



**Corporate Social Responsibility (CSR) Policy
Lendingkart Finance Limited**

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Revision Summary

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1	New Policy	Board of Directors	August 20, 2020
2	Restatement of Policy	Board of Directors	February 10, 2022
2	Review (No changes proposed)	Board of Directors	February 14, 2023
3	Amendment to align with extant laws	Board of Directors	February 6, 2024

CONTENTS

1	Introduction	Page 4
2	CSR Vision	Page 4
3	CSR Objectives	Page 4
4	CSR Focus Area	Page 5
5	Scope	Page 5
6	CSR Committee	Page 5
7	Governance Structure	Page 7
8	CSR Budget and Expenditure	Page 7
9	Implementation Process	Page 8
10	Carrying out of CSR activities through external specialized agencies	Page 9
11	Monitoring & Reporting	Page 10
12	Amendment / Modification	Page 11

1. INTRODUCTION

Lendingkart Finance Limited (Lendingkart) is committed to grow in a socially and environmentally responsible manner. Lendingkart's aim is to finance the Micro, Small and Medium Enterprises commensurate with the Company's commitment to serve those segments of the society which needs support for their upliftment and growth. Lendingkart's aim is to support the communities with services and skills that would help improve their standard and quality of living.

Thus, Lendingkart'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 ('the Act') together with the rules notified thereunder 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

Lendingkart'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

Lendingkart's CSR Initiative focuses on three keys aspects of the community's development- social, economic and healthcare. To achieve long- term sustainable impact on the community, Lendingkart's CSR objectives are:

a) Education:

- Identification of technical expertise for guidance and facilitation of programs.
- Skill development and capacity building initiatives.

b) Promotion and development of traditional art and handicrafts:

- Organizing of exhibitions for promotion and development of traditional art and handicrafts.

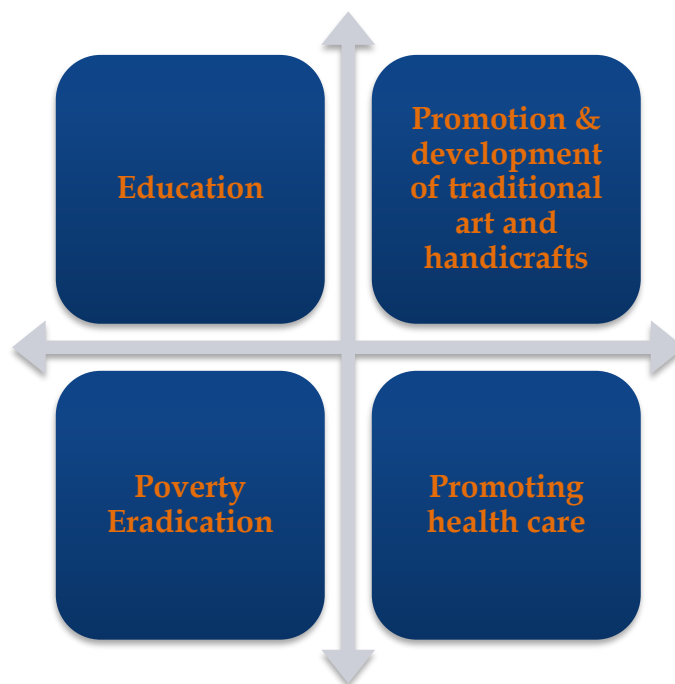
c) Poverty Eradication:

- Distribution of clothes and foods to poor.

d) Improve the social wellbeing of the community:

- Health awareness and intervention programs for community.
- Women- focused health interventions through awareness and implementation of programs enabling adoption of best health practices.
- Organizing blood donation camps.

4. CSR FOCUS AREAS



5. SCOPE

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

This Policy is in line with Section 135 of the 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 Lendingkart to respond to different situations and challenges appropriately and flexibly, subject to the activities or subjects enumerated in Schedule VII of the Act. However, no contribution to be made against any items restricted under the Act read with its rules framed thereunder.

