

Corporate Social Responsibility Policy

1. INTRODUCTION

SMFG India Credit is committed to grow in a socially and environmentally responsible manner. With financial inclusion as our guiding business vision, SMFG India Credit aims to reach out to the under-banked and unbanked by not just providing them with financial services but also by enabling the communities with services and skills that would help improve their standard and quality of living.

Thus, SMFG India Credit's Corporate Social Responsibility (CSR) initiative aims at having a long-term sustainable impact on the community. The CSR initiatives shall, however, not directly relate to (i) the business of the Company and (ii) welfare of its employees and their families

Regulatory Framework:

The Companies Act, 2013 together with the rules notified thereunder ('the Act') and Schedule VII to the Act provides a framework for companies to define the focus areas in the CSR space. The law also guides companies to apply the scope as defined under Schedule VII liberally. Further, the Act also provides instructions on agencies eligible for implementation through which the Companies may spend its CSR expenditure

2. CSR VISION

SMFG India Credit's CSR Vision is to enable sustainable development and inclusive growth across communities through innovative socio-economic and environmental interventions, in fulfillment of its role as a socially responsible corporate citizen.

3. CSR OBJECTIVES

SMFG India Credit's CSR Initiative focusses on the three keys aspects of the community's development- social, economic and environment. To achieve long-term sustainable impact on the community, SMFG India Credit's CSR objectives are:

Advance livelihoods through

- Identification of technical expertise for guidance and facilitation of programs
- Skill development and capacity building initiatives
- Income enhancement through market linkages, across value chains

Improve the social well-being of the community through

- Health awareness and intervention programs for community
- Women- focused health interventions through awareness and implementation of programs enabling adoption of best health practices
- Education programs focusing on enhancement of knowledge leading to up-gradation of skills and empowerment.

Adoption of sustainable environmental practices through

- Promotion and adoption of environmentally sustainable practices, such as Organic Farming
- Awareness about green technology, through programs / interventions as well as adoption of green technology in company operations

4. SCOPE

The CSR Policy (the “Policy”) shall be applicable to all CSR initiatives and activities undertaken by SMFG India Credit and all its employees for the welfare and sustainable development benefit of different segments of the society at large.

This Policy is in line with the Section 135 of Act and the rules made thereunder. If the relevant provisions of the Act are amended, this Policy should be construed to have adopted such amendment from the effective date of such amendment.

The scope of the Policy has been kept as wide as possible, so as to allow SMFG India Credit to respond to different situations and challenges appropriately and flexibly, subject to the activities or subjects enumerated in Schedule VII of the Act.

5. CSR COMMITTEE

At SMFG India Credit, the CSR governance structure will be headed by a Board committee, the CSR Committee (the “Committee”), which will be ultimately responsible for overseeing all the CSR activities of the Company. The Committee will meet at least twice annually and as and when required, to review policies, discuss the budget and strategy, review project progress and set the direction for the future.

The Committee will report to the Company’s Board of Directors. The details of the composition will be hosted on the company’s website at www.smfgindiacredit.com

RESPONSIBILITIES OF THE COMMITTEE:

The responsibilities of the Committee have been codified in the terms of reference approved by the Board, which inter alia include the following:

- i. Formulating and recommending the CSR policy and any modifications.
- ii. Monitoring the implementation of the CSR policy and ongoing projects.
- iii. Reviewing and recommending the Annual Budget for CSR activities.
- iv. Formulate and recommend an Annual Action Plan detailing approved CSR projects, execution methods, fund utilization, monitoring mechanisms, and impact assessments.
- v. Ensuring transparent monitoring of CSR initiatives and reviewing expenditure.
- vi. Aligning CSR efforts with partners in identified sectors.
- vii. Conducting impact assessments via independent agencies when required and recommending these to the Board.
- viii. Finalizing the annual CSR Report and obtaining necessary approvals.
- ix. Recommending responsibility statements for the Board's report to ensure compliance with CSR objectives.
- x. Performing additional functions as delegated by the Board.
- xi. Review and recommend to the Board, the certificate submitted by Chief Financial Officer or the person responsible for financial management and the impact assessment report obtained by the Company from time to time
- xii. To do all such acts, deeds and things as deemed necessary to achieve overall CSR objectives of the Company.

