



CORPORATE SOCIAL RESPONSIBILITY POLICY

BANDHAN FINANCIAL SERVICES LIMITED

Owner Department	Corporate Social Responsibility
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Prepared by:

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Reviewed by:

Date	Name	Designation	Signature
10-03-2021	Mr. Amrit Daga	Chief Financial Officer	

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1. PREAMBLE:

In conformity with the requirements laid down under the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as the “CSR Rules”) issued by the Ministry of Corporate Affairs (“MCA”), Government of India under Section 135 of the Companies Act, 2013 (“the Act”), the CSR Committee of the Board had drafted a CSR Policy, which was approved by the Board of Directors.

Later, in reference of various Circulars and amendment issued by the MCA clarifying various aspects of CSR Rules and also certain amendments made to Schedule VII to the Companies Act 2013 to broaden the list of activities that will qualify as CSR activities, the Board of Directors had adopted a revised CSR Policy for the Company at its meeting held on August 30, 2021.

2. DEFINITIONS

In this Policy, the following definitions of the terms used shall be applicable, unless the context requires otherwise.

- 2.1 “Act” means the Companies Act, 2013 and its subsequent amendments, if any.
- 2.2 “**Administrative Overheads**” means the expenses incurred by the company for ‘general management and administration’ of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme.
- 2.3 “**Annexure**” means the Annexures appended to the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.
- 2.4 “**Corporate Social Responsibility (CSR)**” means the “CSR Programme”, undertaken by the Company, in pursuance of its statutory obligations laid down in section 135 of the Act in accordance with the provisions contained in the Rules, but shall not include the following:

2.4.1 Activities that are undertaken in pursuance of the normal course of business of the Company.

2.4.2 Activities that are undertaken by the Company outside India except for training of Indian sports personnel representing any State or Union territory at the national level or India at the international level.

2.4.3 Contribution of any amount directly or indirectly to any political party under section 182 of the Act.

2.4.4 Activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019).

2.4.5 Activities supported by the Company on a sponsorship basis for deriving marketing benefits for its products or services.

2.4.6 Activities carried out for the fulfilment of any other statutory obligations under any law in force in India.

2.5 “CSR Annual Action Plan” means the list of CSR projects or programmes or activities proposed to be undertaken by the Company in a financial year as per its CSR Policy in the areas or subject specified in the Schedule VII of the Act and includes but not limited to the following:

2.5.1 The implementation schedules and manner of execution of the proposed CSR projects or programmes or activities.

2.5.2 The modalities of utilisation of the funds of the proposed CSR projects or programmes or activities

2.5.3 The monitoring and reporting mechanism of the proposed CSR projects or programmes or activities.

2.5.4 Details of any need assessment or any impact assessment studies proposed during the financial year.

- 2.6. “**CSR Committee**” means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act.
- 2.7 “**CSR Policy**” means this Policy document, containing the approach and directions statement given by the Board of the Company, taking into account the recommendations of its CSR Committee, and includes guiding principles for the selection, implementation and monitoring of the CSR projects or programmes or activities as well as the formulation of the ‘CSR Annual Action Plan’.
- 2.8 “**CSR Programme**” means any the CSR projects or programmes or activities, undertaken by the Company as per its CSR Policy, that is in line with the activities in the areas or subjects as specified in the Schedule VII of the Act, as amended.
- 2.9 “**CSR Programme Cost**” means the expenditure incurred directly towards the designing, implementation, monitoring and evaluation of a particular CSR project or programme.
- 2.10 “**International Organisation**” means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply.
- 2.11 “**Net profit**” means the net profit of the Company as per its financial statement prepared following the provisions of Section 198 of the Act, but shall not include the following:
- 2.11.1 Any profit arising from any overseas branch or branches of the Company, whether operated as a separate company or otherwise.
- 2.11.2 Any dividend received from other companies in India, which are covered under and are complying with the provisions of section 135 of the Act

