



FUSION MICRO FINANCE 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 Micro Finance Limited (FML) 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 FML.

B. DEFINITIONS:

- a) **"Act"** means the Companies Act, 2013.
- b) **"Administrative overheads"** means and include the expenses incurred by FML 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) **"Corporate Social Responsibility (CSR)"** means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions with the provisions contained in these rules, but shall not include the following, namely:-
 - i) activities undertaken in pursuance of normal course of business of the company: Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that:
 - (a) such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;
 - (b) details of **such** activity shall be disclosed separately in the Annual report on CSR included in the Board's Report;
 - (ii) any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;

- (iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act;
 - (iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019
 - (v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
 - (vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India;
- d) **"CSR Policy"** means a statement containing the approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan;
- e) **"Net profit"** means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely: -
- (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 in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381.

C. CSR VISION STATEMENT & OBJECTIVE

In alignment with the vision of the company, FML, 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 FML'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 FML and help reinforce a positive & socially responsible image of FML 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, FML 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 FML 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 FML 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.

- (4) The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by -
 - (a) a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number.
 - (b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
 - (c) a public authority:

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 FML, 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.

- a) FML 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 these rules.

- b) The modalities of utilization of funds and implementation schedules for the projects or programs;

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.

FML 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 FML:

- 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.
- xiii) Any other activities included under Schedule VII of the Act, as amended from time to time.

In this context, FML 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. The Board shall ensure that the CSR activities are undertaken by the company itself or through–

1. (a) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G 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; or
(d) a company established under section 8 of the Act, or a registered public trust or a registered society, 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.
2. (a) Every entity, who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1.

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 programs 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 programs,
- c) the modalities of utilisation of funds and implementation schedules for the projects or programs,

- d) monitoring and reporting mechanism for the projects or programs 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

G.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.

G.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.

G.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;

G.4 CSR Programs undertaken by the Company shall be reported in the Annual Report.

H. REPORTING AND DISCLOSURE

H.1 Annual Reporting

The Board's Report of Fusion Micro Finance Limited for the financial year commencing from shall include an annual report on CSR containing particulars as specified from time to time.

H.2 Company's Website

The Board of Directors of FML 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.