

# Corporate Social Responsibility (CSR) Policy

## 1. Introduction

Arohan Financial Services Private Limited (hereinafter referred to as Arohan) believes that a business entity's performance must be measured by its economic, social and environmental impact and efforts to embed sustainability. Social enterprises are, more than any other business enterprise, capable of addressing these concerns and Arohan aspires to transcend business interests and work toward the all-round human development of the communities we operate in through initiating and supporting programmes that enhance societal sustainability. In the financial inclusion space, there is tremendous potential for using the customer interface for livelihood creation and capability generating schemes. Arohan would build on this connect with the poorer sections of the society for furthering their welfare. These programmes are independent of the normal conduct of business and are not viewed as business propositions by Arohan. In alignment to Arohan's mission to empower the underserved, we see Corporate Social Responsibility (hereinafter referred to as CSR) as an opportunity to further extend help to the underserved in the larger community through the provision of non-financial, non-profit based assistance.

## 2. Objective

Arohan would aim to further the socio-economic welfare of under-served communities in the area of its operations through its CSR activities. It would engage in activities which enhance the development indicators of the societies it works with, without any prejudice, by carrying out non-profit oriented CSR initiatives, by itself or through suitable partners.

## 3. Project Implementation and Key areas

### 3.1 Selection of key areas

Arohan will be focusing on the key development indicators as enumerated in the Human Development Index concept conceived by the United Nations Development Programme. The three key indicators in this regard are - 1) Education (As measured by the Literacy Rate) 2) Health (As measured by Life Expectancy and other mortality and vitality statistics) and 3) Per Capita Income. Since Arohan's key business activity is to enable the facilitation of generating income and providing financial capital to the most vulnerable sections which will generate income at the bottom of the pyramid and create a positive effect on the per capita income, we shall not look at this as an indicator of our CSR activities. 1) Education: As part of the CSR programme, we will be focusing on the other two aspects of human development viz. Health and Education. In the area of education, Arohan will design and implement programmes to engender financial literacy among its clients and the larger community. Additionally, skill building and technical education programmes to help the vulnerable sections will also be undertaken as part of the CSR programme.

2) Health: In the area of health, Arohan will undertake programmes which will have a significant positive impact on the health indicators specified in the HDI including life expectancy, maternal mortality and infant mortality rates. Arohan's CSR programmes in the field of health and sanitation will focus on achieving maximum impact and providing a better health infrastructure resulting in much better community performance in health-related social indicators.

Other programmes like disaster intervention and mitigation will also be undertaken under certain circumstances. The below table summarizes the broad scope of the CSR activities Arohan will cover under its CSR programme:

Education	Health	Other CSR Programmes
Financial literacy programme for customers and staff	Health camps for Arohan customers and staff	Relief in times of natural disasters like the relief programme undertaken at Panskura in West Bengal in 2013
Scholarships or financial assistance for children of staff/customers	Health and hygiene education for customers and staff	Reconstruction/renovation of infrastructure in case of calamities
Skill Development and Technical education support for the community	Assistance in provision of medical facilities to those in need	Work around /donations for community development or related causes
Other education programmes for the community	Safe drinking water and sanitation programmes	

### 3.2 3.1 Project implementation methodology

‘Customer Centricity’ is one of the key values of Arohan and Arohan has always made interventions for the benefit of its customers. Arohan recognizes the need to have a comprehensive programme in the CSR domain to enable social development in the areas of its operations.

Projects will be implemented either directly with the support of internal teams, through external service providers in identified areas for CSR by the company or through donations to trusts/Non-Governmental Organizations working in the sectors specified in Annexure 1. In the event of contracting an external provider, Arohan’s Corporate Initiatives team will prepare an internal project proposal outlining the major objectives of the programme and evaluate the provider’s proposal on the basis of the same. In compliance with the Part 2 Sub-section 3 of the companies act amendment, Arohan’s CSR policy and programmes will be displayed on the website.

