



UNITY SMALL FINANCE BANK LIMITED

Corporate Social Responsibility Policy

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1. Introduction

The Companies Act, 2013 has vide Section 135 and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time (hereinafter referred to as “the Act”) made it mandatory for the Board of Directors of a prescribed class of companies to constitute a Corporate Social Responsibility Committee which is entrusted with certain duties in alignment with the objectives of corporate social responsibility and to ensure that a company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years.

Corporate Social Responsibility is strongly connected with the principles of Sustainability; an organization should make decisions based not only on financial factors, but also considering the social and environmental consequences. As a Corporate Citizen receiving various benefits out of society, it is our co-extensive responsibility to pay back in return to the society in terms of helping needy people by providing foods, clothes, etc., keeping the environment clean and safe for the society by adhering to the best industrial practices and adopting best technologies, and so on. It is the Bank's intent to make a positive contribution to the society in which the Bank operates.

This policy, which encompasses the philosophy of **Unity Small Finance Bank Limited (“Bank”)** for delineating its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large, is titled as the **“Corporate Social Responsibility Policy of Unity Small Finance Bank Limited” or “CSR Policy”**. It has been prepared keeping in mind the Bank's code of business ethics and to comply with the requirements of the Act in letter and spirit.

This policy shall apply to all CSR initiatives and activities taken up at the various work- centers and locations of the Bank, for the benefit of different segments of the society, specifically the deprived, under-privileged and differently abled persons.

The Bank is a part of Centrum Group, which has established ‘Centrum Foundation’, which is a registered trust and formed with the aim of providing a dedicated approach to community development and also to fulfil CSR commitments of Centrum Group of Companies. The Group's focus has always been to contribute to the sustainable development of the society and environment, and to make our planet a better place for future generations.

In alignment with vision of the Bank, through its CSR initiatives, the Bank will continue to enhance value creation in the society and in the community in which it operates. The Bank shall promote growth for the society and community to fulfil its role as a socially responsible corporate with an environmental concern.

2. Objectives

The Bank aspires to be the a digital-first and most trusted retail bank and coveted employer that is admired as the epitome of financial inclusion and economic success where ordinary people do extra ordinary things to transform society at large, thereby guaranteeing Trust, Confidence and Customer Delight. Bank's mission through its CSR Projects are aimed towards enabling

individuals towards a purposeful life by equipping them with the right skills and empowering communities. The Bank wishes to enhance value creation in the society and in the community in which it operates.

3. Implementation Framework

Aligned to its Vision, Bank's Corporate Social Responsibility Policy (CSR Policy) sets out the broad framework for the implementation of CSR projects. The policy, also sets out the principles and approaches necessary for effective selection and implementation of CSR projects while ensuring strict adherence to the provision of Corporate Social Responsibility (CSR), under section 135 of the Companies Act 2013.

The Bank follows below guiding principles set by board based on which the CSR projects will be identified and the CSR plan will be formulated. Bank's CSR projects will focus on strategic anchor points that include, but not limited to, Geography, Stakeholder and Thematic Area.

- 3.1. **Geography:** Bank focus areas for CSR projects will be in urban as well as rural areas in the states in which it has presence. Additionally, further, on specific needs project may even be conducted in geographies where Bank has no presence.
- 3.2. **Stakeholders:** Meeting the skills and livelihoods needs of unemployed youth will be the key focus area of Bank with long term commitment besides working on issues of children, women and other community members.
- 3.3. **Thematic Area:** As part of the current strategy, Bank has identified following areas, but not limited to, to focus on as part of its CSR agenda.
 - i. To provide food and other basic essentials as support to families severely affected by the Global Pandemic, Super cyclonic storms, epidemics or any other natural calamities.
 - ii. Create sustainable livelihoods by meeting the skills and livelihood needs of unemployed youth, through women empowerment, providing training and promoting financial and digital literacy among masses
 - iii. Promote healthcare, including preventive healthcare, and improve nutritional & health status of women and children and safe drinking water
 - iv. Promoting gender equality and empowering women, supporting facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups
 - v. Promoting education, including special education and employment enhancing vocation skills especially among children, women, and the differently abled
 - vi. Any other subject areas as mentioned in Schedule VII, Section 135 of Companies Act as amended time to time.

