



CSR Policy

History of Revisions

| Version | Summary of Revisions | Date of Approval |
|---------|---|------------------|
| 7.0 | Regulatory Modifications | 04-May-23 |
| 6.0 | Annual Review | 04-May-22 |
| 5.0 | Annual Review- Regulatory Modifications | 17-Mar-21 |
| 4.0 | Annual Review | 29-Jan-20 |
| 3.0 | Annual Review | 31-Jan-19 |
| 2.0 | Annual Review | 30-Jan-18 |
| 1.0 | Policy Formulation | 20-Sep-16 |

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1. Preamble

1.1 Objective of the Policy

The objective of this Policy is to articulate the CSR Policy of the Bank and establish the framework, enabling Bank to carry out CSR activities for improving the quality life of underprivileged sections of the society through multi-faceted interventions in education, healthcare, skill development and dignified living conditions.

1.2 Scope of the Policy

- a. This policy will cover the role, rights and responsibilities of Equitas Small Finance Bank (ESFB or “Bank”) in CSR Activities
- b. This policy is applicable to all projects, programs, donations and activities undertaken by the Bank in fulfillment of its Corporate Social Responsibility.

1.3 Definitions

- a. Corporate Social Responsibility (CSR)
CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis.
- b. Sustainable Development (SD)
Sustainable development is defined as the advancement of economic development while maintaining the quality of environmental and social systems.

2. Regulatory Framework Applicable Regulations

2.1 [Section 135 of the Companies Act, 2013 \(“the Act”\)](#)

Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

The Board of every Company shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

2.2 [Companies \(Corporate Social Responsibility Policy\) Rules, 2014 \[CSR Policy Rules\] as amended by CSR Amendment Rules, 2021 & 2022](#)

1. The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing)
2. The Board of a company shall ensure that CSR activities are undertaken by the Company directly 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 12A and 80G of the Income Tax Act, 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
 - 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 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities

Any entity as listed in (a) to (d) above which intends to undertake any CSR activity shall register itself with the Central Government by filing the prescribed form with effect from April 01, 2021 and obtain a CSR Registration Number.

Every entity, covered under sub-rule (1) of rule 4 of the Companies (Corporate Social Responsibility) Rules, who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01st day of April 2021.

3. A company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as well as for capacity building of their own personnel for CSR. A company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs in accordance with CSR Policy Rules.
4. The Board of a Company is responsible for monitoring the implementation of the project with reference to the approved timelines and year-wise allocation and can make modifications, if any, for smooth implementation of the project within the overall permissible time period. The Board shall satisfy itself that disbursed funds have been utilized for the approved purpose and obtain a certification from Chief Financial Officer to that effect.
5. The following shall not be considered as CSR activities in accordance with Section 135 of the Act
 - a) The CSR projects or programs or activities that benefit only the employees of the company and their families.
 - b) activities supported by the Bank on sponsorship basis for deriving marketing benefits for its products or service.

- c) activities carried out by the Bank for fulfilment of any other statutory obligations under any law in force in India.
6. The Board shall ensure that administrative overheads do not exceed five percent of total CSR expenditure of the company in one financial year.
 7. Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project 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.
 8. Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.
 9. Any CSR contribution during a year in excess of the statutory requirements can be set-off against the statutory CSR spending requirements in the immediately succeeding three financial years, with approval of the Board.
 10. Any capital asset created or acquired out of CSR contribution can be held by a Section 8 registered company or registered public charitable trust or registered society with CSR registration number or a public authority as defined in the Rules or beneficiaries of the project in the form of self-help groups of collectives or entities. A pre-existing capital asset shall be transferred to either of the aforesaid entities within 18 months from the commencement of the Amendment Rules.
 11. Every company having average CSR obligation of ten crore rupees or more in pursuance of Section 135 (5) of the Companies Act, 2013, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study. The impact assessment reports shall be placed to the Board and annexed to the annual report on CSR.
 12. A Company undertaking impact assessment may book the expenditure towards CSR for that financial year, which shall not exceed 2% of the total CSR expenditure for that financial year or fifty lakhs rupees, whichever is higher.
 13. Where a company fails to spend the minimum CSR expenditure and such unspent amount is not pertaining to any ongoing project, the said amount shall be transferred to a Fund specified in Schedule VII of the Companies Act, 2013 within six months of the financial year.
 14. Where the said unspent amount is pertaining to an ongoing project, it shall be transferred, within 30 days of the end of the financial year, to a special account opened by the company with a scheduled bank – Unspent CSR Account. The said amount shall be spent towards permitted CSR activities within three financial years from the date of transfer failing which it should be transferred to a Fund specified in Schedule VII of the Act within 30 days from completion of the third financial year.