- 2.12 **“Ongoing Project”** means a multi-year project undertaken by the Company in fulfilment of its CSR obligation, having timelines not exceeding three years, excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.
- 2.13 **“Public Authority”** means ‘Public Authority’ as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005).
- 2.14 **“Rules”** means the Companies (Corporate Social Responsibility Policy) Rules, 2014 and its subsequent amendments lastly vide the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.
- 2.15 **“CSR Committee”** means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act.
- 2.16 **“CSR Policy”** means this Policy document, containing the approach and directions statement given by the Board of the Company, taking into account the recommendations of its CSR Committee, and includes guiding principles for the selection, implementation and monitoring of the CSR projects or programmes or activities as well as the formulation of the ‘CSR Annual Action Plan.
- 2.17 **“CSR Programme”** means any the CSR projects or programmes or activities, undertaken by the Company as per its CSR Policy, that is in line with the activities in the areas or subjects as specified in the Schedule VII of the Act, as amended.
- 2.18 **“CSR Programme Cost”** means the expenditure incurred directly towards the designing, implementation, monitoring and evaluation of a particular CSR project or programme.
- 2.19 **“International Organisation”** means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations

(Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply.

2.20 **Implementing Agency**

2.21 **“Net profit”** means the net profit of the Company as per its financial statement prepared following the provisions of Section 198 of the Act, but shall not include the following:

Any profit arising from any overseas branch or branches of the Company, whether operated as a separate company or otherwise.

Any dividend received from other companies in India, which are covered under and are complying with the provisions of section 135 of the Act.

2.22 **“Ongoing Project”** means a multi-year project undertaken by the Company in fulfilment of its CSR obligation, having timelines not exceeding three years, excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.

2.23 **“Public Authority”** means ‘Public Authority’ as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005).

2.24 **“Rules”** means the Companies (Corporate Social Responsibility Policy) Rules, 2014 and its subsequent amendments lastly vide the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.

3. **Philosophy**

This policy, which encompasses the company's philosophy for delineating its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare &

sustainable development of the community at large, is titled as the “Corporate Social Responsibility Policy .

This policy shall apply to all CSR initiatives and activities taken up at the various work centres and locations as decided from time to time , for the benefit of different segments of the society, specifically the deprived, underprivileged, destitute and hard core poor people “Specially women”.

4. CSR Vision Statement

In alignment with vision of the company, the CSR initiatives, will continue to enhance value creation and inclusion of hard core poor people in the mainstream of the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote sustained growth for the society and community, in fulfilment of its role as a Socially Responsible Corporate.

5. CSR ACTIVITY

5.1 As a responsible corporate citizen, the Company is committed to sustainable development and inclusive growth. In terms of the CSR rules issued by the MCA, the Company will be focusing on undertaking the project /programs /activities listed below, as specified in Schedule VII to the Act excluding activities undertaken in pursuance of the normal course of business of a Company. To direct the Company’s CSR Programmes, inter alia, towards achieving one or more of the following:

- 5.1.1 creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India
- 5.1.2 supporting financial inclusion, financial literacy and rural development
- 5.1.3 promoting education
- 5.1.4 providing preventive healthcare and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation;
- 5.1.5 providing sanitation and drinking water;

- 5.1.6 enhancing environmental and natural capital including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
 - 5.1.7 contribution to the prime minister's national relief fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by the central govt. for socio-economic development and relief and welfare of the scheduled caste, tribes, other backward classes, minorities and women.
- 5.2 To develop the required capability and self-reliance of beneficiaries at the grassroots, especially of women, in the belief that these are prerequisites for social and economic development;
- 5.3 To engage in affirmative action interventions such as skill building and vocational training, to enhance employability and generate livelihoods for persons from disadvantaged sections of society;
- 5.4 To pursue CSR Programmes preferably in areas that fall within the economic vicinity of the Company's operations to enable close supervision and ensure maximum development impact;
- 5.5 To carry out CSR Programmes in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies towards such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;
- 5.6 To provide equal opportunities to beneficiaries of the Company's CSR Programmes on merit;

6. GOVERNANCE

6.1 In terms of provision of section 135 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and Companies (Corporate Social Responsibility) Rules, 2014 including any modifications or amendments thereof), the Board of the company shall constitute a CSR committee of the Board, which shall constitute of at least three Directors of which at least one shall be an Independent Director.

6.2 The quorum for the CSR Committee Meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher out of which one shall be the independent director.

6.3 The CSR Committee shall meet as and when required subject to a minimum of two times a year, at least once in six months.

