

NABARD FINANCIAL SERVICES LIMITED

[Subsidiary of National Bank for Agriculture and Rural Development]

NABFINS Corporate Social Responsibility Policy

1. Backdrop:

NABARD Financial Services Limited, [NABFINS] is a subsidiary of National Bank for Agriculture and Rural Development (NABARD) and has started its operations in 2009-10 after its change of name (KADFC to NABFINS in 2008) with the objective to ensure that the various maladies found in the NBFC- MFI sector such as lack of transparency in accounting and disclosure, high transaction cost, lack of diversification in products, increased rates of interest, coercive collection practices etc. are sought to be eliminated by establishing a fair and transparent Micro Finance Institution.

NABFINS meets the criteria for undertaking the mandatory CSR Activities corresponding to the provisions specified in the Companies Act 2013 coming to effect from April 01, 2014.

Accordingly the detailed CSR Policy of the Company is hereby formulated and appended as under:

2. Objective

The CSR policy aims to lay down norms to enable the Company to contribute to the society through the activities it envisages from time to time.

3. Title

1. The policy framed hereunder may be called as “NABFINS’ Corporate Social Responsibility Policy” / NCSRPP
2. It shall come into force with effect from April 01, 2014

4. Definitions

In this Policy, unless the context otherwise requires:

1. “Act” means the Companies Act, 2013;
2. “Rules” means the Companies (Corporate Social Responsibility) Rules, 2014 and any modifications and/or re-enactment made thereof from time to time;
3. “CSR Policy” means a policy framed by the Company under the provisions of section 135 of the Companies Act, 2013, the Companies (Corporate Social Responsibility) Rules, 2014, Schedule VII to the Companies Act, 2013 and any other applicable provisions of the Companies Act, 2013 and any modifications, re-enactment made thereof from time to time;
4. “NABFINS” means NABARD Financial Services Limited;
5. “The Company” / “Company” means NABFINS;
6. “Board” means the Board of Directors of NABARD Financial Services Limited;
7. “Managing Director” / “MD” means the Managing Director of NABARD Financial Services Limited;

8. "CSR" / "Corporate Social Responsibility" means the projects or programs relating to activities undertaken by the Board of the Company in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the Company;
9. "CSR Committee" means the Committee of the Board on CSR constituted under the provisions of section 135 of the Companies Act, 2013 and includes any reconstitution thereof from time to time;
10. "CSR Team" means the group of the Company's personnel formed for the purpose of effective implementation and accomplishment of the CSR activity(ies) under the Company's CSR Policy;
11. "B&DC" means Business and Development Correspondent – Existing NGO partners of NABFINS
12. "Agency" means an NGO/Trust/Society/CMRC/any such bodies who will be chosen as an implementation partner
13. "Net Profit" means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Companies Act, 2013;

5. CSR Activities

CSR activities taken up by the Company shall include the activity / activities amongst and relating to the list provided and enumerated under the Companies Act, or any relevant act/provisions as envisaged by the Government of India from time to time.

The activities according to the Schedule VII under the Companies act are:

- i. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- ii. promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- iii. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
- v. protection of natural 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 arts and handicrafts;
- vi. Measures for the benefit of armed forces veterans, war widows and dependents;
- vii. Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;

- viii. 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, Scheduled Tribes, other backward classes, minorities and women;
- ix. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- x. Rural Development Projects.

6. CSR Activities to be undertaken by the company:

Looking into the reach NABFINS has in the field and the delivery channel of the activities to be undertaken, NABFINS would focus on the following broad areas as stipulated under the Companies Act, 2013:

1. **Health and Sanitation:** Promoting preventive health care, sanitation and making available safe drinking water by the way of organizing health camps, promoting health awareness, building sanitation infrastructure, drinking water structures, etc., in the villages.
2. **Ecology & Environment:** Conservation of natural resources by following eco-friendly practices both within the Company and promoting eco-friendly practices in major cities and towns where NABFINS has its presence.
3. **Promotion of Education:** Distribution of Text books/uniforms in public school.
4. **Skill Development Training:** Employment enhancing skills development training programs for community.
5. **Promotion of Gender Equality / Woman Empowerment:** Organizing Street plays, workshop for women capacity building etc.
6. **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, Scheduled Tribes, other backward classes, minorities and women.