2.3 Companies (Accounts) Amendment Rules, 2022

MCA vide its Circular dated February 11, 2022 had introduced Companies (Accounts) Amendment Rules, 2022. In accordance with the said Rules, every Company covered under the provisions of Section 135(1) of the Act shall furnish a report on Corporate Social Responsibility in Form CSR – 2 to the Registrar as an addendum to Form AOC – 4, the form prescribed for filing annual accounts).

2.4 Companies (Corporate Social Responsibility Policy) 2022

MCA vide its Notification dated September 20, 2022 had amended the rules 3, 4, 8 and Annexure II of the Companies (Corporate Social Responsibility Policy) rules 2014.

2.5 RBI Bulletin on Green Finance – Early Initiatives dated May 10, 2016

Bank should undertake as a part of their Corporate Social Responsibility (CSR) activities which includes,

- a. promoting preventive health care and sanitation and making available safe drinking water;
- b. 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;
- c. contributions or funds provided to technology incubators located within academic institutions; and
- d. rural development projects (Clause 12 of the circular)

3 ESFB Policy framework

3.1 CSR Policy

Equitas will always be committed to the economic and social development of the society. Even before Corporate Social Responsibility found a place in corporate lexicon, it had been integrated into our value systems.

The CSR philosophy of Equitas is to provide holistic empowerment to people from disadvantaged sections of the society, by improving the quality of their life and their families through skill development, access to affordable healthcare, holistic education and such other community development interventions.

3.2 Key Focus Areas

i) Education

Education is identified as the key driver for upward mobility for disadvantaged sections of the society. However, the importance of formal education is often neglected in the quest to earn livelihood at the margins. Recognising this, Equitas will support initiatives aimed to providing affordable holistic education to children of under-

privileged segments through schools established in their neighborhood.

ii) Healthcare

Equitas has identified lack of access to affordable healthcare as a key pain point for the marginalized sections of the society. In many a case, this could push a family to lower economic strata when the key earning member is incapacitated due to ill health and chronic ailments. Equitas seeks to attack this pain point by enabling health-screening camps, access to health helpline, quality affordable medical treatment, health education, etc.

iii) Skill Development

The endeavor will be to augment the income levels and enable financial empowerment of the marginalized sections of the society by training them in an array of easily learnable skills. This would serve as a buffer against possible loss of livelihoods arising out of economic shocks and natural calamities.

iv) Facilitating dignified living conditions for homeless

With no reliable shelter, no access to clean water or sanitation facilities, and no real way to earn a living, the urban ultra-poor are unmatched in their vulnerability and need. Through a multi-dimensional approach involving skill training, financial support for housing and helping them to obtain ration cards, the endeavor will be to rehabilitate the homeless families and enable them to become financially self-sufficient.

v) Enabling employment opportunities for unemployed youth

India is a country with a very high proportion of able-bodied workforce in its population. This demographic dividend cannot be frittered away in unemployment and consequent social ills that would result out of the same. The importance of gainfully employing young people from low income families cannot be overstated. With this focus, Equitas will seek to provide the unemployed young people of low income families with access to employment opportunities in large companies and retail outlets.

3.3 Delivery Channels

The Bank will primarily use Equitas Development Initiatives Trust and Equitas Healthcare Foundation to carry out its CSR activities.

Equitas Development Initiatives Trust

Equitas Development Initiatives Trust (EDIT) was established by Equitas, within two months of its inception, in February 2008, to carry out socially relevant projects. EDIT, registered as public charitable trust helps the society get quality health care by partnering with hospitals, provides holistic education at affordable cost, trains women to earn additional income and also helps unemployed youth to get employment opportunities.

Equitas Healthcare Foundation

Equitas Healthcare Foundation (EHF) registered as public charitable trust was established as a separate trust by Equitas in 2018, to provide access to affordable healthcare to the

underprivileged sections with an emphasis on cancer care.

