

CORPORATE SOCIAL RESPONSIBILITY POLICY

IDF FINANCIAL SERVICES PRIVATE LIMITED

1. INTRODUCTION AND BACKGROUND

Microfinance or Microcredit is a form of financial service which encourages small savings, provides small loans and other financial services to poor and low-income households who lack access to formal banking institutions. The small loans that are provided help poor families to meet their emergent credit needs both consumption or productive and improve their standard of living. The MFIs are those financial institutions which provide microfinance. The main objectives of Microfinance are Achieve Financial inclusion, Poverty alleviation, Women empowerment and poor, improvement in standard of living.

IDF Financial Services Pvt Ltd is a Non-Banking Finance Company-Microfinance Institution (NBFC-MFI) providing Micro finance to micro-Self-Help Groups (mSHGs) formed and nurtured by it.

1.1. COMPANY BACKGROUND

IDF Financial Services Pvt Ltd more popularly known as IDF FSPL took over the Micro finance portfolio of Initiatives for Development Foundation (IDF) with effect from 01st April 2009. Previously, IDF founded by Developmental Bankers was providing training & mentoring services to SHGs promoted by it and also the SHGs promoted by other organizations as a part of Government sponsored projects, in the field of livelihood with special emphasis on Entrepreneurship. For credit needs of the SHG's, IDF was referring them to the Banks under Bank Linkage Programme. However, it was realized that due to various limitations, the Banks would not be able to cater to the financial needs of SHGs fully.

In order to supplement the requirements of the SHGs, during the year 2005, IDF started its Microfinance programme out of its own funds as a part of its activities as per its objects. Parallely IDF also started borrowing funds from banks/FIs to scale up level of micro credit services. This went on for few years and when the portfolio started growing due to increased credit needs of SHGs, IDF started borrowing funds from Banks/FIs. But the Banks demanded capital adequacy of about 10 -12 per cent against the existing 4% during 2007-08. IDF being a Public Charitable trust was not able to mobilize in short term, the level of capital stipulated by the bankers. Further, as per the policy of IDF, the margin on the loans was not to exceed 6 – 7% which did not generate adequate surplus to contribute to the capital of the organization. IDF realized that the only means of raising such capital was possible only through the Institutional form of NBFC.

Further, with the amendments to Income Tax Act with effect from FY 2008-09, micro finance operations were likely to be considered as of business nature. As such IDF Trust would be liable for income tax on account of its micro finance services. This would adversely affect the operations of IDF as a charitable trust.

1.2. THEREAFTER

In order to address the above issues, the members of the governing and management team of IDF acquired an existing NBFC, “Dhavalagiri Arthik Financial Services Pvt Ltd” to carry out micro finance services. Subsequently, the name of the company was changed to “IDF Financial Services Pvt Ltd” (IDF FSPL) with the approval of RBI. The required legal contracts were entered into between IDF and IDF FSPL to comply with the contractual obligations of IDF towards its lenders for micro finance operations. IDF has transferred the assets and liabilities of MFI operations to IDF FSPL on April 1st 2009. Post Andra Crisis and Malegam Committee recommendations, IDF FSPL changed its strategy by adopting micro SHG (mSHGs) model with 4-6 members instead of existing SHG model with 10-20 members and started uploading individual data to Credit bureaus.

Now, the company is in to formation of micro mSHGs and providing need-based credit to them for income generating activities and consumption purposes based on the “Qualifying Asset” Norms of RBI.

1.3. VISION

“Financial Empowerment of the economically underprivileged through Good Quality and Sustainable Financial Services”

1.4. CORE VALUES

- a) Commitment
- b) Transparency
- c) Innovation
- d) Exceptional teamwork
- e) Ethics in business

1.5. MISSION

“Reaching 2 Lakh families by 2025.”

2. OBJECTIVE AND SCOPE

2.1. OBJECTIVE

The CSR Policy sets out our commitment to ensuring that our activities extend beyond business and include initiatives and endeavours for the benefit and development of the community and society. The CSR Policy lays down the guidelines for undertaking programmes geared towards social welfare activities or initiatives.

This CSR Policy has been framed in accordance with the applicable provisions of the Companies Act, 2013 ("Act") and the rules issued thereunder.

2.2. SCOPE & COVERAGE

This policy will apply to all projects/programs undertaken as part of IDF FSPL's corporate social responsibility ("CSR") activities and will be developed, reviewed and updated by reference to relevant laws and codes of corporate governance and international standards or best practices.

This policy is also in line with the provisions of and rules and regulations framed under Sec. 135 of Companies Act 2013 ("CSR Rules"). The CSR activities will be related to community support, environmental support and disaster support, or any other activities defined in schedule VII of the Companies Act 2013 so that those efforts can make any defined positive impact to the communities

3. GOVERNANCE

As per the provisions of section 135(9) of the companies Act, Company is exempted from constituting the CSR Committee. Overall governance of CSR initiatives, approving this Policy and being the final authority for approval of each CSR initiative, is the responsibility of the Board of Directors of IDF FSPL ("Board"). The Board will be responsible to recommend, review and approve budget for various CSR initiatives which may get implemented from time to time and are overall responsible for the following:

- a) Approve activities to be undertaken by the Company;
- b) Approve the amount of expenditure to be incurred on the activities; and
- c) Monitor the CSR Policy from time to time.

