



**CORPORATE
SOCIAL
RESPONSIBILITY**



“Values are like finger prints,
Nobody’s same
but you leave them all over
everything you do.”

CSR POLICY

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Contents

1.0 Introduction.....	2
2.0 Preamble.....	2
3.0 Governance	2
3.1 CSR Committee & its functions	3
3.2 CSR Department	3
4.0 Procedure for selection of area and CSR activities to be undertaken.....	4
5.0 CSR Budget.....	4
6.0 CSR Projects and Programs.....	4
7.0 CSR Expenditure	5
8.0 CSR Reporting.....	5
9.0 Annexure -1(List Reporting of projects and program).....	6
10.0 Annexure -2 (Reporting).....	8

CSR Policy of SONATA

1.0 - Introduction

Sonata Finance Pvt. Ltd (hereafter referred as “The Company”) is a micro finance institution (MFIs) registered as Non Banking Financial institution (NBFC) under the Reserve Bank of India Act under Section 45IA, replicating the original Grameen approach working with a vision to help and build a society that offers an opportunity to develop the minimal socio-economic conditions needed to live a life of dignity. The Company has set itself a mission to " identify and motivate poor women in a cost-effective way and deliver them micro finance services in an honest, timely and efficient manner" and commits to be professionally managed, operationally sustainable and financially profitable, Providing financial resources to enable poor women of rural, semi urban and urban communities to come out of poverty and get connected with formal financial institutions. The ambition of the Company is to ensure that at least 50% of people who enter the program cross the poverty line within 5 years of participation in the program. The Companies Act, 2013 mandates every company having a Net Worth of 500 crores or more or having a turnover of Rs. 1000 crores or more or a Net Profit of Rs. 5 crores or more during the immediately preceding financial year to spend in every financial year at least 2% of its average net profits of immediately three preceding financial years. The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

2.0 - Preamble

The CSR activity through which the company defines its relationship with the common stakeholders and the community for the social and the environmental good aims to work towards the elimination of all barriers for the social inclusion of disadvantaged groups – such as the poor, socially backward and financially excluded group of persons. CSR activities are carried out in an environmentally friendly manner. The company will give special preference to the local areas and areas where it operates for spending the amount that is earmarked by the CSR Committee. The CSR policy will serve as a guiding document and help the Company to identify, monitor

and execute the CSR projects and keep it within the spirit of this policy. This policy will act as a self regulating policy and will comply with all the provisions of Section 135 of the Companies Act, 2013.

3.0 - Governance

The CSR Committee of the board will provide necessary guidance to the company in meeting the objectives of the CSR policy. The Committee shall recommend the changes in the policy, if any, to the Board of Directors for its approval. There will be a three tier structure in the organization.

The same will be administered and executed by the CSR department of the Company.



3.1- CSR committee and its functions

The CSR committee has been constituted in compliance with the provisions of the Section 135 of Companies Act, 2013 read with Rule 5 of Companies (Corporate Social Responsibility Policy) Rules 2014. The Committee shall at all times consists of at least 3 directors out of which atleast one shall be an Independent Director.

The Committee shall meet atleast once in a year and as frequently as circumstances require during a Financial year. The functions of the committee shall be as follows:

1. To Formulate and recommend to the Board the CSR policy and recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company as mentioned in **Annexure -1**
2. To monitor the implementation of the CSR policy and performance.
3. To review the CSR projects which are undertaken from time to time.
4. To review the legal and regulatory provisions as prescribed for CSR.
5. To review the reporting and communication of the CSR activities to stakeholders.

3.2 -CSR Department

The department will undertake the following functions:

1. Implement the CSR policy.
2. Identify the Key result areas and the performance indicators. Explore and recommend the proposals and the activities as described in Annexure-1 and establish a mechanism and strategy to engage employees and the operation team.
3. To study the areas earmarked for CSR activities, explore CSR requirements and submit the report to the committee.
4. To design a work flow of the CSR initiative undertaken specifying the Targets and the budget of the activity and ensure that the same is done within the respective time period.
5. Release the sanctioned fund.
6. Monitoring of CSR projects to establish effectiveness of CSR efforts.
7. Compilation of Information & Preparation of reports on CSR activities and maintain the record of the same and present the same to the CSR Committee or any other authorities. This team will also ensure the compliance of the disclosure of activities in the Board's Report and web-site of the Company.
8. Organize Training programs for CSR staff.
9. Hiring or outsourcing expert team, if required for executing any CSR activity.
10. Any other activity necessary to ensure achievement CSR mission and also do media planning for the projects undertaken.
11. To establish a mechanism and strategy to engage employees and motivate them for CSR initiatives
12. Achieve the target and execute the CSR projects by identifying the projects, assessment of the person, place and function.
13. Take initiative and implement the CSR projects as identified
14. Own the CSR Programs implemented and monitor effectiveness of CSR initiative delivery.
15. Any other work which may be assigned from time to time.

4.0 - Procedure for selection of area and CSR activities to be undertaken

The Company does the need-based assessment of the villages in/near our operational area through our field personnel who are aware of the local needs in consultation with village panchayat/ Local Administration.

These field personnel then send all such small projects to the Zonal Managers who will scrutinize and consolidate the same before forwarding it to the CSR Department at the Head Office.

The department will study each project and expenditure involved in the execution of the same. Once this is done the final report should be ready indicating the following:-

1. Location: where projects are to be undertaken
2. Project wise work to be done in detail
3. Expenditure involved in the execution of the same.