For ESG, the Committee is responsible for:

- i. Reviewing and recommending the ESG policy.
- ii. Guiding and overseeing ESG strategy and implementation in coordination with the ESG Sub-Committee.
- iii. Ensuring timely ESG reporting and disclosures.

6. GOVERNANCE STRUCTURE

The Committee shall oversee all the CSR activities of SMFG India Credit with support from the SMFG India Credit CSR team.

The SMFG India Credit CSR team would further be actively involved in the implementation of projects in accordance with the guiding principles and general policies as devised by the Committee. The SMFG India Credit CSR team will implement the CSR projects in partnership with any eligible trust(s), NGO(s) or other organization(s) as recommended by the Committee, which has been discussed in Para 10 of this Policy.

The SMFG India Credit CSR team shall be responsible for implementing and monitoring the projects/activities undertaken by the Company and shall periodically report to the Committee regarding the progress of the activities/projects, as detailed in Para 11 of this Policy.

7. CSR BUDGET AND EXPENDITURE

7.1 BUDGET

The annual budget for SMFG India Credit's CSR initiative shall be recommended by the Committee and approved by the Board of Directors of the Company. The allocation of funds to specific projects/ programs will be as recommended by the Committee to Board of Directors on the suggestions of the SMFG India Credit CSR team.

7.2 EXPENDITURE

The Board shall endeavor to spend in every financial year, at least 2% of the average net profits made during the three immediately preceding financial years.

Transfer of unspent CSR amount – In case the Company fails to spend such amount or spends in excess, the unspent amount or the excess amount respectively, it shall be dealt with in accordance with the Act and Rules and requisite explanation shall be provided in the Board's Report.

In any financial year in which the Company could not spend 2% of its average net profits, the Company will transfer unspent CSR amount to an escrow account and spend in the subsequent three years and incase the amount is not spent in the three years period, the entire outstanding amount will be transferred to a fund specified by the government.

In any financial year in which the company spends an amount in excess of mandatory requirement, such excess amount may be set off against the requirement to spend in 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 this rule. (ii) the Board of the company shall pass a resolution to that effect.

The board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

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

The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by -

- 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
- beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities;

- or a public authority

8. CSR FOCUS AREAS

The CSR Project may be selected by the CSR Committee, either based on its own discretion or based on recommendations by any stakeholder or Directors. The CSR Committee, while formulating the Annual Action Plan and recommending it to the Board, will accord priority to projects in the Areas of Interest of the Company as specified below.

All CSR activities covered under this Policy shall be carried out within India and preference shall be given to the local area and areas around it where the Company operates. However, the Company may engage international organizations for designing of the CSR projects or programs as well as for capacity building of their own personnel for CSR.

CSR FOCUS AREAS & CORRESPONDING PROGRAMS



Notwithstanding the listing of the Priority Projects, other focus areas as may be reviewed and included by CSR Committee, from time to time, in line with provisions of Act and in line with the emerging societal circumstances and in consideration of changing national priorities of the government may be taken up by the Board.

9. IMPLEMENTATION PROCESS

- SMFG India Credit's CSR projects and programs will be undertaken based on CSR Policy as recommended by the Committee, which shall either be based on its own discretion, or based on suggestions of the SMFG India Credit CSR team.
- SMFG India Credit CSR programs will be implemented through eligible trust(s), NGO(s) or other organization(s) (hereinafter collectively referred to as "Specialised Agencies"), provided such Specialised Agencies are eligible for carrying out the CSR project. The Company will select its partners after appropriate due diligence and through a partner evaluation matrix.
- Employee volunteering in execution, monitoring and evaluation of CSR programs is one of the key pillars for SMFG India Credit implementation strategy.
- The time period/duration of each program shall be fixed by the SMFG India Credit CSR team and presented to the CSR Committee. The disbursement by the Company to the Specialised Agencies shall be made only upon receipt of proposal along with budget and implementation schedule, and in tranches in order to ensure that the amount does not lie unspent with the Specialised Agencies.
- The specialised agencies shall keep the CSR team informed who in turn will keep the CSR committee and Board informed about any information or circumstances that will affect the ability of the agency to carry out the CSR project or programme.
- The Company will enter into partnerships with the government, civil society, social enterprises and communities to create multiplier effect of its social projects.
- Baseline survey and needs assessment would be undertaken for all the new projects.
- In case of ongoing project, the Board shall 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 carry out impact assessment
 - If the average CSR obligation is of Ten Crore rupees or more in the three immediately preceding financial years, this is in pursuance of subsection (5) of section 135 of the Act
 - Impact assessment shall be conducted through an independent agency, for 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.
 - The company may book the expenditure on impact assessment towards Corporate Social Responsibility for that financial year ensuring that it will not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.
 - Impact assessment report shall be placed before the board and shall be annexed to the annual report on CSR.

