



Corporate Social Responsibility Policy

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1. Introduction

Ujjivan Small Finance Bank's (USFB or the Bank) mission and objective is to provide full range of financial services to the economically active poor to enable customers lead a better life and reaching out to underserved communities.

The Companies Act 2013 has introduced provisions on Corporate Social Responsibility (CSR), which rests on the ideology of give and take. The term CSR has been defined under the CSR Rules which includes but is not limited to:

- Projects or programs relating to activities specified in the Schedule; or
- Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule.

The Corporate Social Responsibility Policy (CSR Policy) of the Bank sets out the broad framework guiding the Bank's CSR activities. The Policy also sets out the principles and the rules that need to be adhered to while taking up and implementing CSR activities to be undertaken as specified in Schedule VIII of the Companies' Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

2. Objectives of the Policy

The following are the objectives of the CSR Policy:

- To create strong goodwill and brand image in the community
- To comply with the statutory and regulatory requirements pertaining to corporate social responsibility.
- To define what Corporate Social Responsibility means to the Bank and the approach for the same
- To lay down the guidelines & mechanism to carry out CSR program/project & to report the work in reporting format as prescribed by the Rules in the act.
- To identify areas of intervention and projects that will be taken up by the Bank as part of its CSR plan with the implementation schedules
- To constitute review mechanism of monitoring the progress of CSR projects/ programs and implementation of CSR policy by CSR Committee
- To display the contents of the CSR policy and the implementation of the CSR activities on the website and the annual report
- To ensure that the surplus arising of CSR projects/ programs/ activities shall not form part of the business profit of the Bank

3. Applicability

The policy shall be applicable to all activities undertaken by the Bank towards fulfilling its corporate social responsibility objectives.

4. Governance Structure

The Board of the Bank shall oversee the plan for CSR activities and the status of the achievement of the CSR plan. The Board has constituted a Corporate Social Responsibility Committee (CSR Committee) in accordance with the provisions of the Act and will review the composition and terms of reference of the CSR Committee on an annual basis or as and when required. This shall help in developing an effective CSR framework that can assist the Board to ensure that CSR issues and opportunities are well-managed and maximised. The Board shall consider the contents of the CSR policy

The CSR Committee is the governing body that shall define the scope of CSR activities for the Bank and approve/ review the CSR policy atleast on annually. The Committee shall be responsible for implementation of the CSR Policy. The CSR Committee would comprise of three or more Directors including at least one independent Director. The CSR Committee shall approve and recommend to the Board any registered trust/ society for undertaking the CSR activities.

5. CSR Principles followed by the Bank

The Bank follows the below principles of CSR based on which the CSR activities have been identified and the CSR plan has been formulated:

- **Sustainability**
The Bank shall use resources optimally and shall strive to be internally efficient and responsible. The Bank shall regularly review and improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical and environmental considerations. The Bank shall promote sustainable consumption and support recycling of resources.
- **Accountability**
The Bank shall imbibe ethical conduct in all its functions and processes and shall promote a culture of integrity and ethics throughout the organization. The Bank shall ensure that all mandatory disclosures are made transparently and fairly and must communicate decisions and ensure access of information to all stakeholders. The Bank shall not engage in practices that are abusive, corrupt or anti-competition.
- **Promotion of human rights and respect interests of all stakeholders, especially the disadvantaged, vulnerable and marginalised**
The Bank shall integrate respect for human rights in management systems in particular through assessing and managing human rights impacts of operations and ensuring that all individuals have access to grievance mechanisms. The Bank shall systematically identify their stakeholders particularly those who are disadvantaged or vulnerable, understand their concerns, define purpose and scope of engagement and commit to engaging with them. The Bank shall be transparent about its policies, products and services on the stakeholders.
- **Environment protection**
The Bank shall utilize natural and other resources responsibly and ensure recycling of resources, wherever applicable. The Bank shall develop Environment Management Systems and contingency plans and/ or processes that help in preventing, mitigating and controlling environmental damages and disasters which may be caused as a result of its operations. The Bank shall take measures to conserve the environment and focus on the “Swachh Bharat Abhiyaan” initiative of the Prime Minister.
- **Inclusive growth and equitable development**
The Bank shall recognise the challenges of the social and economic development and shall build upon the development agenda as articulated in government policies and procedures. The Bank shall make efforts to complement and support the development priorities at local and national levels and provide for appropriate resettlement and rehabilitation of communities who have been displaced.

6. CSR Activities of the Bank

The Bank shall constantly strive to ensure strong corporate culture which emphasizes on integrating CSR values with business objectives. It shall pursue initiatives to eradicate hunger poverty; promoting preventive health care and making available safe drinking water; promoting education, including special education, employment enhancing vocational skill training for women, promoting gender equality, programs for empowering women, projects for environmental protection and any other projects/ programs as it deems fit from time to time. The Board may decide any other CSR activities (as elaborated in Annexure 1) allowed under the Companies' Act

The Bank's CSR activities may focus on any or all of the following five key areas with a goal to holistically approach poverty reduction and bettering quality of lives through social development projects:

- **Community infrastructure development projects**
Minor constructions and renovations such as bus stands (waiting sheds), public parks, schools and anganwadis, public toilets, water connections and public taps, public library, Construction of foot over bridges, reconstruction / renovation of existing damaged infrastructure etc.
- **Environmental Projects**
Ensuring environmental sustainability, recharge-pit for bore wells, solar lamps at public places (e.g. Government hospitals), conservation of natural resources and maintaining quality of soil, air and water.
- **Public amenities, Health and Hygiene**
 - a) Safe drinking water facility at public places (bus stand, schools, hospitals etc),
 - b) Safety for public (fencing electric transforms, road signals),
 - c) Public health and hygiene (supporting PHCs & maternity homes, cleaning public places, clearing garbage dumps, providing dust bins, improving drainage, area spraying for Malaria, Chikengunya, Dengue, public awareness programs etc)
- **Promoting Education**
Providing facilities in schools & Anganwadis, Initiatives for Girl child education, merit scholarships for technical education.
- **Social Welfare**
Relief programs and facilities to orphanages, old age homes, mentally & physically challenged personals, etc.
- Any other projects that are relevant and qualify for CSR activities under the Companies Act, 2013 and Companies (Corporate Social Responsibility) Rules, 2014.