While finalizing the report Sonata shall consider the following:

1. Activities which create durable assets should be preferred
- 2.
3. CSR activity should be undertaken in fewer number and concentrated efforts are to be made for their execution which shall have a lasting impact.

Keeping in mind the above points a final report shall be prepared by the CSR department for placing the same before the management/CSR committee.

5.0 - CSR Budget

On the basis of the CSR activity plan the CSR committee shall recommend the Budget for the CSR activities to the Board. The committee shall ensure that at least 2% of the average net profit of the company made during the three immediately preceding financial years, as prescribed in Section 135 of the Companies Act, 2013, is utilized for its CSR activities in pursuance of its Corporate Social Responsibility Policy. In case the company fails to spend such amount, the CSR committee of the board shall be required to mention the reasons for not spending the amount in the annual report of the company. The average net profit will be calculated as per Section 198 of the Companies Act, 2013 but shall not include the following, namely:

(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.

6.0 - CSR Projects and Programs

The list of the CSR projects and program which the company plans to undertake are specified in the Annexure 1 to the policy. The CSR activities shall not include the activities undertaken in pursuance of normal course of business of a company. The activities covered by a company in its Policy are related to the areas or subjects specified in Schedule VII of the Companies Act, 2013. Such programs shall be regularly monitored and the surplus arising out of the CSR projects or program or activities shall not form the part of the business profits of the company.

7.0 - CSR Expenditure

The CSR expenditure must be strictly in conformity of the projects and programs as mentioned in the *Annexure -1* and should not relate to any other line of activities.

8.0 - CSR Reporting

- a) The Board Report of the respective Financial year will contain the report in the prescribed format
- b) The CSR head will maintain record of the CSR activity in the said prescribed format enclosed in *Annexure 2*.

Such CSR activities must be displayed on the website.

The above policy has been approved in accordance with the applicable laws and rules of the Companies Act, 2013. Any regulatory amendment, in relation to CSR activities, contained in the Companies Act 2013 or any rules thereof shall have the effect of suo-motto amendment of the policy.

Annexure-1 -List of approved projects and programs of CSR activities

1) Eradicating hunger, poverty and malnutrition (promoting health care including the preventive health care) and sanitation [including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available the safe drinking water;

Activities covered under this head may be: -

- a) Construction of toilets, health centres and dispensaries.
- b) Distribution of hygienic food on designated days.
- c) Sponsoring Food at schools.
- d) Establishing Hand pumps, water purifiers etc.
- e) Cleaning of the water storage and rivers, tube wells in the local areas to ensure that clean water is available for people.
- f) Health camps and free medicine distributions.
- g) Organizing Blood donation camps and setting blood storage units.
- h) Facilitating for free ambulances.
- i) Any other activity which satisfies the criteria of point 1 mentioned as above.

2) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and differently abled and livelihood enhancement projects;

Activities covered under this head may be:-

- a) Child and women education programs.
- b) Adult education centres.
- c) Vocational and technical training programs for setting up small business and earn lively hood.
- d) Constructing and furnishing schools.
- e) Training programs for the farmer for the crop development and other scientific methods for irrigation and cultivation and creating market linkages for them.
- f) Setting up skill development centres.
- g) Setting weather reporting equipments in villages to facilitate the farmers for crop planning.
- h) Any other activity which satisfies the criteria of point 2 mentioned as above.

3) 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 citizen and measures for reducing inequalities faced by socially and economically backward groups;

Activities which may be covered under this head are as follows:-

- i) Setting up old age homes.
- ii) Setting up orphanages.
- iii) Setting up working women hostel, day centers where they can leave their child and go.
- iv) Educating the women folk about their rights.
- v) Any other activity which satisfies the criteria of point 3 mentioned as above.

4) Ensuring the 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 (including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga).

5) Protection of national heritage, art and culture including restoration of the buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art & handicraft

6) Measures for the benefit of armed forces, veterans, war widows and their dependants;

7) Training to promote the rural sports, nationally recognized sports, Paralympics and Olympic sports;

8) Contribution to the prime minister national relief fund, PM CARES Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of scheduled caste ,the schedule tribes and the backward classes, minorities and women;

9) Contribution or funds provided to technology incubators located within the academic institutions which are approved by the Central Government;

10) Rural Development projects.

11) Slum area development.

The term `slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force

Annexure -2 : REPORTING FORMATS

a) Board report format (prescribed by Act) to be

1	2	3	4	5	6	7	8	9
S r .	CSR Project or activity identified	Sector in which the Project is covered	Projects or Programs - specify the State /Union Territory where the Project/ Program was undertaken	Projects or programs - Specify the district where projects or programs was undertaken	Amount outlay (budget) project or programs wise (in Rs.)	Amount spent on the projects or programs (in Rs.)	Expenditure on Administrative overheads (in Rs.)	Mode of amount spend

B) Monthly Report (To be prepared by the CSR Department of the Company)

Date	Nature of activity	Status of the project	Location	Name of internal team Of CSR Central team involved in project	Name of internal team Of CSR operation team involved in project	Outsourcing team involved in the project

C) Maintenance of the scrap book-for photographs: 5(five) photographs for each activity should

be maintained (both hard & Soft)

(Mentioning Name, Place and persons)

D) Record of media clippings, if any, in register.