Any other activity related to the above mentioned broad areas may be included by the CSR Committee. The activities will be reviewed at regular intervals. The above areas may be amended with the change in the CSR stipulations by Government of India after prior approval from the Board.

The CSR policy will adhere to the following basic principles

1. The identified CSR activities will be implemented in such a way that they do not directly contribute to the business of NABFINS in order to uphold the spirit of CSR and avoid conflict of interest.

2. Utmost care will be taken while selecting the agencies for implementing the CSR projects so that the agencies directly connected with business of NABFINS are avoided.
3. It will be ensured that CSR activities are beneficial to the community and benefits are available on long term basis.
4. Preference will be accorded to the projects in the area of operation of NABFINS

7. NABFINS CSR Team

The Company would constitute CSR team comprising of not less than 3 members headed by Assistant General Manager or Deputy General Manager or General Manager. The team would meet whenever required and submit reports on progress of implementation of the CSR activities to the CSR committee.

The responsibility of the CSR team would be as given under:

1. Identifying and proposing projects from the broad areas specified at para 6 to the CSR Policy to the Managing Director for sanction
2. Identification of delivery mechanism for a given activity
3. Preparing timeline and estimated expenditure for a particular activity
4. Identification of implementing agency and allotting the project after sanction
5. Framing terms of reference for implementation of a given activity
6. Proper and timely utilization of the CSR fund earmarked by the company

The CSR team would also be responsible for facilitating CSR audit in the company and is responsible for any finding related to deviations from the CSR policy of the company. The team would perform any other responsibilities as may be defined from time to time by the Managing Director.

8. CSR Reporting:

The Company shall report the details of CSR Program or projects undertaken under its CSR policy to the CSR committee of the Board and thereafter for disseminating the same to the Members of the Company together with the Annual Report in the format prescribed in the Companies (CSR) Rules, 2014 (Format annexed). Progress under CSR will be placed before the Board at regular intervals.

9. CSR Budget:

The Company shall in each financial year earmark an amount not less than 2% of its average net profit made during the 3 immediately preceding financial years for undertaking its CSR activity/ activities approved by the Board on the recommendation of the CSR Committee.

10. Implementation Process:

The Managing Director of the Company shall ensure a transparent mechanism for implementation of activities under CSR projects or programs undertaken by the Company and shall report the status of the same to the CSR Committee for its assessment every quarter.

11. Selection of implementing agency:

The CSR projects of NABFINS will be implemented through external agencies which can a registered entity like Trust, Cooperative, Company, NBFC, Bank etc. or un-registered entity like SHG, Farmers' Club, JLG, Producer Collective etc. CSR Projects can also be implemented through Panchayats, Anganwadi Centers, and School Committees etc. The CSR team shall contact the relevant institutions in the particular area/locality and select the agency based on the following criteria:

1. Reach in the field (number of projects implemented earlier, their interaction with SHGs/people in the field)
2. Availability of infrastructure (training center, etc.,)
3. Availability of qualified staff and number of staff to undertake the activity
4. Experience in undertaking similar projects

Once the CSR team shortlists the agency for a particular activity, it would submit the same to the Managing Director for sanction. On approval, the timelines for implementation of the project will be given to the agency. Money will be released as per mutually agreed terms. The staff of NABFINS from field or Head Office or both will monitor the progress of the project. A project completion report and utilization certificate will be obtained from the implementing agency before release of last installment.

12. Information Dissemination:

The Company, after taking into account the recommendations of the CSR Committee and the approval of the Board thereafter, shall display the CSR activity of the Company on its website.

The Company's engagement in CSR Policy shall be disseminated on its website, annual reports and if required through other communication channels.