4. CSR Funds

The corpus for the purpose of carrying on the aforesaid CSR activities would include the following:

- 2% of the average Net Profit before tax made by the Bank during immediately preceding three Financial Years.
- Surplus (income generated) arising out of spend on CSR activities carried out by the Bank.

The “Net Profit” means the net profit before tax of a Bank as per its financial statement prepared in accordance with the applicable provisions of the Companies’ Act, but shall not include the following:

- i. any profit arising from any overseas branch or branches of the Bank, whether operated as a separate Bank or otherwise; and 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 Bank covered under these rules, net profit means the net profit of such Bank 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 Companies Act, 2013.

5. Governance Structure

The CSR Committee shall be constituted in accordance with the requirements of the Companies Act, 2013 and the Rules made thereunder. The details of the composition will be hosted on the Bank's website at [www. https://theunitybank.com](https://theunitybank.com).

The requirement of constitution of CSR Committee shall not be applicable, in case the amount required to be spent does not exceed Rs. 50 lakhs. The functions of CSR Committee may be discharged by the Board of Directors of the Bank in such case.

The CSR Committee / Board will be the governing body that shall define the scope of CSR projects for the Bank and approve/ review the CSR policy annually.

The CSR Committee will be constituted in accordance with the applicable provisions of the Companies Act, as and when required.

The Bank needs to fulfil the CSR responsibilities as prescribed under the Companies Act and Rules made thereunder. CSR Committee / Board to review the progress of the CSR projects and monitor if the progress is in line with the CSR plan as approved by the Board. If there are any shortfalls or challenges in implementation, the Company Secretary shall report the same to the CSR Committee / Board who shall suggest appropriate action to be taken. Further, the responsibility will also include to participate in formulation of Annual Action Plan.

6. Guiding Principles for selection, implementation and monitoring of activities as well as formulation annual action plan

6.1. **Guiding Principles for Selection of CSR Projects:** The selection of CSR projects will be done basis following guiding principles

6.1.1 **Impact** – All CSR projects will have well-defined KPIs to measure impacts on target groups. For high impact projects, there will be independent, third-party assessments and feedback will be a key input for redesign and / or rollout of further initiatives.

6.1.2 **Partnerships** – The Bank will forge collaborations with non-profit organizations, community- based organizations, and Government organizations, for greater collaborative impact through CSR project. Partners will bring in complementary resources, expertise and influence which would be leveraged to force-multiply the Bank's CSR initiatives. Bank will also leverage its own products and services for its CSR initiatives in alignment with its CSR strategy.

The Bank shall ensure that the CSR activities are undertaken by the Bank itself or through implementation agencies as mentioned below:

(a) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 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, 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.

The abovementioned entities, who intends to undertake any CSR activity, should register itself with the Central Government by filing the form CSR-1 electronically with the Registrar.

6.1.3 **Alignment with strategy and approved annual action plan** : All CSR projects will be closely aligned to the strategic direction set by the Board and as per approved annual action plan.

6.1.4 Volunteerism – Bank encourages employees, their families to engage in volunteering activities that will benefit the communities in which they live and work. This will not only deepen local community connect but will also leverage in-house skills in addressing social challenges, thereby creating both social impact.

6.1.5 Innovation – Bank will endeavour to identify innovative solutions to solve seemingly intractable social problems. These will encompass technology, as well as models for sourcing, partnering and delivery of initiatives.

6.1.6 Adherence to CSR compliance – All CSR project will be selected as per the Schedule VII and will follow essential criteria's of selection and implementation of project as mentioned in CSR rules.

6.2. Guiding Principles for Implementation of CSR Projects:

6.2.1. A large part of the CSR efforts of Bank will be implemented through Centrum Foundation, the CSR implementing arm of the Bank. Bank will also partner with credible organizations – individually or as a consortium – to design, fund, implement and review projects. The bank will also adopt multiple other ways of implementation projects such as direct implementation and in partnership with other agencies including government and other corporates.

6.2.2 The guiding principles for implementation of CSR project will include;

- Work Hard and Look for details
- Focus on a particular area/region/ village
- Responsibly Entrepreneurial
- Nurture Talent and Succeed Together
- Integrity
- Customer focus

6.3. Guiding Principle for Monitoring of CSR Projects: The monitoring will be ingrained into the project cycle - right from design, implementation and closure stage.

