



UTKARSH COREINVEST LIMITED

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY



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1. BACKGROUND

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited 'UMFL') ('UCL' or 'the Company') started its operations, way back in September 2009 to provide financial and non-financial services in its area of operations to the unbanked population who had the skills but were in need of capital. The company started with credit under Joint Liability Group (JLG) model in FY 2009-10. Subsequently, it added Micro Enterprise Loans (MEL), Housing Loans and Micro Pension Products in its product bouquet.

During FY 2016, the Reserve Bank of India (RBI) granted licence to Utkarsh Micro Finance Limited (UMFL) for setting-up a 'Small Finance Bank', subsequent to which the Company formed a subsidiary in the name of 'Utkarsh Small Finance Bank Limited' (USFBL). Now, Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited) is the promoting institution for 'Utkarsh Small Finance Bank Limited'.

The Company transferred, through a slump sale, all its assets and liabilities except certain statutory assets, vehicle and statutory liabilities standing as at the close of business hours on January 21, 2017 to its banking subsidiary, 'USFBL' in line with requirement of the licencing conditions for the Bank. Subsequently, on May 03, 2018 UMFL got its licence converted from NBFC-MFI-ND-SI to NBFC-CIC-ND-SI and on October 11, 2018 its name got changed from Utkarsh Micro Finance Limited (UMFL) to Utkarsh CoreInvest Limited (UCL).

2. TITLE AND APPLICABILITY

UCL has developed this policy titled 'UCL Corporate Social Responsibility Policy' ('CSR Policy') encompassing the Company's philosophy for being a responsible corporate citizen and lays down the principles and mechanism for undertaking various programmes in accordance with Section 135 of the Companies Act, 2013 (the 'Act') read alongwith the rules and schedules framed therein including in the **Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022** for the Company at large. The CSR Policy shall guide the CSR programmes and activities undertaken by the Company in the geography/ communities in which it operates.

3. CSR VISION STATEMENT

The Company, through its CSR projects, will 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 Citizen. The ultimate aim of the CSR projects will be to benefit the communities at large and over a period of time enhance the quality of life and economic well-being of the local populace.

4. VALIDITY OF CSR POLICY

The Board shall review the CSR Policy at least once a year.

5. DEFINITIONS

In this CSR Policy, unless the context otherwise requires,



"Act" means the Companies Act, 2013 (18 of 2013) and rules made thereunder (as amended from time to time);

"Administrative overheads" means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme;

"Board" means the Board of Directors of the Company and will include any Committee of the Board;

"Corporate Social Responsibility (CSR)" means the activities undertaken by the Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in these rules, and shall NOT include the following:

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 (29 of 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.

"CSR Committee" means the Corporate Social Responsibility Committee of the Board, referred to in section 135 of the Act;

"CSR Policy" means a statement containing the approach and direction given by the board of the 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;



"International Organisation" means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply;

"Net profit" means the net profit of the 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, read with section 198 of the Act;

"Ongoing Project" means a multi-year project undertaken by the Company in fulfilment of its CSR obligation having timelines not exceeding three (3) years excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one (1) year by the Board based on reasonable justification;

"Public Authority" means 'Public Authority' as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005);

"Section" means a section of the Act.

Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

6. CSR PROGRAMMES / PROJECTS

The Company will consistently explore and undertake CSR Programs / Projects relating to the activities in any of the fields enumerated below with a preference to carry on such activities within the local area(s) around it, wherever it operates:

- i. contribution to the Prime Minister's National Relief Fund;
- ii. contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- iii. promoting education, including special education and employment enhancing vocation skills especially among children and women;
- iv. promoting gender equality, empowering women and enhancing women employment / entrepreneurship skill development;
- v. promoting health and hygiene, including physical and mental well-being of the community.



7. CSR BUDGET

The CSR budget ("CSR Budget") shall be recommended by the CSR Committee as a part of the Company's overall annual budget / plan and subsequently approved by the Board of the Company. All projects undertaken by the Company will be approved / ratified by the CSR Committee and shall be allocated funds from the CSR Budget. The CSR Committee will abide by the provisions relating to annual expenditure on CSR activities as laid down in Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 and its Amendment Rules, 2022 and as further amended from time to time. Any income / surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of the Company.

