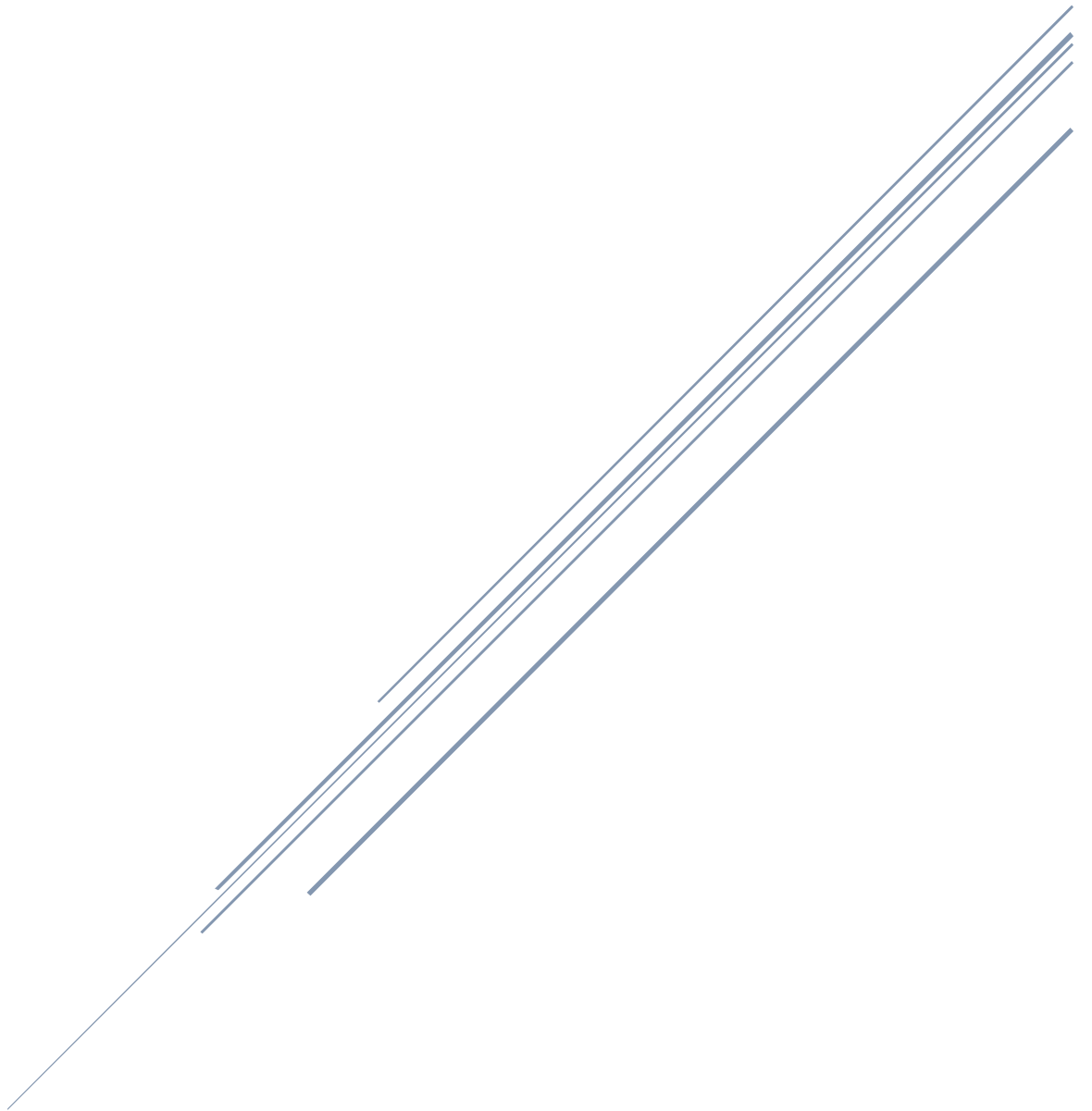


# Corporate Social Responsibility Policy

RGVN (NE) Microfinance Limited



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**Annexure 1: Reporting format to the CSR Committee and Board for disclosure in the Board's report**

## 1. Introduction

RGVN (NE) Microfinance Limited's mission is to provide financial and other support services to the underprivileged households in the Northeast to improve their quality of life. RGVN (NE) MFL has undertaken various Social Performance Management (SPM) initiatives such as financial literacy, organizing health camps, technical assistance on dairy farming, piggery, duckery, skill building, awareness on issues like environmental protection, leadership roles for women and girls, health and nutrition and legal issues relating to women.