6.3.1 The Indicator (KPI) Matrix will be used to measure project performance across key indicators (output, outcome, impact) and will be monitored against the project goals.

6.3.2 Concurrent Monitoring: Depending upon the intensity, CSR team will conduct periodic visits to the field to track progress in terms of activities and outputs.

6.3.3 We will also Engage Advisors / Experts / Agencies for monitoring of CSR projects, on needbasis.

7. Guiding Principles for formulation of Annual Action Plan

7.1. All CSR projects will be in line with the CSR vision, as well as areas listed in Schedule VII of the Companies Act, 2013.

- 7.2. All CSR activities will be in project mode and will not include activities supported on sponsorship basis for deriving marketing benefits for its products or services or activities carried out for fulfilment of any other statutory obligations under any law in force in India
- 7.3. All CSR projects will ensure that the activities undertaken are as per CSR policy of the Bank.
- 7.4. The annual action plan will cover modalities of execution and utilisation of funds. The CSR Committee, if any, shall recommend to the Board on budget allocation for any CSR project including modalities of utilisation of funds in every project.
- 7.5. No CSR projects will be undertaken by the Bank outside India except activities permissible as per CSR rules.
- 7.6. No activities will be part of CSR which are undertaken in pursuance of normal course of business of the Bank and benefit employees of the Bank. Further, each year based on a detailed exercise, an Annual Action Plan will be prepared and shared that will include:
 - 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 as specified in sub-rule (1) of rule 4 of Companies (Corporate Social responsibilities) Rules, 2014.
 - 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 the Bank:
 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. 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.
 - f. The Plan thus finalized shall then be recommended in such form as deemed fit by the CSR Committee to the Board for its approval. Once approved by the Board, the Annual CSR Plan would be incorporated in the CSR Policy of the respective year.

8. Impact Assessment

- 8.1. The Bank shall strive to measure the impact of its CSR Project(s)/Program(s) at regular intervals through appropriate mechanisms and undertake impact assessments in alignment with the prevalent CSR Rules.
- 8.2. All CSR initiatives will have well-defined KPIs to measure impacts on target groups. For high impact projects, there will be independent, third-party assessments and feedback will be a key input for redesign and / or rollout of further initiatives

- 8.3. The Bank shall undertake impact assessments through independent agencies for CSR Project(s)/Program(s) which have an outlay of Rs. One crore or more, and which has completed not less than one year before commencement of such impact assessment, as stipulated in the Rules.
- 8.4. The impact assessment report for each such CSR Project/Program shall be placed before the Board for its review.

9. Administrative overheads

Administrative overheads” means the expenses incurred by the Bank for ‘general management and administration’ of Corporate Social Responsibility functions in the Bank but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme.

Bank should ensure that administrative overheads shall not exceed 5% of the total CSR expenditure of the Bank for the financial year.

10. Acquisition of Capital Assets

The CSR amount may be spent by a Bank 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

11. Reporting Framework

A report on the status of achievement of the CSR initiatives and its projects shall be placed before the CSR Committee/ e Board on an yearly basis. Besides significant CSR projects and achievements should be reported in the Bank’s Annual Report. The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR as per applicable guidelines.

The Board’s report of the Bank shall include number of meetings of CSR Committee held during the year, weblink where disclosure regarding CSR has been provided, Details of Impact assessment of CSR projects; if any, Details of the amount available for set off required, Details of CSR amount spent against ongoing projects and other than ongoing projects for the financial year, Amount spent on Administrative Overheads and Impact Assessment, if applicable and Details of Transferred Unspent CSR amount under Section 135(5) and 135(6) of the Act etc. as per the format prescribed in Companies’ (Corporate Social Responsibility) Rules, 2014 as amended from time to time.

In case entire budget is not spent in a financial year, reasons for the same shall be specified in the CSR report. Bank shall display the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on its website for public access.

12. Policy Review and Validity

The CSR Committee / Board may amend the CSR Policy as may be required from time to time.

13. Regulatory References

- i. Companies Act, 2013.
- ii. Companies (Corporate Social Responsibility) Rules, 2014
- iii. National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business of Ministry of Corporate Affairs
- iv. RBI Regulations