Any excess spending on CSR against the requirement of Section 135 of the Act, may be set off up to immediate succeeding three financial years subject to the following conditions:

- i. the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any,
- ii. the Board of the company shall pass a resolution to this effect.

"The Board shall ensure that the administrative overheads shall not exceed five percent (5%) of total CSR expenditure of the Company for the financial year."

8. GUIDING MANDATE FOR CSR ACTIVITIES

The CSR Policy of the company shall be mandated as per Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) t Rules, 2014, and its Amendment Rules, 2022 and further as amended from time to time (hereafter read as 'the Rules'), including the following, but not limited to:

- i. 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), excluding activities undertaken in pursuance of its normal course of business.
- ii. The Board of the Company may decide to undertake its CSR activities approved by the CSR Committee as mentioned in the 'CSR Implementation Process' clause of this Policy.

9. GUIDING PRINCIPLES

The Company shall continue its efforts to impact the society positively, particularly to underserved and unsecured communities, including in the area of its and its subsidiaries operations. UCL has formulated policies for social development based on the following guiding principles:

- i. Serving households through a range of socially oriented products and services.
- ii. Adopting an approach that aims at achieving a greater balance between social development and economic development.
- iii. Adopting new measures to accelerate and ensure the basic needs of deprived sections of the society.
- iv. Work towards elimination of barriers for the social inclusion of disadvantaged groups-



such as the poor and the disabled.

- v. Enabling ways for enhancing skills for better livelihood opportunities.
- vi. Support underprivileged and underserved segments by providing financial and non-financial services through a socially responsible, sustainable and scalable institution.

10. ORGANIZATION SET UP FOR IMPLEMENTING CSR INITIATIVES

Under this aegis, the Company can associate, besides other entities as permitted under the relevant Acts and Rules, with Utkarsh Welfare Foundation (UWF), a not-for-profit entity set up under the provisions of Section 25 of the Companies Act, 1956 (now section 8 of the Companies Act, 2013).

UWF aims to make a meaningful and sustainable impact in the lives of the community through a multi-pronged service oriented market led approach. UWF has initiatives that focus on education, health, skill development, micro enterprise training and sustainable livelihoods.

11. MANAGEMENT STRUCTURE: CSR COMMITTEE

Corporate Social Responsibility Committee ("CSR Committee") of the Board of Directors of the Company ("Board") shall be responsible for framing and approving the Policy and for the overall governance of CSR activities. The CSR Committee shall consist of three or more Directors including at least one Independent Director and it shall meet at least once a year and as and when required.

The activities of CSR Committee will be in accordance with Schedule VII of the Companies Act, 2013 (as amended from time to time) and as per approved Terms and Reference (CSR Charters) by the Board of the Company.

12. CSR IMPLEMENTATION PROCESS

- i. The Board shall ensure that the CSR activities are undertaken by the company itself 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 approved under 80 G of the Income Tax Act, 1961 (43 of 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, exempted under sub clauses (iv), (v), (vi) or (via) of clause (23C) of Section 10 or registered under section 12A and approved under 80G of the Income Tax Act, 1961, and having an established track record of at least three (3) years in undertaking similar activities.



Explanation. - For the purpose of clause (c), the term "entity" shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.

ii. The **CSR implementation partner**, covered under sub-rule (1), 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 April 01, 2021:

Provided that the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the 01st day of April 2021.

- a. Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice.
- b. On the submission of the Form CSR-1 on the portal, a **unique CSR Registration Number** shall be generated by the system automatically.

iii. The Company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of its own personnel for CSR.

iv. The Company may also collaborate with other companies for undertaking projects or programmes 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 programmes in accordance with these rules.

v. The Board of the Company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.

vi. In case of ongoing project, the Board of the Company shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

vii. The CSR programmes / projects to be undertaken by the Company, will be identified by the CSR Committee.

viii. The CSR Committee shall recommend the CSR programmes / projects, specifying modalities of its execution and the amount of expenditure to be incurred on the programmes / projects.

ix. Upon recommendations of the CSR Committee, the Board shall specifically approve such CSR projects / programs and the amount of expenditure.

x. The time period / duration over which a particular programme will be spread, will depend on its nature, extent of coverage and the intended impact of the program.

xi. The mode of implementation of CSR programmes / projects may include a combination of direct implementation or implementation through government, own foundation, charity partners, registered societies, civil societies, social partners etc. The Company will select its partners after appropriate due diligence.



