

North East Small Finance Bank Ltd

# Corporate Social Responsibility Policy

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## **1. Introduction**

North East Small Finance Bank Ltd's (hereinafter referred to as the Bank) vision is clearly to be the most trusted and accessible financial services institution in India particularly for the North East; promoting financial inclusion and creating value for all its stakeholders. The Bank aims to create a positive impact on more than 500,000 customers by 2017 and facilitate better access to health, education and livelihood opportunities through optimal financial inclusion. While providing affordable credit, the Bank being a client-centric organization, also extends credit plus services to attain the twin-goal of growth and social development among the clientele served. The Bank has undertaken various Social Performance Management (SPM) initiatives such as financial literacy, organizing health camps, technical assistance on dairy farming, piggery, duckery, skill building, awareness on issues like environmental protection, leadership roles for women and girls, health and nutrition and legal issues.

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 VII 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 define what Corporate Social Responsibility means to the Bank and the approach for the same
- 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 comply with the statutory and regulatory requirements pertaining to CSR
- 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 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. The policy shall also apply to the employees of the Bank or its Group undertaking CSR activities, whether operating out of the Head Office, Zonal Offices or branches of the Bank.

The CSR Policy shall apply to the Bank if it meets any of the following criteria as mentioned below in the immediately preceding financial year :

- Minimum Net worth of INR 500 crore
- Turnover up to INR 1000 crore
- Net profit of at least INR 5 crore
- Paid up capital includes equity and preference share capital for the calculation of Net worth as per section 2(57) of the Companies Act

### **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 Head of the Products, Marketing & CSR Department. 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 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 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 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 Head of the Products, Marketing & CSR Department shall report to the CSR Committee on the status of achievement of the CSR plan. The prime responsibility of the Head of the Products, Marketing & CSR Department shall be to ensure that CSR activities are done in line with the CSR plan of the Bank. He shall also 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 Head of Products, Marketing & CSR Department shall report the same to the CSR Committee for appropriate direction.

### **5. CSR Principles followed by the Bank**

The concern for society and environment is a deeply rooted core value of 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 and proper monitoring of social goals monitoring system**  
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.
- **Employees' commitment and 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-competitive.
- **Suitability and appropriateness of products/ services for customers**  
The Bank shall design products and services in a manner that they meet the preferences of its customers. The Bank and its employees shall ensure transparent communication of terms and conditions pertaining to the products/ services and shall avoid mis-selling of any products/ services. The Bank staff shall ensure that the products/ services are sold to customers after considering their financial; needs and whether they would require such products/ services. The Bank shall ensure that the service charges levied in respect of products/ services shall be reasonable and in line with the cost of the services offered.
- **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 take efforts to balance financial performance with its social performance. The Bank shall make efforts to complement and support the development priorities at local and zonal levels and provide for appropriate resettlement and rehabilitation of communities who have been displaced.
- **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.

## 6. CSR Activities of the Bank

The Bank shall put in place a process to translate the social mission of the Bank into practice. The Bank shall constantly strive to ensure effective translation of the Bank's social mission in line with the accepted social values. As a part of its CSR, the Bank makes concentrated efforts

for projects in the fields of Community Healthcare, Sanitation and Hygiene, Education and Knowledge Enhancement, Social Care and Concern and such other projects/ programs as it deems fit from time to time. These activities currently undertaken by the Bank are detailed below. The Board may at any time, decide to participate in any other activities as allowed under the Companies' Act, 2013 as mentioned in the table below.

The key focus areas for CSR activities to be pursued are chosen in such a way that broad Mission and Vision is fulfilled. Through its activities it aims to reach out to the poor and marginalized providing for a holistic transformation leading to creation of just and fair society. This implies addressing critical issues of the poor and the marginalized like education, health, sanitation, environment and skill development.

