

Suryoday Small Finance Bank Limited

Corporate Social Responsibility Policy

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1. Introduction and Background

- 1) SSFB (The Bank) was set up with the objective of, inter alia undertaking basic banking activities of acceptance of deposits and lending to unserved and underserved sections of the society including small business units, small and marginal farmers, micro and small industries and unorganized sector entities.
- 2) The Companies Act, 2013 (the Act) contains provisions with respect to Corporate Social Responsibility (CSR) and the term "CSR" as per the Companies (Corporate Social Responsibility) Rules, 2014 includes, but is not limited to:
 - i) Projects or programs relating to activities specified in Schedule VII; or
 - ii) Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR & ESG Committee as per the declared CSR policy subject to the condition that such policy covers activities enumerated in the said Schedule.
- 3) The CSR Policy of the Bank means this Policy document, containing the approach and direction given by the Board, taking into account the recommendations made by the CSR & ESG Committee of Board, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.

CSR Vision Statement:

The Bank, as part of its social responsibility, endeavors to positively contribute towards the economic, environmental and social well-being of the unserved and underserved sections of the society, thereby contributing to achieving inclusiveness in their growth and improving the quality of their lives.

2. Objectives of the CSR Policy

The following are the objectives of formulating the CSR Policy:

- To comply with the statutory and regulatory requirements pertaining to corporate social responsibility.
- To lay down the approach and direction for undertaking CSR activities and to lay down the CSR governance structure within the Bank
- To outline the guidelines for selection and implementation of CSR programs/projects by the Bank
- To lay down a review mechanism for monitoring the progress of CSR projects/ programs and implementation of CSR policy by the CSR & ESG Committee.

3. Governance Structure

The Bank shall have a 3tier governance structure for the CSR activities comprising of the Board of Directors of the Bank (the Board), CSR & ESG Committee and the Head-CSR. The roles and responsibilities of each of the tiers are as mentioned below:

A. The Board:

The Board of the Bank shall:

- i) duly constitute the Corporate Social Responsibility Committee (CSR & ESG Committee) in accordance with the provisions of the Act and it shall review the composition and terms of reference of the CSR & ESG Committee as and when required.

- ii) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the Bank and disclose the contents of such Policy in its Report and also place it on the Bank's website, if any, in such manner as may be prescribed; and

iii) Implementing Agencies

- a) A company established under section 8 of the Act or a registered trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 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.
- d) a company established under section 8 of the Act or a registered 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.

Any entity as listed in (a) to (d) above which intends to undertake any CSR activity shall register itself with the Central Government by filing the prescribed form with effect from April 01, 2021 and obtain a CSR Registration Number.

- iv) Ensure that the Bank spends, in every financial year, at least two percent of the average net profits of the Bank made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility activities:

Provided that the Bank, shall give preference to the local area and surrounding areas where it operates, for spending the amount earmarked for Corporate Social responsibility activities:

- v) The Board of the Bank shall satisfy itself that the CSR funds have been utilised for the purposes and in the manner as approved by it and obtain a certification from Chief Financial Officer to that effect.
- vi) The Board of the Bank shall monitor the implementation of the CSR projects with reference to the approved timelines and year-wise allocations. (both ongoing and one-time).

"Ongoing Project" means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.

"One time Project" means project undertaken by the Bank in fulfilment of its CSR obligation having timelines of single Financial Year.

If for any reason, the Bank fails to spend the required amount for its CSR activities, the Board shall ensure that the provisions of section 135 of the Act in this regard are adhered to and relevant reporting is included in its Report to the shareholders, giving such details as are required to be given under the provisions of the Act.

Where the Bank fails to spend the minimum CSR expenditure and such unspent amount is not pertaining to any ongoing project, the said amount shall be transferred to a Fund specified in Schedule VII of the Companies Act, 2013 within six months of the financial year.

Where the said unspent amount is pertaining to an ongoing project, it shall be transferred, within 30 days of the end of the financial year, to a special account opened by the company with a scheduled bank – Unspent CSR Account. The said amount shall be spent towards permitted CSR activities within three

financial years from the date of transfer failing which it should be transferred to a Fund specified in Schedule VII of the Act within 30 days from completion of the third financial year.

B. CSR & ESG Committee

The CSR & ESG Committee shall comprise of three or more Directors including at least 1 Independent Director.

The CSR & ESG Committee is the governing body that shall define the scope of CSR activities for the Bank and approve and implement the CSR policy as well as review the Policy as and when required. The CSR & ESG Committee will report to the Board of Directors.

