- (d) Monitoring and reporting mechanism for the projects or programmes.
- (e) Details of need and impact assessment, if any, for the projects undertaken by the company, provided that the Board may alter such plans at any time during the financial year, as per the recommendation of its CSR Committee, based on reasonable justification to that effect.

**5.2 CSR Management Committee:** The Board-Level CSR Committee will be assisted by a CSR Management Committee constituted by a team of senior management personnel. The quorum of the CSRMC will be THREE members.

The responsibilities of the CSR Management Committee constituted by a team of senior management personnel of the Bank will be as follows.

### 5.3 Responsibilities of the CSR Management Committee

**5.3.1** Stewardship of CSR Policy, putting monitoring mechanisms in place to track the outcomes through the Sustainable Banking Department.

**5.3.2** Submitting periodic reports to the Board with suggestions for Board interventions through the Board-Level CSR Committee.

**5.3.3** Recommending the CSR expenditure to the Board for approval.

**5.3.4** Identifying agencies and approving projects that are in line with the CSR Policy.

**5.3.5** Proposing CSR Policy revisions, and obtaining approval from the Board.

**5.3.6** Appointment of an independent agency to evaluate the implementation and impact as and when needed.

**5.3.7** Ensuring employee participation and volunteering in the CSR projects as defined in 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 right purposes, in the manner 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 report the same through the CSR Committee of the Board.

**5.4.1 Impact Assessment:** The Bank may conduct an impact study of the CSR activities conducted by it. However, where the CSR obligation of the Bank is ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, it shall mandatorily undertake impact assessment, through an independent agency, of their CSR projects, having outlays of one crore rupees or more, and which has 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 per cent 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 right purposes, in the manner approved by it. The Sustainable Banking Department shall submit a quarterly progress report of each project containing the details of the 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 and Treatment of Surplus**

**6.1 Budget:** The total budget for the CSR projects for a financial year shall be 5% of the average net profit 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 per cent of the total CSR expenditure of the Bank for the financial year.

**6.3 CSR Spending above the Requirements of Section 135 of the 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 amounts 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 Amount to a Separate Account:** Any amount remaining unspent, pursuant to any ongoing project, undertaken by the 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 on that behalf, for that financial year in any scheduled bank, called the Unspent Corporate Social Responsibility Account.

**6.4.2 Usage of Unspent Amount from the Separate Account:** Such amounts 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 the 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 posters in retail outlets. But this has been the lifestyle and legacy of ESAF over a credible period of more than three decades. Let us seize the opportunity to capitalise on this legacy in sustainable development, through this policy and bring about a banking revolution, bridging the gaps in society, and fighting the partiality of prosperity, 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.