6.4 The CSR Committee of the Board shall be responsible for the following functions:

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

- a. List of CSR Projects or Programme approved that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- b. Budgets for the CSR Expenditure
- c. Manner of execution;
- d. Modalities of the utilization of funds and implementation schedules;
- e. Monitoring and reporting mechanism;
- f. Details of need and impact assessment, if any; and

6.4.2 Monitor the CSR activities and CSR Expenditure incurred thereof to ensure that the fund is utilised in line with the CSR Policy.

6.4.3 Regularly monitor ensuring about compliance CSR Policy of Company.

6.4.4 Any other activity as may be decided by the Board

7. ALLOCATION OF FUNDS:

(A) In terms of section 135 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and Companies (Corporate Social Responsibility) Rules, 2014 including any modifications or amendments thereof, the Company will contribute at least 2% of the average net profit of the immediately preceding three financial years calculated as per Section 198 of the Companies Act, 2013 towards Corporate Social Responsibility expenses.

(B) In terms of clause 20.25 of the Articles of Association the Company shall contribute/ donate higher of the below two amounts:

- (i) Rupees Two Crore or
- (ii) Five Percent of Net Profit (Net Profit Means Profit After-tax of Preceding Financial Year)

The amount spent under clause 7(A) shall be excluded while calculating the amount under Clause 7(B). The amount specified in Clause 7(B) above is inclusive of amount as mentioned in clause 7(A) above.

The provision of section 135 shall not apply to the amount spent under clause 7(B).

8. IMPLEMENTATION:

8.1 The CSR programme of the Company shall be implemented by itself directly or through Bandhan Konnagar, a registered society, registered under section 12A and 80 G of the

Income Tax Act, 1961 and having a track record of more than three years of successful implementation of similar CSR programmes or through :-

- a. any Section 8 Company or a registered public trust or a registered society, 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 section 8 company 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 Section 8 company, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and has an established track record of at least three years of successful implementation of similar CSR programmes.

8.2 The Company may specify/ design the CSR Programmes which may be undertaken by Bandhan Konnagar or any / all of the above-mentioned bodies or

8.3 Bandhan Konnagar or any / all of the above-mentioned bodies shall submit a detailed plan mentioning the nature of the project, activities to be carried under such projects, amount to be spent in each project and location of the project and impact of the previous project, if any, before the CSR committee and the Board.

Provided that the implementing bodies have registered themselves with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01st day of April 2021. Provided that any CSR projects or programmes approved before the 01st day of April 2021 shall not be affected.

8.4 The Company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as well as for the capacity building of their own or implementing bodies personnel for CSR.

8.5 The Company may contribute to any of the funds as specified in Schedule VII of the Companies Act, 2013

8.6 CSR committee will review the details of the above project and suggest/ prescribe modification if required.

- 8.7 Thereafter, for the Board's approval, the CSR Committee of the Board shall place a CSR Annual Action Plan delineating the CSR Programmes to be carried out during the financial year and the budgets allocated hereof. The Board after considering the recommendations of its CSR Committee shall approve the CSR Annual Action Plan, with or without any modification that may be deemed necessary.
- 8.8 Based on the Board's approved CSR plan, the Key Management Personnel (KMP) will assign the task of implementation of the CSR Plan within the specified budgets and timeframes. The KMP shall review the progress of implementation of the CSR Programmes and issue necessary directions from time to time to ensure orderly and efficient execution of the CSR Programmes in accordance with this Policy.
- 8.9 At the end of every financial year, the CSR committee shall review and recommend the CSR Annual Report to the Board for its approval and incorporation in its Board report as prescribed under the Rules

9. CSR EXPENDITURE:

- 9.1 CSR expenditure will include all expenditure, direct and indirect, incurred by the Company on CSR Programmes undertaken in accordance with the approved CSR Annual Action Plan.
- 9.2 The Board shall ensure that the administrative overheads shall not exceed five per cent of total CSR expenditure for the financial year.
- 9.3 The Company shall enter into an agreement with Bandhan Konnagar or any / all of the above-mentioned bodies every year specifying the amount to be spent, Project details and other terms & conditions before giving any amount of the approved CSR fund.
- 9.4 KMP shall release the funds in terms of CSR policy and as per terms of the agreement entered with Bandhan Konnagar or any / all of the above-mentioned bodies.
- 9.5 Bandhan Konnagar or any / all of the above-mentioned bodies shall submit a certificate from a Chartered accountant in respect of utilisation of CSR fund within two months from the end

of the respective financial year.