The CSR mission of RGVN (NE) MFL aims to ensure the socio-economic development through different participatory and need based initiatives which are in the best interest of the poor and deprived sections of the society helping them in becoming self - reliant and ensure their sustainable development.

The Companies Act 2013 has introduced provisions on Corporate Social Responsibility (CSR), which rests on the ideology of give and take. The term CSR has been defined under the CSR Rules which includes but is not limited to:

- Projects or programs relating to activities specified in the Schedule; or
- Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule.

The Corporate Social Responsibility Policy (Also to be referred for Social Performance Management Policy) of the RGVN (NE) MFL ("the CSR policy") sets out the broad framework guiding its CSR / SPM activities. The Policy also sets out the principles and the rules that need to be adhered to while taking up and implementing CSR activities to be undertaken as specified in Schedule VII of the Companies' Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

## **2. Objective:**

The key objective of this policy is to:

- Define what CSR means to RGVN (NE) MFL and set out the broad framework guiding RGVN (NE) MFL CSR activities as per Companies Act, 2013.
- Set out the principles and rules that need to be adhered to while taking up and implementing CSR activities to be undertaken as specified in Schedule VII of the Companies' Act 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.
- Define the kind of activities that will come under the ambit of CSR.
- To lay down the guidelines & mechanism to carry out CSR program/project & to report the work in reporting format as prescribed by the Rules in the act.
- Serve as a guiding document to help execute and monitor CSR activities
- Explain the manner in which the surpluses from CSR activities/projects will be treated.

### **3. Applicability**

This CSR Policy is applicable to RGVN (NE) Microfinance Limited, which is mandated with the CSR expenditure obligations as per Sec. 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time.

This policy, which encompasses RGVN (NE) Microfinance Limited (“the Company”) philosophy for delineating its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare and sustainable development of the community at large, is titled as the Corporate Social Responsibility Policy of RGVN (NE) MFL (“CSR Policy”).

#### **4. CSR Governance Structure**

RGVN (NE) Microfinance Limited shall have a 3 tier structure for the governance of CSR responsibilities under the Companies' Act and Rules comprising of the Board, CSR Committee and the Head of the CSR/SPM Department. The roles and responsibilities of each of the tiers are as mentioned below:

1. The Board of the Bank shall oversee the plan for CSR activities and the status of the achievement of the CSR plan. The Board has a Corporate Social Responsibility Committee (CSR Committee) which is duly constituted in accordance with the provisions of the Act and review the composition and terms of reference of the CSR Committee on an annual basis. This shall help in developing an effective CSR framework that can assist the Board to ensure that CSR issues and opportunities are well-managed and maximised.
2. The CSR Committee is the governing body that shall define the scope of CSR activities for the organisation and approve/ review the CSR policy annually. The Committee shall be responsible for implementation of the CSR Policy. The CSR Committee would comprise of three or more Directors including at least one independent Director and shall approve and recommend to the Board any registered trust/ society for undertaking the CSR activities.
3. The Head of the CSR /SPM Department shall report to the CSR Committee on the status of achievement of the CSR plan. The prime responsibility of the Head of the CSR/SPM Department shall be to ensure that CSR activities are done in line with the CSR plan of the Organisation. He shall also review the progress of the CSR activities 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 Head of CSR/SPM Department shall report the same to the CSR Committee who shall suggest appropriate action to be taken.

## 5. CSR Activities

The key focus area for RGVN (NE) MFL CSR activities to be pursued is chosen in such a way that broad Mission and Vision of RGVN (NE) Microfinance Limited be fulfilled. Through it activities it aims to reach out to the poor and marginalized providing for a holistic transformation leading to creation of just and fair society. This implies addressing critical issues of the poor and the marginalized like education, health, sanitation, environment and skill development.