The Bank directly or through the above Trusts, may enter into alliances, partnerships and contracts with other not-for-profit Institutions/entities to further the CSR activities of the Bank.

3.4 Annual CSR Plan

- 3.4.1 An Annual CSR action plan, prepared by Head of CSR Activities shall be placed before the CSR Committee for perusal at the beginning of the year. The same will be considered and recommended by the CSR Committee to the Board for approval, either in the same form or with such modification as deemed fit. The Board will consider and approve the same, that would provide the basis for carrying out CSR Activities through the year
- a. List of CSR projects or programs approved to be undertaken in areas or subjects specified in Schedule VII of the Act
 - b. Manner of execution of such projects or programs
 - c. Modalities of utilization of funds and implementation schedule for the projects/ programmes
 - d. Monitoring and reporting mechanism and
 - e. Need and impact assessment, if any, for projects undertaken by the Company

The indicative form for presenting the Annual CSR Plan would be in the format as may be prescribed by the Central Government from time to time.

- 3.4.2 On-going projects if any, will have the monitoring indicators and reporting indicated as part of the approval memorandum. For the regular activities funded year to year, a half-yearly report of progress will be placed before the CSR committee.
- 3.4.3 The CSR committee may consider and recommend new projects to be implemented to the board at any point of time, without linking the same to the annual planning and budgeting process. The projects so approved will be taken in to account for annual plan and budgets.

3.5 Contribution

The Bank will make contribution up to 5% of its net profits of the immediately preceding Financial Year or 2% of the average net profit of the Bank for the past three financial years calculated as per the Companies Act 2013, whichever is higher, to Equitas Development Initiatives Trust, Equitas Healthcare Foundation, or such other trusts as may be formed by the Bank or its holding company for undertaking such CSR projects in accordance with the annual activity plan approved by the Board.

3.6 Governance, Monitoring and Review

- a. A key requirement will be to ensure that CSR funds are utilized by the implementing agencies in the manner agreed upon and for the purposes outlined in the relevant projects or activities.
- b. The Board of Directors of the Bank, through the CSR Committee constituted under Section 135 of the Companies Act, 2013 and rules thereunder, will monitor the

implementation of the CSR projects with reference to the approved timelines and year-wise allocation and cost-effectiveness of the benefits to the recipients.

- c. The Bank will require an annual audit to be conducted by an independent chartered accountant, of the expenditure incurred by the implementing agencies – Equitas Development Initiatives Trust and Equitas Healthcare Foundation out of the CSR contribution made by the Bank and submit the report to the Bank.
- d. Based on the said report, the Chief Financial Officer of the Bank will certify the utilization of CSR contribution by the implementing agencies for the approved CSR projects and submit the same to CSR Committee and the Board.
- e. The two Trusts would be required to submit their **quarterly** financials to the Bank for its perusal.
- f. The CSR Committee will also commission evaluation studies of the impact of CSR activities at such periodicities as mandated by the Rules from time to time and as and when felt necessary, and place the findings before the Board.
- g. Pursuant to recommendation of CSR Committee, the Board will approve an Annual Report on CSR Activities in the prescribed format, providing information on the CSR Expenditure, Unspent portion, if any, allocation of the CSR expenditure against each of the approved CSR projects or programs, impact assessment conducted during the year, if any, assets created, if any, out of the CSR Expenditure and other such information as prescribed under CSR Rules. The said Report would be annexed to the Annual Report of the Bank, published and sent to shareholders.
- h. As required under the CSR Rules, the Bank will file a report on Corporate Social Responsibility in the prescribed Form CSR – 2 with the Ministry of Corporate Affairs, as an addendum to Form AOC – 4, the form prescribed for filing annual accounts)

4 Provisions in policy over and above but in consonance with RBI guide lines

None

5 Periodicity of Review of the Policy

The Board will review this policy at such periodicity as approved by the Policy Formulation Committee and at such intervals as may be required on the regulatory and business exigencies.

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| Author of the Policy | Secretarial Department |
| Reviewer of the Policy | Compliance |

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| Name of Committee which recommended | Executive Policy Formulation Committee |
| Date of Board Approval | 04-May-23 |
| Date of Next Review | 18-24 months from the date of board approval / previous review |