The functions of CSR & ESG Committee shall be as under:

- a) formulate and recommend to the Board a CSR Policy which shall outline the CSR principles of the Bank and the core areas of CSR activities to be undertaken by the Bank as specified under Schedule VII of the Act
- b) Review and recommend the CSR budget on an annual basis for approval of Board
- c) To recommend the implementation agency as specified in point A (iii).
- d) formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely
 - i. To recommend the list of CSR projects or programmes, as specified in point A (v) that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act.
 - ii. the manner of execution of such projects or programmes
 - iii. the modalities of utilisation of funds and implementation schedules for the projects or programmes
 - iv. monitoring and reporting mechanism for the projects or programmes; and
 - v. details of need and impact assessment, if any, for the projects undertaken by the company:

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR & ESG Committee, based on the reasonable justification to that effect.
- e) review the CSR Policy as and when required.
- f) Review and recommend the CSR Report to the Board of Directors on an annual basis.

C. Head – CSR:

The Head of the CSR Department shall report to the CSR & ESG Committee on the CSR activities undertaken by the Bank and the status of achievement of the CSR plan of the Bank. The prime responsibility of the Head of CSR Department shall be to review the progress of the CSR activities and ensure that the progress is in line with the CSR plan as approved by the Committee. If there are any shortfalls or challenges in implementation, the Head of CSR Department shall report the same to the CSR & ESG Committee who shall suggest appropriate action to be taken.

4. CSR Principles of the Bank

Identification of CSR activities and formulation of the CSR Plan of the Bank will be based on the following principles:

- **Sustainability**

The Bank shall use resources optimally and shall strive to be internally efficient and responsible. The Bank shall regularly review and improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical and environmental considerations. The Bank shall promote sustainable consumption and support recycling of resources.

- **Accountability**

The Bank shall follow ethical conduct in all its functions and processes and shall promote a culture of integrity and ethics throughout the organization. The Bank shall ensure that all mandatory disclosures are made transparently and fairly and must communicate decisions and ensure access of information to all stakeholders. The Bank shall not engage in practices that are abusive, corrupt or anti-competition.

- **Promotion of human rights and respect interests of all stakeholders, especially the disadvantaged, vulnerable and marginalized**

The Bank shall integrate respect for human rights in management systems in particular through assessing and managing human rights impact of operations and ensuring that all individuals have access to appropriate grievance mechanisms. The Bank shall follow a system to identify its stakeholders particularly those who are disadvantaged or vulnerable, understand their concerns,

define the purpose and scope of engagement, and commit to engaging, with them. The Bank shall be transparent about its policies, products, and services to its stakeholders.

- **Environment protection**

The Bank shall utilize natural and other resources responsibly and ensure recycling of resources, wherever applicable. The Bank shall develop Environment Management Systems and contingency plans and/ or processes that help in preventing, mitigating, and controlling environmental damages and disasters which may be caused as a result of its operations. The Bank shall take appropriate measures to conserve and protect the environment.

- **Inclusive growth and equitable development**

The Bank shall recognize the challenges of the social and economic development and shall build upon the development agenda as articulated in government policies and procedures. The Bank shall make efforts to complement and support the development priorities at local and national levels and provide for appropriate resettlement and rehabilitation of communities who have been displaced.

5. CSR Activities of the Bank

The Bank shall constantly strive to ensure strong corporate culture which emphasizes on integrating CSR values with business objectives. While the Bank's CSR activities shall focus on the following five key areas with an objective to holistically improve the quality of lives of the underserved through social development projects, the CSR & ESG Committee / Board may decide any other CSR activity as specified under Schedule VII to the Companies' Act, 2013.

- **Community infrastructure development projects**

Minor construction and renovations such as bus stands (waiting sheds), public parks, schools and anganwadis, public toilets, water connections and public taps, public library, Construction of foot over bridges, reconstruction / renovation of existing damaged infrastructure etc.

- **Environmental Projects**

Ensuring environmental sustainability, recharge-pit for bore wells, solar lamps at public places, quality of soil, air, and water, encouraging communities to plant saplings which helps in maintaining the ecological balance, improving general living and health conditions of communities.

- **Public amenities, Health and Hygiene**

- a. Providing safe drinking water facility at public places (bus stand, schools, hospitals etc.),
- b. Undertaking primary healthcare camps. Undertaking projects to improve public health and hygiene (supporting PHCs & maternity homes, cleaning public places, clearing garbage dumps, providing dust bins, improving drainage, area spraying for Malaria, Chikungunya, Dengue, etc.)
- c. Provide linkage to various schemes, benefits or support offered by Government and/or private health care agencies
- d. Conducting public awareness programs on health and hygiene.
- e. Conducting Health Camps in collaboration with local hospitals.
- f. undertake preventive healthcare projects.

- **Promoting Education**

Providing facilities in schools & Anganwadis, Initiatives for educating the Girl child, merit scholarships for technical education, conducting financial literacy programmes for adult population with special focus on women empowerment.