The following thrust areas have identified which are in line with the mandate under **Schedule VII** of the Companies Act:

Schedule VII Mandate activities	Activities to be undertaken
<p>1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water.</p>	<p><b><u>1. Health Camps:</u></b> Promoting Health care including Preventive Health care through awareness programmes, health check-ups, provision of medicine &amp; treatment facilities, program for preventing diseases , building immunity and providing financial assistance as loans for medical treatment/ hospitalization.</p> <p><b><u>2. Health and nutrition awareness:</u></b> Carrying out awareness programme on the importance of safe drinking water, importance of sanitation and hygiene.</p> <p><b><u>3. Welfare Loan:</u></b> Provide financial assistance as loan to install Tube well/ Dug well, construction of sanitary toilet at a nominal interest rate.</p>
<p>2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.</p>	<p>Various skill development trainings such as:</p> <ul style="list-style-type: none"> <li>a) Cutting and knitting</li> <li>b) Doll making</li> <li>c) Food processing</li> <li>d) Plastic cane bag / artificial flower making</li> <li>e) Embroideries</li> <li>f) Livestock farming training</li> <li>g) Other skill based trainings</li> </ul>

<p>3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, daycare centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward.</p>	<p>1. <b><u>Financial Literacy Training:</u></b> Financial literacy training to the clients to make the poor women aware about the importance of small savings &amp; investments and avoiding wasteful expenditures so that they can prepare a rational financial plan and build their own assets.</p> <p>2. <b>Promoting gender equality and empowering women</b> through  a) Women leadership trainings  b) Awareness programme on women rights and legal issues.</p>
<p>4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water.</p>	<p>1. <b><u>Animal Treatment Camps:</u></b> Treatment camps for livestock to eradicate diseases and ensure profitable rearing and augment their income.</p> <p>2. <b><u>Animal husbandry trainings:</u></b> Animal husbandry training programs are offered for successful &amp; profitable animal care and livestock management (Pig, Cattle, Poultry, and Goatery etc.)</p> <p>3. <b><u>Environmental Issues awareness training</u></b></p>
<p>5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts.</p>	<p>1. Contribute towards preservation reconstruction and restoration of historical sites.</p> <p>2. Provides financial support for promotion of those sites</p> <p>3. Organize public meetings and events for promotion of traditional handicrafts; provide funds and other support to promote their work through online shopping sites.</p> <p>4. Promote art and culture</p>
<p>6. Measures for the benefit of armed forces veterans, war widows and their dependents;</p>	<p>Future Scope for extended activities.</p>



<p>7. Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;</p>	<p>1. Awareness programme for promotion of rural sports through various channels in rural areas.</p> <p>2. Providing for financial support to poor athletes for training.</p>
<p>8. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;</p>	<p>1. Contribute to Prime Minister National Relief Fund or Chief Minister Relief fund at the time of major natural disaster or calamities.</p> <p>2. Providing funds and loan for welfare of SC/ST/OBC, minorities and women</p>
<p>9. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government</p>	<p>1. Providing computers to academics institutions</p> <p>2. Providing credit services to academic institutions</p>
<p>10. Rural development projects and Slum Area Development.</p>	<p>Integrated agriculture development.</p> <p>Organising awareness programme in rural areas.</p> <p>Farmers Knowledge through IT-enablement.</p> <p>Contribute towards sustainable asset building for villages in collaboration with village panchayats.</p> <p>Infrastructure Development for e.g. setting up of schools, day care centre etc.</p>
<p><b>11. Any other activities / project / program as specified in Schedule VII of the Companies Act, 2013, as amended from time to time, subject to the approval of the Board.</b></p>	

## 6. CSR Funds:

The corpus for carrying on the previously mentioned activities would include the followings:

- 2% of the average Net Profit made by the Company during immediately preceding three Financial Years.
- Any income arising there from.
- Surplus arising out of CSR activities carried out by the company and such surplus will not be part of business profit of the company.
- CSR activities shall be planned according to budget allocation.

The “Net Profit” means the net profit of a company 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 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 net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies’ Act, 1956 shall not be required to be re-calculated in accordance with the provisions of the Act.

All the utilization certificates, agreements, invoices with actual spend will be diligently documented and the records shall be available as and when required for scrutiny by auditors or regulators or other stakeholder.

The following shall not be treated as expenditure under CSR activities:

- a) Any expenditure that benefits only employees or their families
- b) Any CSR expenditure undertaken out of India
- c) Contribution of any amount directly or indirectly to any political party

Any other activities pursued in the normal course of business of the RGVN (NE) MFL.

CSR activity plan and the proposed budget is to be placed by the CSR department to the CSR committee of the Board for recommendation which is to be approved by the governing board for execution.

