

Arohan Financial Services Limited

Corporate Social Responsibility Policy

Version 2.3



Prepared & Revised by: CSR Department

Reviewed by : Compliance Department and Executive Committee

Approved by : Board of Directors

Reviewed by Board : 15th March, 2016

Second time review by Board: 14th August, 2019

Third time review by Board: 26th June, 2020

Fourth time review by Board: June 04,2021

This document contains confidential information and remains the property of Arohan Financial Services Limited (hereinafter referred to as Company or Arohan). It is not to be used for any other purposes, copied, distributed or transmitted in any form or means or carried outside the Company premises without the prior written consent of the Company

Issue date:	Authorized by:	Version No.	Controlled Copy 1 of 1
15 th March, 2016	Board	2.0	
14 th August, 2019	Board	2.1	
26 th June, 2020	Board	2.2	
04 th June, 2021	Board	2.3	

Arohan Financial Services Limited- For Private Circulation Only

CONTENTS

1. Introduction.....	3
2. Definition.....	3
3. Focus Area.....	4
4. Geographies & Target Communities.....	5
5. CSR Budgeting & Expenditure.....	5
6. Implementation.....	6
7. Monitoring.....	8
8. Evaluation/ Impact Assessment.....	8
9. Responsibility of the Board of Directors.....	8
10. CSR Committee.....	9
11. Display of CSR activities on Company website.....	9
12. Reporting.....	9
13. Amendment to the CSR Policy.....	10

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. Definition

In this Policy, unless the context otherwise requires-

(a) “Administrative overheads” means the expenses incurred by Arohan 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.

(b) “Corporate Social Responsibility (CSR)” means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 and in accordance with this policy, 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 (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;

(c) “Ongoing Project” means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three 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;

3. 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

4. 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.

5. 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.
- Any amount remaining unspent-
 - (a) if such amount is not relating to ongoing project transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year;
 - (b) If such amount is relating to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by Arohan in pursuance of its Corporate Social Responsibility 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 bank 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 Corporate Social Responsibility 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.
- Until a fund is specified in Schedule VII for the purposes of subsection (5) and(6) of section 135, the unspent CSR amount, if any, shall be transferred by the Arohan to any fund included in schedule VII.
- 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. Any surplus arising out of the CSR activities shall not form part of the Arohan's business profit 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 Arohan or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year..

- Where Arohan 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 –
 - (i) 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 CSR Rules 2014.
 - (ii) the Board of Arohan shall pass a resolution to that effect.
- The CSR amount may be spent by Arohan 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; or
 - (b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
 - (c) a public authority:
- 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

6. Implementation

- CSR projects will be implemented by the Company itself or 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 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, established by the company, either singly or along with any other company.
 - (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.

(c) Any entity established under an Act of Parliament or a State legislature.

(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.

who has registered itself with the Central Government by filing the form CSR-1 electronically with the Registrar and has a unique CSR Registration Number.

- Arohan 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 personnel for CSR.
 - Arohan 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
 - The Board of Arohan will ensure 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.
 - In case of ongoing project, the Board of Arohan will 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.
-
- 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.

7. 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.

8. 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.

9. 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.

10. 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 CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:

- (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 Arohan:

Provided that 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.

- The Committee may 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.

11. Display of CSR activities on Company's website

Composition of the CSR Committee, the contents of the CSR policy and Projects approved by the Board of the Company shall be displayed on the Company's website.

12. Reporting

- Board's Report of Arohan will include an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable, of the CSR Rules, 2014.
- Every company 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 their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study. Arohan may conduct this voluntarily as approved by its Board. The impact assessment reports may be placed before the Board and may be annexed to the annual report on CSR. A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.
- 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.

13. Amendments to the CSR Policy: The Board of Directors of the Company shall have the powers to revise/modify/amend this Policy from time to time, as the Board may think fit, based on the recommendations to be made by the CSR Committee to confirm to the revision/amendment, if any, to be made to the CSR Rules by the MCA, under the Act.