- **Promoting Employability Skills**

Undertaking upskilling programs for those with basic education with the objective of making them employable, employment enhancing vocational skill training for women,

- **Social Welfare**

Promote gender equality, conduct programs for empowering women, undertake relief programs and facilities

The abovementioned activities are identified as the main areas for undertaking the CSR projects/ programs by the Bank and actual distribution of funds will be determined based on the identification of specific needs from time to time.

The Bank supports employee involvement in CSR by encouraging participation in volunteering activities. These initiatives benefit our communities while simultaneously enhancing employee engagement at the Bank.

6. CSR Funds

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

- 2% of the average Net Profit made by the Bank during immediately preceding three Financial Years.
- Any income arising therefrom.
- Surplus arising out of CSR activities carried out by the Bank (such surplus will not be part of business profit of the Bank).

The “Net Profit” means the net profit of the Bank’s 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 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:

The allocation of CSR funds towards one or more of the CSR activities as identified above shall be decided by the CSR & ESG Committee 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 Bank and redeployed for such activities.

If the Bank fails to spend the prescribed CSR amount of any financial year, the Board shall, in its Board Report shall specify the reasons for not spending such amount. For any unspent amount remaining against the prescribed CSR amount, the Board of the Bank, on the recommendation of the CSR & ESG Committee can choose to carry forward the unspent amount to the subsequent three financial years, provided it is over and above that year's prescribed CSR spend and should follow the following provisions:

- a) Any unspent amount towards any ongoing CSR programme shall be transferred by the Bank within a period of thirty days from the end of the financial year to a special account to be opened by the Bank in respect of that financial year in any scheduled bank in the name of the Bank with a suffix 'Unspent CSR Account–Financial Year'.
- b) Such unspent amount towards the ongoing CSR programmes shall be spent by the Bank within a period of three financial years from the date of such transfer from the said account, failing which, the Bank shall transfer any remaining unspent balance of such account at the end of the third financial year to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

Similarly, in case, if the Bank spends any amount in excess of the prescribed CSR spends in a financial year, then the same can be set off against the prescribed CSR spent in the immediately three succeeding financial years, provided that the excess amount spent / available for set-off shall not include the surplus arising out of the CSR activities and the Board of the Bank shall pass a resolution to that effect. Further, any surplus arising out of the CSR activities shall not form part of the business profit of the Bank any kinds of income accrued by way of CSR activities shall be ploughed back into the same CSR programmes or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR Policy and annual action plan of the Bank 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.

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:

- i) activities undertaken in pursuance of normal course of business of the Bank
- ii) any activity undertaken by the Bank outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level
- iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act
- iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019)
- v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services
- vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India

Funds would be disbursed either in tranches or as one-time payment. The terms, conditions and timing of disbursement would be conditional upon the nature and requirement of the CSR project or programme.

Administrative overheads mean 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.

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

7. Monitoring and reporting requirements

CSR monitoring:

The CSR & ESG Committee would be responsible for monitoring CSR initiatives, progress on approved projects and shortfalls in achieving the CSR plan, if any.

The Head-CSR shall provide a half-yearly progress report to the CSR & ESG Committee, which would inter alia include the following:

- I. Details of CSR projects undertaken including geographies of implementation
- II. Year-to-date achievement in terms of coverage and beneficiaries
- III. Actual year-to-date spends compared to the budget and reasons for variance.
- IV. Program-wise expenditure with respect to CSR projects.
- V. Disclosures on corporate social responsibility as required to be incorporated in the annual results.

The CSR & ESG Committee may also call for details with respect to achievement since last progress report in terms of coverage compared to the target and provide the required support in terms of plans to overcome shortfalls, if any. The CSR & ESG Committee shall review the CSR activities at least twice a year including an annual review.

The CSR & ESG Committee shall be responsible to report to the Board on the status of achievement of the CSR initiatives and its activities on annual basis. The Committee shall also report significant CSR activities and achievements in the Director's Report.

The CSR & ESG Committee at its discretion, shall also commission evaluation status of the impact of CSR activities and place its findings before the Board of Directors.

CSR Reporting:

The Board's report of the Bank shall include composition of the CSR & ESG Committee, an annual report on the CSR, contents of the policy developed and implemented by the Bank on CSR initiatives as per the format given in the CSR Rules prescribed under the Act and as applicable for the Bank.

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

Impact Assessment:

- 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.
- 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.

The impact assessment report for each such CSR Project/Program shall be placed before the Board for its review.

8. Policy Review and Updates

The Board approved policy shall be reviewed by CSR & ESG Committee/ Board of Directors as and when required or at least annually for incorporating regulatory updates and changes, if any. The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. In case of any conflict between this Policy and applicable law(s), the applicable law(s), as existing on the date of the concerned transaction, shall prevail.

9. Regulatory References

- Companies' Act, 2013.
- Companies' (Corporate Social Responsibility) Rules, 2014

National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business of Ministry of Corporate Affairs.