## 4. Organizational mechanism and responsibilities

### 4.1 CSR Budgeting and Expenditure

The budgeting of CSR activities will be maintained by the Corporate Initiatives department with support from the Accounts Department. The immediate approval for the release of funds for CSR will follow the normal company policy requiring an approval from the Head of Corporate Initiatives as per the CSR plan and budget approved by the CSR committee. The yearly budget however will be prepared by the CSR committee and sent to the Board for approval.

In every Financial Year, Arohan will comply with the amendments made to Schedule 8 of the Companies Act in 2013. In accordance with the amendments, Arohan will set apart a minimum of at least 2% of its average net profit in the immediately preceding three financial years. As per the definition of the amendments made to the Schedule 8, Profit Before Tax (PBT) will be considered as Net Profit for this purpose. The expenditure will be decided and put forward to the Board annually and a half-yearly review will be conducted by the Corporate Initiatives department and submitted to the committee. The surplus arising from CSR activities will not form part of Arohan’s business profit.

### 4.2 CSR Committee

The CSR committee will be comprised of four members (two from the leadership team, including the Head of Corporate Initiatives, one Independent Director and the MD). The independent director will be the de facto head of the CSR committee. The committee will review the proposal made by the Corporate Initiatives department and make recommendations to be submitted to the Board for approval. The committee will be responsible for monitoring the approved CSR programmes and the committee will meet every quarter to review the progress and make recommendations.

### 4.3 Responsibilities of the CSR committee

The implementation of the CSR policy would be the key responsibility of the committee. A broad outline of the responsibilities of the committee is given below:

- Review the CSR programmes submitted by the Corporate Initiatives department and make recommendations to the Board of Directors
- Approve the Budget for CSR activities for the following year and set up an audit mechanism for the CSR expenditure of Arohan
- Formulate long-term strategic partnerships and plan documents in the CSR domain and assign timelines for proposed programmes
- Ensure a CSR manager is appointed, who will report to the head of Corporate Initiatives and will be responsible for implementation of CSR activities for the company (part of the Corporate Initiatives team at Arohan)  
Ensure that external or internal review (as required) of the CSR program – implementation, expenditure, physical verification of the project and its impact - is conducted.

### 4.4 CSR Expenditure of Arohan

The CSR expenditure of Arohan will comply with the following directives from the relevant sub-section of Schedule VII of the companies act. The expenditure shall include all expenditure including contribution to corpus, projects or programmes approved by the Board on the recommendation of its CSR committee, in accordance with the said policy, but shall not include any expenditure not in conformity or not in line with activities which fall within the purview of Schedule VII of the act, including adherence to any specific amendments to the schedule. The activities as specified in the Schedule VII are given as Annexure 1.

### 4.5 Review of CSR Expenditure

The CSR expenditure of Arohan will be reviewed by the CSR committee. The CSR committee shall assess the expenditure and ensure that the activities comply with the Companies Act Amendment, 2013 and other applicable laws if any. The committee shall also decide whether there should be an external or internal expenditure review process for the expenditure.

## 5. Evaluation or Impact Assessment

The impact of the CSR programme of Arohan will be assessed by a team constituted with members from the Operations and Corporate Initiatives functions of the company. The team will assess the customer outreach of each of the CSR programmes, staff awareness about the aims and objectives of the programme and finally compile a report which will also include a review of the performance of external providers engaged in CSR activities. The external Social Performance Assessment report will also be used by the CSR committee in preparing an annual CSR performance report. The CSR report will be prepared by the 3<sup>rd</sup> week of April and added as an attachment to the Board of Directors report submitted in the end of May. The committee will use the CSR annual report to prepare a set of policy objectives for the succeeding financial year. Both these documents will be submitted to the board for approval once every financial year.

## Annexure 1

MINISTRY OF CORPORATE AFFAIRS

### NOTIFICATION

New Delhi, the 27th February, 2014

G.S.R, 130(E).- In exercise of the powers conferred by sub-section (1) of section 467 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following amendments to Schedule VII of the said Act, namely:-

(1) In Schedule VII, for items (i) to (x) and the entries relating thereto, the following items and entries shall be substituted, namely :-

- 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 centers 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;
- 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, Paralympics sports and Olympic sports;
- (viii) 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;
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government
- (x) Rural development projects.