As the CSR activities may evolve further, this Policy may be amended or revised, with the approval of the of the Board. The CSR programs shall include activities as specified in Schedule VII of the Companies Act, 2013.

Corporate Social Responsibility policy

The Operational Department in conjunction with other internal stakeholders will be responsible for administering and executing the policy.

The Board will have all the rights to delegate the functions to such officer/s.

The Company may constitute CSR committee as and when it is applicable.

4. BUDGET

It will be the Company's endeavour to spend in every financial year, two percent of its average net profits during the three immediately preceding financial years (or such other limit as may be prescribed under the Act), on CSR Initiatives in pursuance of this Policy.

The CSR expenditure will include all expenditure, direct and indirect, incurred by the Company on CSR Programmes undertaken in accordance with the CSR Plan.

Any surplus arising from the CSR Initiatives 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 months of the expiry of the financial year in accordance with the provisions of section 135 and rules made thereunder. Any income arising from CSR Initiatives will be netted off from the CSR expenditure and such net amount will be reported as CSR expenditure. Any surplus arising out of the CSR projects or activities shall not form part of the business profit of the Company.

5. IMPLEMENTATION

The Operational Department in conjunction with Board of directors will undertake CSR projects or activities or programs which are closely linked with the principles of sustainable development and shared value, with the involvement of local institutions and the community at large ("CSR Initiatives").

Though the Operational Department would assist in implementation and monitoring of the CSR Initiatives, the actual implementation will be broad-based with the involvement of employees or through partner implementation entities.

The Company may implement the CSR initiative by its own or by taking assistance of the qualified CSR implementing agency(s) depending on the quantum and nature of the CSR initiative proposed by the company.

6. MONITORING & REPORTING

The Board will ensure a system is put in place to maintain a transparent monitoring and reporting mechanism across all the stakeholders involved in the CSR Initiatives, as prescribed under the CSR Rules. Monitoring mechanisms will include periodic visits, meetings and progress/status reporting by the company.

CSR spend and achievements will be reported as part of the Annual Report along any statutory and regulatory reporting requirements.

7. CSR EXPENDITURE

The CSR expenditure shall include all expenditure including contribution to corpus or on projects or programs relating to CSR activities approved by the Board of Directors but does not include any expenditure on an item not in conformity or not in line with activities stated under Schedule VII of the Act.

8. FAILURE TO SPEND THE CSR MONEY

If the Company fails to spend the required amount in a particular financial year, such Non-compliance will attract consequences as prescribed under the Companies Act, 2013

9. EXCESS SPENDING.

If CSR expenditure in a financial year exceeds the statutory limit, such excess may be set-off against CSR expenditure for the next three financial years (or for such period as may be prescribed under the Act) with the approval of the Board.

10. ANNUAL CSR PLAN

Pursuant to Schedule VII of the Act and the CSR Rules, the Company shall undertake CSR activities included in its Annual CSR Plan, as recommended by the Board of Directors at the beginning of each year. The Board of Directors is authorized to approve any modification to the existing Annual CSR Plan or to propose any new program during the financial year under review.

The Annual CSR Plan is a yearly plan of CSR activities that would be placed before the Board of Directors of the Company based on recommendation of its CSR Committee (If any) which outlines inter alia the following aspects of CSR initiatives of the Company:

- a) Project Proposals
- b) Targeted Beneficiaries and their key needs
- c) Alignment with Schedule VII
- d) Project Goals and milestones
- e) Activities and Timelines including expected closure dates
- f) CSR Budget with projections
- g) Monitoring mechanism
- h) Progress reporting and frequency of reports
- i) Risks and mitigation strategies depending on the nature of the Project
- j) Any other information as may be required by the CSR Committee

11. SETTING-UP OF TRUST

The Company may if required, set-up a separate registered Trust to exclusively undertake CSR activities for the purposes directly relatable to programs covered under Schedule VII of the Act.

12. COLLABORATION

It is expressly allowed under the CSR Rules that the Company may collaborate with any other Company or association formed in this regard subject to approval by Board of Directors, to implement CSR activities and the same shall form a part of the Annual CSR Plan.

13. DISQUALIFYING ACTIVITIES FOR CSR

- k) The CSR Rules disqualifies the CSR projects and programs that are implemented by the Company for benefit of the employees of the Company and their families.
- l) The CSR activities implemented outside India also fall outside the purview of the Rules and hence CSR expenditure on such activities will not be considered for inclusion in the CSR Report.
- m) Any amount directly or indirectly contributed towards any political party under Section 182 of the Act shall not be considered as CSR Spend.
- n) Activities that are undertaken by the Company in pursuance of its normal course of business will not be considered as CSR activities.
- o) Activities considered as one-off events such as marathons/ awards/ charitable contribution/ advertisement/sponsorships of TV programmes etc. would not be qualified as part of CSR activities

As per the CSR Rules, the contents of the CSR Policy shall be included in the Board's Report and the same shall be displayed on the Company's website.

14. POLICY REVIEW AND FUTURE AMENDMENTS

The Company reserves the right to revise, modify any or all clauses of this Policy, at its discretion and in consonance with the extant laws.