



# AU SMALL FINANCE BANK LIMITED CSR POLICY APRIL, 2017



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## 1. Introduction

Au Small Finance Bank Ltd (hereinafter referred to as 'the Bank') mission is to provide financial solutions to cater to the entrepreneurial aspirations of the unreached and unbanked masses of India and be empathetic to their needs. The Bank endeavours to create strong, consistent stakeholders value and live up to the trust and confidence reposed in its institution.

The Bank's vision is to be the most preferred financial institution with nationwide presence and provide customized and speedy financial solutions to rural and emerging India with trust and confidence.

In alignment with vision of the Bank, through its CSR initiatives, the Bank will continue to enhance value creation in the society and in the community in which it operates. The Bank shall promote growth for the society and community to fulfil its role as a socially responsible corporate with an environmental concern.

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:

- Ensure an increased commitment at all levels in the organization, to operate its business in an economically, socially and environmentally sustainable manner, while recognizing the interests of all its stakeholders
- Directly or indirectly take up programs that benefit the communities in and around its work-centres which results to enhancing the quality of life and economic well-being of the local populace.
- Generate through its CSR initiatives, goodwill for the Bank and help reinforce a positive and socially responsible image of the Bank as a corporate entity.
- Pursue a corporate strategy that enables realization of the goals of shareholder value enhancement and societal value creation in a mutually reinforcing and synergising manner.
- Collaborate with communities and institutions to contribute to the national mission of eradicating poverty and hunger, especially in rural areas, through knowledge sharing, empowering women economically, supplementing primary education and participating in rural capacity building programs and such other initiatives.
- Comply with the statutory and regulatory requirements pertaining to corporate social responsibility.
- Identify areas of intervention and projects that will be taken up by the Bank as part of its CSR plan with the implementation schedules
- Constitute a review mechanism of monitoring the progress of CSR projects/ programs and implementation of CSR policy by the Committee
- Display the contents of the CSR policy and the implement the CSR activities on the website and the annual report
- 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. The policy shall also apply to the employees of the Bank or its Group undertaking the CSR activities, whether operating out of the Head Office, Regional Offices or branches of the Bank.



## 4. Governance Structure

The Bank shall have a 3 tier structure for the governance of CSR responsibilities under the Companies' Act and Rules comprising of the Board, CSR Committee and the Company Secretary. The roles and responsibilities of each of the tiers are as mentioned below:

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) which is duly constituted in accordance with the provisions of the Act and review the composition and terms of reference of the CSR Committee on an annual basis. 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 CSR Committee is the governing body that shall define the scope of CSR activities for the Bank and approve/ review the CSR policy at least 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.

The Company Secretary shall report to the CSR Committee on the status of achievement of the CSR plan. The prime responsibility of the Company Secretary shall be to review the progress of the CSR activities and monitor if the progress is in line with the CSR plan as approved by the Board. If there are any shortfalls or challenges in implementation, the Company Secretary shall report the same to the CSR Committee who shall suggest appropriate action to be taken.



## **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.

### **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. Implementation of CSR Activities

The Board may decide the activities to be undertaken within the team undertaking CSR activity of the Bank and accordingly build CSR capacities of its staff. 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 may decide to undertake its CSR activities through a registered trust or a registered company as it may deem appropriate from time to time subject to the following conditions:

- The trust or company has a track record of 3 years in undertaking similar programs or projects.
- 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 shall give preference to the local areas and the areas around where it operates for spending the amount earmarked for CSR activities.

Schedule VII of Companies Act, 2013 prescribe the following activities for CSR activities:

- I) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- II) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- III) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- IV) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
- V) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
- VI) Measures for the benefit of armed forces veterans, war widows and their dependents;
- VII) Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;





- VIII) Contribution to the Prime Ministers' National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- IX) Contributions or funds provided to technology incubators located within academic institution which are approved by the Central Government;
- X) Rural development projects.

## 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 of a company as per its financial statement prepared in accordance with the applicable provisions of the Companies’ 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; and
- Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:

Provided that net profit before tax in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies’ Act, 1956 shall not be required to be re-calculated in accordance with the provisions 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:

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



## 8. 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 team undertaking CSR activity should provide a half-yearly progress report to the CSR Committee of the Board, which would inter alia include the following:

- Achievement since last progress report in terms of coverage compared to the target.
- 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.
- Actual year-to-date spends compared to the budget and reasons for variance.
- Report on the implementation of the Corporate Social Responsibility Policy and its effectiveness
- Area-wise expenditure on account of Corporate Social Responsibility
- 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.



## 9. Record Keeping

All documentation pertaining to the CSR activity will be maintained for a period of 8 years or such other period as specified by any other law in force, whichever is more.



## 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.

Last date of review: \_\_\_\_\_



## 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



## 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 preventive health care and sanitation and making available safe drinking water;
- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
- Measures for the benefit of armed forces veterans, war widows and their dependents;
- Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
- Contribution to the Prime Ministers' National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- Contributions or funds provided to technology incubators located within academic institution which are approved by the Central Government;
- Rural development projects.



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