- xii. The Company may engage the services of external expert agencies, consultancy firms etc. for carrying out any survey, assessment or report with regards to any CSR programmes / projects to be undertaken by the Company.
- xiii. Any surplus arising out of the CSR Projects or programs or activities shall not form part of the business profit of the Company.
- xiv. The CSR Committee is authorized to settle all queries, differences or doubts that may arise in relation to the implementation of the CSR programmes / projects as may be approved by the Board.

13. CSR Expenditure

- i. The Board shall ensure that the administrative overheads shall not exceed five percent (5%) of total CSR expenditure of the company for the financial year.
- ii. Any surplus arising out of the CSR activities shall not form part of the business profit of the 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 (6) months of the expiry of the financial year.
- iii. Where the company spends an amount in excess of requirement provided under sub-section (5) of section 135, such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions that –
 - a. the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of this rule.
 - b. the Board of the Company shall pass a resolution to that effect.
- iv. The CSR amount may be spent by the 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 under sub-rule (2) of rule 4; or
 - b. beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
 - c. a public authority:

Provided that any capital asset created by the company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of one hundred and eighty (180) days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety (90) days with the approval of the Board based on reasonable justification.



14. ROLES & RESPONSIBILITY OF THE BOARD AND ITS COMMITTEE

A. The CSR Committee shall formulate and recommend to the Board an annual action plan in pursuance of this Policy, which shall include the following:

- i. the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- ii. the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4 of the Act;
- iii. the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- iv. monitoring and reporting mechanism for the projects or programmes; and
- v. details of need and impact assessment, if any, for the projects undertaken by the company;
- vi. the mechanism and adherence of necessary compliance under the applicable CSR Act and Rules, including for the unspent CSR Amount, if any.

Provided that the Board may alter such plan at any time during the financial year, as per the recommendation of CSR Committee, based on the reasonable justification to that effect.

B. The Board of Directors will be responsible for:

- i. approval of the CSR Policy of the Company based on the recommendation of the CSR Committee.
- ii. disclosure of the Policy in its report and placing the same on the Company's website as prescribed under Section 135 of the Companies Act, 2013, as amended from time to time.
- iii. ensuring that the CSR activities are undertaken by the Company in accordance with this Policy;
- iv. Board shall ensure that a multi-year / ongoing project undertaken by the Company in fulfilment of its CSR obligation has timelines not exceeding three (3) years excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.
- v. ensuring that the Company shall give preference to the local area and areas around the Company where it operates for spending the Earmarked Amount;
- vi. ensuring compliance through the CSR committee for cases of any amount in the Unspent CSR Account as per sub-section (6) of Section 135, as required as per applicable Sections including sub-sections (2) to (6) of Section 135.
- vii. ensuring that it specifies the reasons in its report for not spending the Earmarked Amount in case the Company does not spend such amount during the financial year;



and, unless the unspent amount relates to any ongoing project, the Company shall undertake to transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months from the expiry of the financial year.

- viii. ensuring that any unspent amount if pertaining to ongoing project undertaken by the Company in pursuance of this Policy, the Company shall ensure to open a special account with any Scheduled Commercial Bank in the name and style of "Unspent Corporate Social Responsibility Account" and shall transfer the remaining amount within a period of thirty days from the end of the financial year and ensure to spend such amount within a period of three financial years from the date of such transfer, failing which, the Company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

- ix. making any change(s) in the constitution of the CSR Committee as deemed suitable.