- The outcome of impact assessment and progress reports submitted will be taken into consideration while engaging the Specialised Agencies for subsequent CSR projects and programmes and while finalizing the annual action plan for the subsequent year.

10. CARRYING OUT OF CSR ACTIVITIES THROUGH EXTERNAL SPECIALISED AGENCIES

In case the Committee decides to execute a CSR project through an external Specialized Agency, the SMFG India Credit CSR team would adhere to the guiding principles for identifying the Specialized Agency as per the CSR Partner Evaluation Matrix:

- The Agency must be eligible for carrying the CSR Project, and must have track record in carrying similar project for a period to the satisfaction of the Committee, but not less than 3 years. Subject to the above, any director of the Company may be associated/ affiliated as a trustee, governing body member or in any other manner with the Agency, provided that no personal benefit, directly or indirectly, should flow from such Agency to any such director.
- The SMFG India Credit CSR team will provide specific Project agenda, targets, target spending, accomplishments, manner of execution, etc. to the Specialised Agency and will further report to the CSR committee.
- The disbursement of funds to the Specialised Agency must be done on a progressive basis to align with the funding needs of the Project, and to permit the evaluation of the activity carried so far.
- The Agency must provide periodic reports, to SMFG India Credit CSR team which will further report to the CSR committee

11. MONITORING & REPORTING

11.1 Monitoring & Evaluation

The Committee shall institute a well-defined monitoring and evaluation mechanism through the SMFG India Credit CSR team to ensure that each CSR programme fulfils the following:

- Clear objectives developed out of the societal needs that are determined through baseline studies and research
- Clear targets, timelines and measurable parameters, wherever possible
- A progress monitoring and reporting framework that is aligned with the requirements of the Act and the Rules framed thereunder.

- The SMFG India Credit CSR team would have the responsibility of monitoring approved projects and funds disbursements for such projects. The monitoring responsibility would include visits, meeting and regular project status reports to the Committee.
- The Committee shall periodically monitor and evaluate the performance of the projects and achievement of targets including the spending thereon.
- In case of ongoing project, the monitoring shall be with respect to implementation of the project with reference to approved timelines and year-wise allocation.
- Where the Committee has failed to spend the allocated amount or failed to meet the timeline for execution of its projects, the Committee shall furnish to the Board of Directors the reasons for the same.

11.2 REVIEW & REPORTING

The SMFG India Credit CSR team will regularly share reports with the Committee on the CSR projects undertaken and will also ensure annual CSR reporting in the format prescribed under the CSR rules and form part of the Company's Annual Report, which will also be uploaded on the Company's website.

Where the CSR amount spent results or resulted in creation or acquisition of capital asset, the Company shall confirm to the CSR Committee about the entity holding the capital asset in accordance with the Rules.

The Chief Financial Officer of the Company shall submit a certificate to the Board on the utilization of funds disbursed for the purposes and in the manner as approved by Board.

12. AMENDMENT/MODIFICATION

Amendments to the CSR Policy, if any, shall be considered by the Board of Directors of the Company, based on the recommendations of the CSR Committee. This Policy has been made as per the provisions of the Act and the Rules made thereunder ('Applicable law'). Any amendments in the Applicable Law, including any clarifications/ circulars of relevant regulator, if mandatory, shall be read with this Policy such that the Policy shall automatically reflect the contemporaneous Applicable Law at the time of its implementation.