9.6 Unspent CSR Amount: -

- 9.6.1 In any financial year, if the Company fails to spend the amount as prescribed under the sub-section (5) of Section 135 of the Act, the CSR Committee shall specify the reasons for not spending such amount in its CSR Annual Report, submitted to the Board. The Board shall approve and incorporate such explanations in its Board Report pertaining to that particular Financial Year.
- 9.6.2 For any unspent amount remaining against the prescribed CSR amount, the Board of the Company, on the recommendation of the CSR Committee may choose to carry forward such unspent amount to the subsequent three financial years, provided it is over and above that financial year's prescribed CSR spend and should follow the following provisions:
- 9.6.3 Any unspent amount towards any ongoing CSR programme shall be transferred by the Company within a period of thirty days from the end of the financial year to a special account to be opened by the Company on behalf of the financial year in any scheduled Company to be called the "Bandhan Financial Services Limited Unspent Corporate Social Responsibility Account" followed by the suffix of the Financial Year.
- 9.6.4 Such unspent amount towards the ongoing CSR programmes shall be spent by the Company within a period of three financial years from the date of such transfer from the said account, failing which, the Company shall transfer any remaining unspent balance of such account at the end of the third financial year to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

- 9.6.5 The provision of the unspent CSR amount shall apply only to the amount spend covered under clause 7(A) of the Policy.
- 9.6.6 In case, if there is an excess of any unallocated unspent amount, other than the unspent amount towards ongoing CSR programmes, the Company will transfer such amount to a Fund specified in Schedule VII, within a period of six months from the end of the financial year.
- 9.7 **Excess CSR spends** - In case, if the Company spends any amount in excess of the prescribed CSR spends in a financial year, then the same can be set-off against the prescribed CSR spends of the immediately three succeeding financial years, provided that the excess amount spent / available for set-off shall not include the surplus arising out of the CSR activities and the Board of the Company shall pass a resolution to that effect.
- 9.8 **CSR Surplus** - Any surplus arising out of the CSR activities shall not form part of the business profit of the Company and any kinds of income accrued by way of CSR activities shall be ploughed back into the same CSR programmes or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the Company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.
- 9.9 **Capital Asset** - The CSR amount may be spent by the Company for the creation or acquisition of a capital asset, which shall be held by -
- 9.9.1 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 or
- 9.9.2 The beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
- 9.9.3 A public authority; or

9.9.4 Any capital asset created by the Company through its CSR Funding, before the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of one hundred and eighty days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.

10. MONITORING AND IMPACT ASSESSMENT:

10.1 **Monitoring** – The monitoring and reporting of the CSR programme will be carried out as per the provisions mentioned in the CSR Annual Action Plan as approved by the Board of the Company.

In case of an ongoing project, the Board of the Company 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.

10.2 Impact Assessment -

- 10.2.1 The Company will conduct the impact assessment in case the company has the CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years.
- 10.2.2 The provision of the impact assessment shall apply only to the amount spend covered under clause 7(A) of the Policy.
- 10.2.3 The Company shall undertake impact assessment, through an independent agency, of its CSR programme that has an outlay of Rupees One Crore or more, and which has completed not less than one year before undertaking the impact study.
- 10.2.4 The Board shall approve the appointment of the independent agency based on the recommendation of the CSR Committee.

10.3 Reporting - The CSR Committee of the Board shall review and recommend the Annual Report on CSR, including any impact assessment report and place it to the Board of the Company for its approval. The Board shall approve and incorporate the CSR Annual Report in its Board Report as prescribed in the applicable Annexure of the Rules.

11. DISPLAY IN THE WEBSITE:

The Company shall provide the details of the composition of the CSR Committee, CSR Policy and the CSR Projects as approved by the Board on its website for public access.

12. AMENDMENTS TO THE POLICY

The Board of Directors on its own and/or as per the recommendations of the CSR Committee can amend this policy, as and when deemed fit. Any or all provisions of this CSR policy are subject to the applicable provisions of the Companies Act, 2013 and any subsequent amendments thereof from time to time.