C. Besides the Roles and Responsibilities, as specified and mandated by the relevant Acts and Rules, the Scope, Terms and Reference of the Committee shall cover the following:

- i. Specify the theme of the CSR projects and programmes to be undertaken;
- ii. Prepare a list of CSR projects / programmes, which the company plans to undertake during the year of implementation with modalities of execution in the areas / sectors chosen and implementation schedules for disclosure of the Policy in its report and placing the same on the Company's website as prescribed under Section 135 of the Companies Act, 2013, or as amended from time to time or as applicable;
- iii. CSR projects / programmes of the company may also focus on integrating business models with social and environmental priorities and processes in order to create shared value;
- iv. Yearly review of CSR policy to be undertaken and submitted to the Board for approval;
- v. Recommend the amount of expenditure to be incurred on the CSR activities for the financial year along with projects to be undertaken earmarking funds for broad area wise projects, to the Board of Directors for its approval;
- vi. The Committee shall monitor and review from time to time, the implementation of the CSR projects / programmes and guide the implementing entity / team on the leading and lagging indicators under each area of interventions;
- vii. The Committee will evaluate the CSR activity periodically in the prescribed format or as deems fit to achieve the Policy Statement under the Guiding Principles;
- viii. CSR Committee to specify that the CSR Expenditure would include the following:
 - a. Minimum 2% of the average net profits of the preceding last three financial years, or as mandated by the relevant Acts and Rules,
 - b. any income arising therefrom, i.e. the Contribution Fund as per point 'a' above
 - c. Surplus / excess arising out of CSR activities.



- ix. Confirmation by the Board with respect to utilization of the CSR expenditure;
- x. Monitoring of “on-going” projects, if any, as per approved timelines and year wise allocation and;
- xi. Placing of certificate of CFO / person responsible for financial management about utilisation of CSR fund.

15. MONITORING

The Corporate Social Responsibility Committee shall:

- i. formulate, review 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;
- ii. formulate Annual Action Plan and recommend the amount of expenditure to the Board.

Provided that the Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on reasonable justification to that effect;

The CSR Committee shall ensure transparent monitoring for effective implementation of the projects / programs / activities proposed to be undertaken by the Company.

Monitoring mechanisms will include site visits, meetings and progress/status reporting by the project teams.

The audit of the beneficiary units / institutions (“**Beneficiary Audit**”) will be conducted after a period of one (1) year from the date of grant of funds to ensure optimal end use of the grant. Such audit reports will be placed before the CSR committee for review & comments.

16. DOCUMENTATION AND PUBLISHING (DISPLAY OF CSR ACTIVITIES ON WEBSITE)

The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on the website, for public access.

The details of such activity shall be disclosed separately in the Annual report on CSR included in the Board’s Report;

This document will also form part of all agreements with existing and future investors.

17. CSR REPORTING STRUCTURE

- i. The Board's Report of the Company covered under these rules pertaining to any financial year shall include Annual Report on CSR containing particulars specified vide the Act or the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022 or as amended from time to time or as applicable.
- ii. In case of a foreign company, the balance sheet filed under clause (b) of sub-section (1) of section 381 of the Act, shall contain an annual report on CSR containing particulars specified in the Act or the Companies (Corporate Social Responsibility Policy)



Amendment Rules, 2022 or as amended from time to time or as applicable.

iii.

- a. The company if having average CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of its CSR projects having outlays of one crore rupees or more, and which have been completed not less than one (1) year before undertaking the impact study.
- b. The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- c. The Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two percent (2%) of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.

- iv. The Company, being covered under the provisions of sub-section (1) to section 135, shall furnish a report on Corporate Social Responsibility in Form CSR-2 (as amended from time to time) to the Registrar for the preceding financial year (2020-2021) and onwards as an addendum to Form AOC-4 or AOC-4 XBRL or AOC-4 NBFC (Ind AS), as the case may be.
- v. Due Dates of CSR-2 [pursuant to sub-rule (1B) of Rule 12 of Companies Accounts) Rules, 2014 and as amended from time to time] would be applicable on the Company as notified by the Ministry of Corporate affairs from time to time.

18. TRANSFER OF UNSPENT CSR AMOUNT

Until a fund is specified in Schedule VII for the purposes of subsection (5) and (6) of section 135 of the Act, the unspent CSR amount, if any, shall be transferred by the Company to any fund included in schedule VII of the Act.

In other words, in case entire CSR budget is not spent in a financial year, the Board in its report shall specify the reasons for not spending the same and, unless the unspent amount relates to any ongoing project, transfer such unspent amount to a Fund specified in Schedule VII, within a period of six (6) months of the expiry of the financial year.

Any amount remaining unspent pursuant to an ongoing project undertaken by a company in pursuance of its Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled Company to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

Sd/-
(Managing Director & CEO)

Sd/
Chairperson (CSR Committee)