



FUSION MICRO FINANCE PRIVATE LIMITED

CORPORATE SOCIAL RESPONSIBILITY POLICY

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A. INTRODUCTION

The concept of Corporate Social Responsibility (CSR) has gained prominence from all avenues. Organizations have realized that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The concept of CSR has been looked upon as closely linked with the principle of sustainable economic development, which requires the organizations to make decisions not only based on financial factors but also on immediate and long term social & environmental consequences of their activities.

Ministry of Corporate Affairs has notified Section 135 of the Companies Act, 2013 and Schedule VII thereto along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter "CSR Rules), effective April 01, 2014.

This Corporate Social Responsibility Policy (hereinafter "CSR Policy) of Fusion Microfinance Private Limited (FMPL) has been prepared pursuant to Section 135 of the Companies Act, 2013 and the CSR Rules. This CSR policy should serve as the referral document for all CSR-related activities at FMPL.

B. DEFINITIONS:

- a) "**Act**" means the Companies Act, 2013.
- b) "**Administrative overheads**" means and include the expenses incurred by FMPL for 'general management and administration' of Corporate Social Responsibility functions in the company. Expenditure directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or program shall not be included under this.
- c) "**Annexure**" means the Annexure appended to these rules;
- d) "**Corporate Social Responsibility (CSR)**" means and includes but is not limited to:-
 - i) Projects or programs relating to activities specified in Schedule VII to the Act; or
 - ii) Projects or programs relating to activities undertaken by the Board of Directors of FMPL in pursuance of recommendations of the CSR Committee of the Board as per declared CSR policy of FMPL subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.
- e) "**CSR Policy**" relates to the activities to be undertaken by FMPL as specified in Schedule VII to the Act.
- f) "**Net profit**" means the net profit of FMPL as per its annual financial statements prepared in accordance with the applicable provisions of the Act.

C. CSR VISION STATEMENT & OBJECTIVE

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

Objective

The main objectives of CSR Policy are:

- i) To directly or indirectly take up programs that benefit the communities in and around FMPL's workplace and results, over a period of time, in enhancing the quality of life and economic well-being of the local populace.
- ii) To generate through its CSR initiatives, a community goodwill for FMPL and help reinforce a positive & socially responsible image of FMPL as a corporate entity and as a good Corporate Citizen.
- iii) Ensure commitment at all levels in the organization, to operate its business in an economically, socially and environmentally sustainable manner, while recognizing the interest of all its stakeholders

D. EXPENDITURE

In every financial year, FMPL shall, with the recommendation of its CSR Committee and approval of its Board of Directors, make a budgetary allocation for CSR and Sustainability activities /projects for the year. The budgetary allocation will be at least two percent of the average net profits of FMPL made during the three immediately preceding financial years. The Company may spend up to 5% of the total CSR expenditure in one financial year on administrative expenses relating to the general management and administration of CSR functions in the company. The Company shall give preference to the local area(s) around it where it operates, for spending the amount earmarked for CSR activities.

CSR expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities covered under the purview of Schedule VII to the Act. The surplus arising out of the CSR projects or programs or activities shall not form part of the business profits of FMPL and need to be ploughed back into the same project, or to be transferred to the Unspent CSR Account. It should be spent in pursuance of this CSR policy and annual action plan of the Company, or the Company may transfer such surplus amount to a Fund specified in Schedule VII of the Act, within a period of six months of the expiry of the financial year. Any unspent amount, other than unspent amount relating to an ongoing project, will be transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

In the event the company expends an amount for CSR Project(s)/Program(s) in excess of the spending requirement of the company in a financial year, the CSR Committee may recommend to the Board setting off the excess amount against the CSR spending requirement of the company for the 3 immediate succeeding financial years.

E. CSR ACTIVITY AREAS/ SCOPE

The CSR activities shall be undertaken by FMPL, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding the activities undertaken in pursuance of its normal course of business.

FMPL may join hands and the resources for undertaking CSR activities with any other Company or with any Civil Society Organizations or Government bodies or registered trusts or registered society or Section 8 companies, etc. or otherwise:

Provided that-

a) if such trust, society or company or other entities is not established by the company or its holding or subsidiary or associate company

b) FMPL has specified the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.

CSR projects or programs or activities undertaken in India only shall amount to expenditure towards CSR activities. The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with Section 135 of the Act.

FMPL may build CSR capacities of its own personnel as well as those of their implementing agencies but such expenditure shall not exceed five percent of total CSR expenditure of the company in one financial year.

