SVATANTRA MICRO HOUSING FINANCE CORPORATION LIMITED

CORPORATE SOCIAL RESPONSIBILTY (CSR) POLICY (w.e.f. 01.04.2021)

I. Introduction

Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 and Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 ('CSR Rules'), including any amendment thereof requires the Company to constitute a Corporate Social Responsibility ('CSR') Committee of Directors, adopt a CSR Policy, spend at least 2% of its average net profits made during the immediately preceding three financial years towards CSR activities as set out in Schedule VII to the Companies Act, 2013 and confirm compliance thereof in the Annual Report.

Accordingly, Svatantra Micro Housing Finance Corporation Limited ('SMHFC') has formulated and adopted this Corporate Social Responsibility Policy ('CSR Policy'). The said policy was first approved and adopted by the Board of Directors at its meeting held on March 16, 2015.

Thereafter, pursuant to the amendments in CSR Rules on January 22, 2021, this Policy has been amended by the Board of Directors of the Company at its meeting held on March 25, 2021. This amended Policy shall be effective from April 1, 2021.

II. Background

The "business" of SMHFC is itself completely CSR intertwined. The company was set up with a strong social mission – to ONLY help financially excluded families own a home – which typically would include lower income, informal sector (those lacking documentation to prove incomes) who are underserved or not served at all by mainstream financial institutions.

This policy, which encompasses the company's philosophy for delineating its responsibility as a corporate citizen, lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large. This policy shall apply to all CSR initiatives and activities taken up for the benefit of different segments of the society, which are in addition to the mission of the company, which we believe is of high community impact, but which may or may not fit the CSR definitions under the Companies Act itself.

III. SCOPE

The CSR Policy applies to the formulation, execution, monitoring, evaluation, and documentation of CSR activities undertaken by the Company.

IV. OBJECTIVE

The main objective of SMHFC's CSR policy is:

- To lay down guidelines to make CSR a key business process for sustainable development of the society (in addition to the social mission of the Company);
- To directly/indirectly undertake projects/programs which will enhance the quality of life and economic well-being of the communities in the society at large;
- To generate goodwill and recognition among all stake holders of the company.

V. CSR AMOUNT AND EXPENDITURE

The Annual budget for the CSR Expenditure will be proposed by the CSR committee every year for the approval of the Board of Directors of the Company & post the Board of Director's approval, the CSR Expenditure can be incurred by the Company.

The committee shall endeavour to spend at least 2% of the average net profit during the preceding 3 financial years on CSR activities as enumerated in this CSR Policy and in the manner as specified in Section 135 of the Companies Act, 2013 and the Rules made thereunder from time to time.

Any surplus arising out of the contribution made for CSR activities shall not form part of the business profit of the Company.

VI. GUIDING PRINCIPLES FOR SELECTION OF CSR ACTIVITIES

SMHFC shall conduct its CSR activities as laid down in Schedule VII of the Companies Act, 2013 and as approved by the CSR Committee of the Company. These activities will in turn focus on established need, sustainability, and focused outcomes of the chosen sectoral themes. SMHFC shall seek to identify suitable programs/ projects/ activities as enumerated under Schedule VII of Companies Act, 2013, to ensure its contribution to the community and society at large. The Company's focus will be related to improvement in living conditions as related to housing or support of institutions working with families in poor housing and financial education as these are very much related to the mission of SMHFC.

The Company plans to focus its CSR initiatives and adopt a structured approach to the core areas of intervention undertaken across India, in line with the spread of its business & operations.

SMHFC may also undertake CSR activities jointly with its group companies and/or other companies, where such a collaborative approach has clearly defined roles and responsibilities outlined of each company.

The following activities shall not form part of the CSR activities of the Company:

1. The activities undertaken in pursuance of normal course of business of a company.
2. Any activity undertaken outside India.
3. Any contribution directly/indirectly to political party or any funds directed towards political parties or political causes under Section 182 of the Companies Act, 2013.
4. CSR projects/programs or activities that benefit only the employees of the Company.
5. Activities supported by Companies on sponsorship basis for deriving marketing benefits for its services.
6. activities carried out for fulfilment of any other statutory obligations under any law in force in India;

VII. GUIDING PRINCIPLES FOR IMPLEMENTATION OF CSR ACTIVITIES

SMHFC may directly undertake the CSR activities as permitted under Schedule VII and approved by the CSR Committee or execute and implement CSR activities through any other Implementing Agency registered in India, having a valid CSR Registration Number granted by the Ministry of Corporate Affairs (MCA) and having track record of service, performance, governance, and accountability.