Schedule VII Mandated activities	Activities to be undertaken
<p>1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water.</p>	<p><b><u>1. Health Camps:</u></b>  Promoting Health care including Preventive Health care through awareness programmes, health check-ups, provision of medicine &amp; treatment facilities, program for preventing diseases , building immunity and providing financial assistance as loans for medical treatment/ hospitalization.</p> <p><b><u>2. Health and nutrition awareness:</u></b>  Carrying out awareness programme on the importance of safe drinking water, importance of sanitation and hygiene.</p> <p><b><u>3. Welfare Loan:</u></b>  Provide financial assistance as loan to install Tube well/ Dug well, construction of sanitary toilet at a nominal interest rate.</p>
<p>2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.</p>	<p>Various skill development trainings such as:</p> <ul style="list-style-type: none"> <li>a) Cutting and knitting</li> <li>b) Weaving/ Doll making</li> <li>c) Food processing</li> <li>d) Plastic cane bag / artificial flower making</li> <li>e) Embroideries</li> <li>f) Livestock farming training</li> <li>g) Other skill based trainings</li> </ul>
<p>3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day-care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward.</p>	<p><b><u>1. Financial Literacy Training:</u></b>  Financial literacy training to the clients to make the poor women aware about the importance of small savings &amp; investments and avoiding wasteful expenditures so that they can prepare a rational financial plan and build their own assets.</p>

Schedule VII Mandated activities	Activities to be undertaken
	<p>2. <b>Promoting gender equality and empowering women</b> through</p> <ul style="list-style-type: none"> <li>a) Women leadership trainings</li> <li>b) Awareness programme on women rights and legal issues.</li> </ul>
<p>4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water.</p>	<p>1. <b><u>Animal Treatment Camps:</u></b> Treatment camps for livestock to eradicate diseases and ensure profitable rearing and augment their income.</p> <p>2. <b><u>Animal husbandry trainings:</u></b> Animal husbandry training programs are offered for successful &amp; profitable animal care and livestock management (Pig, Cattle, Poultry, and Goatery etc.)</p> <p>3. <b><u>Environmental Issues awareness training</u></b></p>
<p>5. 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 art and handicrafts.</p>	<p>1. Contribute towards preservation reconstruction and restoration of historical sites.</p> <p>2. Provides financial support for promotion of those sites</p> <p>3. Organize public meetings and events for promotion of traditional handicrafts; provide funds and other support to promote their work through online shopping sites.</p> <p>4. Promote art and culture</p>
<p>6. Measures for the benefit of armed forces veterans, war widows and their dependents;</p>	<p>Future Scope for extended activities.</p>
<p>7. Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;</p>	<p>1. Awareness programme for promotion of rural sports through various channels in rural areas.</p> <p>2. Providing for financial support to poor athletes for training.</p>
<p>8. Contribution to the Prime Minister's 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;</p>	<p>1. Contribute to Prime Minister National Relief Fund at the time of major natural disaster or calamities.</p> <p>2. Providing funds and loan for welfare of SC/ST/OBC, minorities and women</p>
<p>9. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government</p>	<p>1. Providing computers to academics institutions</p> <p>2. Providing credit services to academic institutions</p>



Schedule VII Mandated activities	Activities to be undertaken
10. Rural development projects and Slum Area Development.	Integrated agriculture development. Organising awareness programme in rural areas. Farmers Knowledge through IT-enablement. Contribute towards sustainable asset building for villages in collaboration with village panchayats. Infrastructure Development for e.g. setting up of schools, day care centre etc.
<b>11. Any other activities / project / program as specified in Schedule VII of the Companies Act, 2013</b> , as amended from time to time, subject to the approval of the Board.	

The policy and the activities undertaken under this 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 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 (as such surplus will not be part of business profit of the Bank)

The “Net Profit” means the net profit 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:

- (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:

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies’ Act, 2013 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:

- a) Any expenditure that benefits only employees or their families
- b) Any CSR expenditure undertaken outside 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 Board may decide the activities to be undertaken within the CSR vertical of the Products, Marketing & CSR Department of the Bank and accordingly build CSR capacities of its staff. Further, to further supplement social welfare activities, the Bank in conjunction with registered society under the Society's Registration Act, 1860 by Registrar of Societies, Assam implements such CSR projects/ programs which help in the economic betterment and overall improvement in quality of life of relatively poor people living mostly in rural areas. 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:

- 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 shall 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 Head of the Products, Marketing & CSR Department shall 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/ during the last quarter 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 CSR policy and its effectiveness
- Area-wise/ zone-wise expenditure on account of CSR
- Disclosures on CSR 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 CSR 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

**Annexure: 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> <b>(1) Local area or other</b> <b>(2) Specify the State and district where projects or programs were undertaken</b>	<b>Amount outlay (budget) project or programs wise</b>	<b>Amount spent on the projects or programs</b> <b>Sub-heads:</b> <b>(1)Direct expenditure on projects or programs</b> <b>(2)Overheads</b>	<b>Cumulative expenditure up to the reporting period</b>	<b>Amount spent: Direct or through implementing agency</b>
	<b>Total</b>			<b>Total *</b>			