

Arohan Financial Services Limited

Corporate Social Responsibility Policy

Version 2.2



Prepared & Revised by : CSR Department

Reviewed by : Compliance Department and Executive Committee

Approved by : Board of Directors

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1. Introduction

Arohan Financial Services 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 social sustainability. Arohan already serves people from economically and socially marginalised communities where illiteracy, unemployment and under-employment are rampant. It is in this social context that our CSR initiatives are developed to best cater to our customers and their communities. Arohan would build on this connect with the marginalised 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- profit based assistance.

2. Focus Areas

- i. Eco-Sustainability
- ii. Education
- iii. Promoting Health Care and Women Empowerment
- iv. Disaster Relief
- v. Volunteering Initiatives

The below table summarizes the broad scope of the CSR activities Arohan will cover under its CSR programme :-

Eco-Sustainability	Education	Promoting Health Care and Women Empowerment	Disaster Relief	Volunteering Initiatives
Providing safe drinking water and sanitation facilities	Scholarships or financial assistance for school going children	Conducting regular medical health and health awareness camps in our areas of operation	Distribution of relief materials in areas affected by natural disasters	Skill Volunteering by employees
Protection of environment	Developing Anganwadis as a play school and focusing on child's holistic development	Programs related to the welfare of mother and child	Community awareness programs	Employee Contribution
Recycling/reusing and reduction of waste	Distribution of educational aid to students	Women’s entrepreneurship programs		NGO visits and participation

3. Geographies and Target communities

Arohan will conduct its CSR activities in all areas where it has a significant presence, either by itself or through a group/partner company. The CSR activities will focus on social development in Arohan area of operation targeting economically and socially marginalised communities. No employee of Arohan will be a direct or indirect beneficiary of the CSR programmes of the company.

In terms of Section 135, Sub- Section 5 of the Companies Act, 2013, the Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

4. CSR Budgeting and Expenditure

- The budgeting of CSR activities will be maintained by the Corporate Social Responsibility Department with support from the Accounts Department. The release of funds for CSR activities will be released on the approval of the Head of CSR as per the CSR plan and budget approved by the Board on the recommendation of 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 VII 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 made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. As per Section 198, 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 CSR department and submitted to the Committee. The surplus arising from CSR activities will not form part of Arohan's business profit.
- The overall administrative overheads including salaries is intended to be contained within 5% of the total CSR expenditure of the company in one financial year.
- Subject to provisions of sub-section (5) of section 135 of the Act, the CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure.
- 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.
- Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.
- The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of the Company.

5. Implementation

- CSR projects will be implemented in suitable arrangement with credible and competent partners, who have an understanding of local socio-political-economic issues and challenges.

- The CSR Partners/Collaborators could be:
 - (a) A company, NGO or implementing agency that has expertise/inclination towards areas of focus that aligns with Arohan's CSR areas of intervention.

 - (b) Trust or Section 8 Company or society or foundation or any other form of entity operating within India and those having an established track record of at least three years in carrying on activities in related areas.

(c) Body registered under the Society's Registration Act, 1860.

(d) Public Registered Trust.

- The Company may also collaborate with other companies to undertake CSR projects or programs provided the CSR Committees of the said companies are in a position to separately monitor and report progress on such projects or programs.
- The Company shall endeavor to increase employee participation at all levels of the organization by encouraging employees to participate in the Company's CSR activities and will also involve the family members of the employees through its employee volunteering guidelines.
- Projects should be long-term and viable, creating a sustainable impact measurable in terms of outputs and outcomes.
- Arohan will adopt a suitably structured, evidence based CSR implementation strategy and all projects will be monitored through in-house / third party evaluations.
- Arohan will be ethical and transparent in its orientation, while approaching and engaging with communities and partners.

6. Monitoring

- Arohan will have a separate CSR set up headed by a CSR Manager, duly supported by the HR team and other volunteers.
- CSR Projects will be monitored through a result based management approach with an appropriate oversight mechanism. Starting with the collection of critical baseline data, the focus will thereafter be on review of progress across specific indicators and desired milestones.
- The Company will conduct site-visits and periodical reviews of projects to verify goal congruence.
- Annual financial review and audit of programs will also be ensured, before fund disbursement is continued.

7. Evaluation or Impact Assessment

The impact of the CSR programme of Arohan will be assessed by external agencies that will review the 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 Board of the company being mandated to prepare a CSR report under section 134 of the Companies Act, 2013 and the Companies (CSR) Policy Rules, 2014. The annual performance report on CSR activities will form a part to the Board Report of the Company. The Committee will use the CSR annual performance 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.

8. Responsibility of the Board of Directors

Approving the CSR policy as recommended by the CSR Committee, subject to necessary changes/modifications as the Board may deem fit.

- Ensuring that in each financial year, the Company spends such amounts for CSR activities as may be stipulated in the Companies Act, 2013, as amended from time to time.
- Ensuring that the activities included in the CSR Policy are undertaken by the Company.

9. CSR Committee

The CSR Committee will be comprised of at least four members including the Independent Director and the Managing Director. The independent director will be the de facto Chairman of the CSR committee. The Head of CSR will be the Management/ Leadership representative to the board. The quorum shall be of two members who are required to be present for the proceedings to take place.

- The Committee will review the proposal made by the CSR department and make recommendations to be submitted to the Board for approval in line with Section 135 read with Schedule VII of the Act.
- The Committee will approve the Budget for CSR activities for the following year and set up an audit mechanism for the CSR expenditure of Arohan.
- The Committee will be responsible for monitoring the approved CSR programmes and may meet every quarter to review the progress and make recommendations.

10. Display of CSR activities on Company's website

The annual report of CSR activities along with the contents of the CSR policy of the Company shall be displayed on the Company's website.

11. Reporting

CSR activities will form part of the company's Director's Report. The reporting would be in the format prescribed under the Companies Act, 2013 and the Rules in respect thereof.

The CSR Policy will be reviewed at least once in a year by the Board and any modification/ amendment to the same can be made only with the approval of the board.