The policy would also ensure compliance with section 135 of the Companies Act, 2013 and would include the activities as covered under Schedule VII to the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 and as amended from time to time.

7. CSR Funds

The corpus for the purpose of carrying on the aforesaid CSR activities would include the following:

- 2% of the average Net Profit before tax made by the Bank during immediately preceding three Financial Years.
- Any income arising there from.
- Surplus arising out of CSR activities carried out by the Bank and such surplus will not be part of business profit of the Bank.

The “Net Profit” means the net profit before tax as per the financial statement of the Bank prepared in accordance with the applicable provisions of the Companies’ Act, but shall not include the following:

- (i) Any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
- (ii) Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:

All the utilization certificates, agreements, invoices with actual spend will be diligently documented and the records shall be available as and when required for scrutiny by auditors or regulators or other stakeholder.

The following shall not be treated as expenditure under CSR activities:

- a) Any expenditure that benefits only employees or their families
- b) Any CSR expenditure undertaken out of India
- c) Contribution of any amount directly or indirectly to any political party
- d) Any other activities pursued in the normal course of business of the Bank.

8. Implementation of CSR Activities

The Bank may decide to build CSR capacities of its staff undertaking CSR activities and of the employees of the implementing agencies. The expenditure of such program shall not exceed 5% of the total CSR expenditure of the Bank in one financial year.

The Board and the CSR Committee may decide whether the Bank will undertake its CSR activities directly on its own or through a registered trust or a registered company as it may deem appropriate from time to time subject to the following conditions:

- a) The trust or company has a track record of 3 years in undertaking similar programs or projects.
- b) The Bank shall specify the project/ programs to be undertaken, the modalities for utilization of funds on such projects/ programs and the monitoring and reporting mechanism for the same.

The Bank may give preference to the local areas and the areas around where it operates for spending the amount earmarked for CSR activities.

9. Monitoring and reporting requirements

The CSR Committee would be responsible for monitoring CSR initiatives, progress on approved projects and shortfalls in achieving the CSR plan, if any. The Company to provide a half-yearly progress report to the CSR Committee of the Board, which would inter alia include the following:

- 1) Achievement since last progress report/ during the last quarter in terms of coverage compared to the target.
- 2) Achievement of the year-to-date in terms of coverage compared to the target, plans to overcome shortfalls if any and support required from the CSR Committee/Board to overcome the shortfalls.
- 3) Actual year-to-date spends compared to the budget and reasons for variance.
- 4) Report on the implementation of the Corporate Social Responsibility Policy and its effectiveness
- 5) Area-wise expenditure on account of Corporate Social Responsibility
- 6) Disclosures on corporate social responsibility as required to be incorporated in the annual results

The CSR Committee shall be responsible to report to the Board on the status of achievement of the CSR initiatives and its activities on half-yearly basis. The Committee shall also report significant CSR activities and achievements in the Director's Report in the Bank's Annual Report.

The Board's report of the Bank shall include composition of the CSR Committee, an annual report on the CSR, contents of the policy developed and implemented by the Bank on CSR initiatives as per the format given in Annexure 2. In case entire budget is not spent in a financial year, reasons for the same shall be specified in the CSR report. The aggregate expenditure on CSR activities shall also be disclosed by way of notes to accounts.

The CSR Policy and programs will also be disclosed on the website after requisite Board approval.

10. Policy Review and Updates

The Board approved policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any.

11. Regulatory References

- Companies' Act, 2013.
- Companies' (Corporate Social Responsibility) Rules, 2014
- National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business of Ministry of Corporate Affairs

12. Annexures

Annexure 1: List of CSR activities permissible under Companies' Act, 2013

As per the Section 135 and Schedule VII of the Companies Act, 2013 the following activities which may be included by companies in their Corporate Social Responsibility Policies –

- Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation and including contribution to the Swachh Bharat Kosh Set up by the Central Government for the promotion of sanitation and making available safe drinking water;
- Promotion of education;
- Promoting gender equality and empowering women;
- Reducing child mortality and improving maternal health;
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- Ensuring environmental sustainability;
- Employment enhancing vocational skills;
- Social business projects;
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- such other matters as may be prescribed.

Annexure 2: Reporting format to the CSR Committee and Board for disclosure in the Board’s report

The Board’s Report

1. A brief outline of the Bank’s CSR policy, including overview of the projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
2. The Composition of the CSR Committee
3. Average net profit of the Bank for last three financial years
4. Prescribed CSR expenditure (2% of the amount as given in point 3. above)
5. Details of CSR spent during the financial year:
 - a. Total amount to be spent for the financial year
 - b. Amount unspent, if any (with reasons)
 - c. Manner in which the amount spent during the financial year is detailed below

CSR Projects/Programs listed for implementation – As presented to the Board by the CSR team at the start of the FY 2015-16

[Ref Section 135(3)(a) and (b)]

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	Name/ Title of the CSR project or activity identified	Sector in which project is covered	Projects of programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
	Total			Total *			