Contribution of any amount directly or indirectly to any political party under Section 182 of the Act, shall not be considered as CSR activity. As per the Schedule VII read with Section 135 of the Companies Act, 2013, the following activities would be allowed as a part of CSR activities by FMPL:

- i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- ii) Promoting education, including special education and employment enhancing vocational 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, agro forestry, conservation of natural resources and maintaining quality of soil, air and water; [including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- 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 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 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 institutions which are approved by the Central Government;
- x) Rural development projects.
- xi) slum area development
- xii) Disaster management, including relief, rehabilitation and reconstruction activities.

In this context, FMPL will extending a helping hand to aid communities facing natural disasters through multifarious ways including initiating relief and rehabilitation activities, offering services and financial assistance. As support to such initiatives is not pre-planned, therefore they will be of an ad-hoc nature. The magnitude and the form of investment covered under this support will depend on the nature of the disaster.

The above list is illustrative and not exhaustive.

F. IMPLEMENTATION AND MONITORING

The CSR Committee shall formulate a plan for efficient implementation of identified projects. Such a plan shall inter alia contain timelines.

As per requirement, the Company may engage specialized agencies/ NGOs/Trusts/ Government or Semi-Government organizations/ private agencies for any assignment, who have requisite expertise of carrying out the identified activities/ programmes. The CSR Committee may discontinue any CSR activity, if the implementation of the said CSR activity is found that the implementation of the same is practically not feasible, at its sole discretion; having an established track record of at least 3 years in undertaking similar activities. These organizations would need to be registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961). The above entities shall register with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 1st April 2021.

Implementation plans and utilization of funds for the CSR activities shall be drawn by the CSR Committee.

The Board of Company shall monitor implementation of the project with reference to the approved timelines and year-wise allocation, and make modifications, if any required, for smooth implementation of the project within the overall permissible time period.

The CSR Annual Action Plan shall include the following :-

- (a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act,
 - (b) the manner of execution of such projects or programmes,
 - (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes,
 - (d) monitoring and reporting mechanism for the projects or programmes and
 - (e) details of need and impact assessment, if any, for the projects undertaken by the company
- Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

G. MONITORING AND FEEDBACK

6.1. To ensure effective implementation of the CSR Programs undertaken, a monitoring mechanism will be put in place. The progress of CSR Programs under implementation will be reported by the Internal Audit Department on a half yearly basis to the CSR Committee.

6.2 The progress report of CSR Programs under implementation in the format given in Annexure B shall be placed before the Board on a half yearly basis.

6.3 The CSR committee may conduct an annual impact study of the CSR Programs will be carried out from time to time by engaging specialized agencies like NGOs/Trusts/ Societies/ Government or Semi-Government organizations/ private agencies for any assignment, who have requisite expertise of carrying out the identified activities/ Programs;

6.4 CSR Programs undertaken by the Company shall be reported in the Annual Report.

H. ROLE OF CSR COMMITTEE, QUORUM AND THE BOARD

7.1 Role of the CSR Committee:

In pursuance to Section 135 of the Act, FMPL 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 Corporate Social Responsibility Committee shall:

- a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to Companies Act, 2013;
- b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a) above; and

- c) Monitor the Corporate Social Responsibility Policy of the Company from time to time.

7.2 Quorum

a) The quorum necessary for the transaction of business at the meeting/s of the CSR Committee shall be 1/3rd of its total strength or two directors, whichever is higher, with at least one Independent Director. A duly convened meeting of the Committee, at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

7.3 Role of the Board

The Board shall:

- a) after taking into account the recommendations made by the CSR Committee, approve the Corporate Social Responsibility Policy for FMPL and disclose contents of such Policy in its report and also place it on the Company's website, if any, in such manner as may be prescribed;
- b) ensure that the activities as are included in Corporate Social Responsibility Policy of FMPL are undertaken by the Company;
- c) ensure that the Company spends, in every financial year, at least two percent of its average net profits made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy, provided that the Company shall give preference to the local area/s around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.
- d) If the Company fails to spend such amount, the Board shall, in its report made under clause (o) of Sub-Section (3) of Section 134 of the Companies Act, 2013, specify the reasons for not spending the amount.

I. REPORTING AND DISCLOSURE

8.1 Annual Reporting

The Board's Report of Fusion Microfinance Private Limited for the financial year commencing from 1st day of April, 2015 shall include an annual report on CSR containing particulars as specified in the Annexure to the CSR Rules, 2014 (annexed herewith).

8.2 Company's Website

The Board of Directors of FMPL shall, after taking into account the recommendations of CSR Committee, approve its CSR Policy and disclose the composition of the CSR Committee, contents of such Policy in its report, projects approved on the Company's website.



FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

1. A brief outline of the Company's CSR policy, including overview of 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 CSR Committee.
3. Average net profit of the Company for last three financial years.
4. Prescribed CSR Expenditure (two percent of the amount as in item 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;
 - c) Manner in which the amount spent during the financial year is detailed below.
6. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report.

A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.