## **7. Delivery Channels:**

The Board may decide the activities to be undertaken within the CSR/SPM vertical and implementation through Operations Department of the Organisation. CSR/SPM vertical will primarily drive the activities through the Operation Department of the Organisation. RGVN (NE) MFL may decide to build CSR/SPM capacities of its staff undertaking CSR/SPM activities and of the employees. The expenditure of such program shall not exceed 5% of the total CSR/SPM expenditure of the organisation in one financial year.

The Board may decide to undertake its CSR/SPM activities through a registered trust or a registered company as it may deem appropriate from time to time subject to the following conditions:

- a) The trust or company has a track record of 3 years in undertaking similar programs or projects and a successful due diligence of the track record.
- b) RGVN (NE) MFL shall specify the project/ programs to be undertaken, the modalities for utilization of funds on such projects/ programs and the monitoring and reporting mechanism for the same.

RGVN (NE) MFL shall give preference to the local areas and the areas around where it operates for spending the amount earmarked for CSR activities.

## **8. Monitoring and reporting requirements**

The CSR Committee would be responsible for monitoring CSR initiatives, progress on approved activities/Projects and shortfalls in achieving the CSR plan, if any. The Head of the CSR/SPM Department shall provide a half-yearly progress report to the CSR Committee of the Board, which would inter alia include the following:

- 1) Achievement since last progress report/ during the last quarter in terms of coverage compared to the target.
- 2) Achievement of the year-to-date in terms of coverage compared to the target, plans to overcome shortfalls if any and support required from the CSR Committee/ Board to overcome the shortfalls.
- 3) Actual year-to-date spends compared to the budget and reasons for variance.
- 4) Report on the implementation of the CSR policy and its effectiveness
- 5) Area-wise/ zone-wise expenditure on account of CSR
- 6) Disclosures on CSR as required to be incorporated in the annual results

The CSR Committee shall be responsible to report to the Board on the status of achievement of the CSR initiatives and its activities on half-yearly basis. The CSR Committee shall also report significant CSR activities and achievements in the Director's Report in the RGVN (NE) MFL Annual Report.

The Board's report of RGVN (NE) MFL shall include composition of the CSR Committee, an annual report on the CSR, contents of the policy developed and implemented by RGVN (NE) MFL on CSR initiatives as per the format given in Annexure 1. In case entire budget is not spent in a financial year, reasons for the same shall be specified in the CSR report. The aggregate expenditure on CSR activities shall also be disclosed by way of notes to accounts.

The CSR Policy and programs will also be disclosed on the website after requisite Board approval.

## **9. Evaluation/ Impact Assessment:**

- CSR Programs will be undertaken under the defined ambit of the CSR Activities. Such activities shall be carried out by absorbing the already existing SPM activities carried out. In addition, activities/ programmes shall be developed based on need identification studies or internal need assessment or receipts of proposal/ requests etc.
- On advice of CSR committee, evaluation/ impact assessment studies based on parameter set by CSR committee on a yearly basis could be conducted.
- An annual impact assessment could be conducted by an independent third party at the absolute discretion of the CSR Committee by engaging specialized agencies like NGOs/Trusts/ Societies/ Government or Semi-Government organizations/ private agencies for any assignment, who have requisite expertise of carrying out the identified activities/ Programs;

A separate CSR Manual describing the system & procedure to be used for carrying out the CSR related activities of the organization may be drafted.

## **10. Regulatory References**

- The Companies' Act, 2013.
- The Companies' (Corporate Social Responsibility) Rules, 2014.
- The National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business of Ministry of Corporate Affairs.

Annexure 1: Reporting format to the CSR Committee and Board for disclosure in the Board's report

**The Board's Report**

1. A brief outline of RGVN (NE) MFL CSR policy, including overview of the projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
2. The Composition of the CSR Committee
3. Average net profit of RGVN (NE) MFL for last three financial years
4. Prescribed CSR expenditure (2% of the amount as given in point 3. above)
5. Details of CSR spent during the financial year:
  - a. Total amount to be spent for the financial year
  - b. Amount unspent, if any (with reasons)
  - c. Manner in which the amount spent during the financial year is detailed below

**CSR Projects/Programs listed for implementation – As presented to the Board by the CSR team at the start of the FY 2015-16**

[Ref Section 135(3)(a) and (b)]

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	Name/ Title of the CSR project or activity identified	Sector in which project is covered	Projects of programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1)Direct expenditure on projects or programs (2)Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
	<b>Total</b>			<b>Total *</b>			