VIII. CSR COMMITTEE

CSR Committee of Board of Directors has been formed in pursuance of the Section 135 of Companies Act, 2013. The Committee will play the following role in fulfilling the Company's CSR objectives:

- Review and recommend the CSR Policy to the Board of Directors
- Recommend the amount of annual expenditure to be incurred on the CSR activities;
- Review and recommend to the Board, certain CSR projects/programmes as ongoing projects in accordance with the CSR Rules;
- Formulate and recommend to the Board the Annual Action Plan of the Company in pursuance of this Policy;
- Annually report to the Board, the status of the CSR activities and contributions made by the Company;
- Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.

The CSR Committee shall do all such acts, deeds, matters and things to ensure compliance with applicable provisions relating to CSR and the CSR policy as amended, from time to time.

The overall execution of the Policy and day-to-day administration will be the responsibility of the Management Committee, or such other officers as may be designated by the CSR Committee, working under the guidance of the CSR Committee to ensure that the CSR initiatives are in line with this Policy.

The quorum for the Corporate Social Responsibility (CSR) Committee Meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.

The Company Secretary to the Company shall act as Secretary to the Corporate Social Responsibility (CSR) Committee.

IX. ANNUAL ACTION PLAN

The CSR Committee shall formulate an Annual Action Plan for each financial year and recommend the same to the Board for its approval.

The annual action plan shall include the following:

- List of CSR projects;
- Manner of execution of CSR projects;
- Modalities of utilisation of funds and implementation schedules for CSR projects;
- Monitoring and reporting mechanism for CSR projects;
- Details of need and impact assessment, if any, for the projects undertaken by the company.

An update on the status of compliance with the annual action plan shall be provided by the CSR Committee to the Board of Directors on a periodic basis and may be modified accordingly.

X. PROCESS FOR IMPLEMENTING CSR ACTIVITIES / PROJECTS

The following procedure is required to be adhered to while undertaking/ funding CSR activities:

- The CSR contribution would be for a project as identified by the Company, either for a single financial year or as an ongoing project for multi-years, depending on the scale and needs of the project.
- The disbursement of the contribution amount by the Company to the Implementing Agency shall be made only if they have a unique CSR registration number granted by the MCA and requisite approvals and registrations as required under the Income Tax Act, 1961 or other applicable laws in India; and
- The disbursement will be made only upon receipt of a proposal from the Implementing Agency specifying the budget that is required, activity for which it is required and project outputs & outcomes, as may be required.

XI. MONITORING AND EVALUATION FRAMEWORK

The Company shall be entitled to receive the following information from the Implementing Agencies:

- ➢ A valid CSR Registration Number granted by the Ministry of Corporate Affairs (MCA);
- ➢ A valid Registration Certificate under Section 12A of the Income-tax Act ;
- ➢ A valid Registration Certificate under Section 80G of the Income-tax Act ;
- ➢ Proof to substantiate a track record of 3 years in undertaking CSR activities such as annual reports, etc.;
- ➢ Operational / progress reports either quarterly or half yearly, depending on the size and scale of the project.

To ensure steady progress and proper utilization of CSR amount, the following monitoring mechanism may be adopted depending upon the size of contribution and the Implementing Agency:

- Review of Funds Utilisation Certificates submitted by the Implementing Agencies.
- The Chief Financial Officer of the Company or any other person responsible for financial management shall certify the utilisation of funds disbursed for CSR projects for each financial year.

XII. REPORTING

The CSR Committee shall report to the Board of Directors of the Company, the status of the CSR projects/ undertaken by the Company in the Annexure to the Directors' Report, in the Company's Annual Report.

The Company shall upload this Policy, and all other information as statutorily required on its Website https://svatantramhfc.com/home.

XIII. GENERAL

Any amendment or modification to the CSR policy shall be approved by the Board on the recommendation of the CSR committee.