6. CSR COMMITTEE

At Lendingkart, the CSR governance structure will be headed by a Board committee, the Corporate Social Responsibility Committee (the “Committee”), which will ultimately be responsible for overseeing all the CSR activities of the Company. The Committee shall meet at least 2 (two) times in a financial year (as laid down in the Charter of the Committee), 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 and CSR Policy and Projects approved by the Board will be hosted on the company’s website at www.lendingkartfinance.com

RESPONSIBILITIES OF THE COMMITTEE: The responsibilities of the Committee have been codified in the Charter approved by the Board, which inter alia include the following:

- a. To formulate and recommend to the Board the Company's CSR policy, (and modifications thereto from time to time), which shall provide an approach and guiding principles for selection, implementation and monitoring of CSR activities to be undertaken by the Company as well as formulation of the annual action plan as per the provisions of the Act, and the rules made thereunder;
- b. Formulate and recommend annual action plan in pursuance of its CSR policy, and any modifications thereof, to the Board comprising of following information
 - the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
 - the manner of execution of such projects or programmes;
 - the modalities of utilization of funds and implementation schedules for the projects or programmes;
 - monitoring and reporting mechanism for the projects or programmes; and details of need and impact assessment, if any, for the projects undertaken by the company
 - The Board may alter such plan at any time during the financial year, as per the recommendation of the CSR Committee, based on the reasonable justification to that effect.
- c. To 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, if required to be obtained by the Company from time to time
- d. To monitor the implementation of the CSR Policy of the Company from time to time, and institute a transparent monitoring mechanism for implementation of the projects/programs/activities including ongoing projects proposed to be undertaken by the company and review the amount spent on CSR
- e. To review and recommend the Annual Budget for CSR activities/the amount of total expenditure to be incurred on different CSR activities in a financial year and the amount to be transferred in case of ongoing projects and unspent amounts.
- f. To review synergy or alignment for various CSR activities along with partners as per the sectors identified by the Company for CSR
- g. To review and finalise the Annual CSR Report reflecting fairly the Company's CSR approach, policies, systems and performance
- h. To review and recommend the responsibility statement for inclusion in the board's report that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the company.
- i. To perform such other functions as may be delegated by the Board and/or mandated by any regulatory provisions;

- j. To do all such acts, deeds and things as deemed necessary to achieve overall CSR objectives of the Company.

7. GOVERNANCE STRUCTURE

The Committee shall oversee all the CSR activities of Lendingkart with support from the Lendingkart CSR team.

The Lendingkart CSR team would further be actively involved in implementation of projects in accordance with the guiding principles and general policies as devised by the Committee. The Lendingkart CSR team may 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 Lendingkart 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.

8. CSR BUDGET AND EXPENDITURE

a) BUDGET

The annual budget for Lendingkart'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 Lendingkart CSR team.

b) EXPENDITURE

All the CSR expenses shall be in accordance with section 135 and schedule VII of the Act and notified rules.

Any direct and/or indirect expenses incurred by the Company in accordance to this Policy for projects or programs relating to CSR activities shall construe as CSR expenditure , subject to any limitations or restrictions specified by any regulatory provision .

In case the Company fails to spend such amount or spends in excess, the unspent amount or the excess amount respectively shall be dealt with in accordance with the Act and rules framed thereunder.

In any financial year in which the Company could not spend 2% of its average net profits, the Company will, transfer such unspent amount to a fund specified by the government within a period of six months of the expiry of the financial year or in case if the unspent amount relates to an ongoing project on fulfilling the conditions as may prescribed under the Act, the Company will transfer unspent CSR amount to an escrow account and spend in the subsequent three years and in case the amount is not spent in the three year 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. (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 (i) 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 (ii) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; (iii) or a public authority:

9. IMPLEMENTATION PROCESS

- a) Lendingkart's CSR projects and programs will be undertaken based on the recommendation of the Committee, which shall either be based on its own discretion, or based on suggestions of the Lendingkart CSR team.
- b) Lendingkart CSR programs may 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 may select its partners after appropriate due diligence and through a partner evaluation matrix.
- c) Employee volunteering in execution, monitoring and evaluation of CSR programs is one of the key pillars for Lendingkart implementation strategy.
- d) The time period/duration of each program shall be fixed by the Lendingkart CSR team and presented to the CSR Committee. The disbursement by the Company to the Specialized 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 Specialized Agencies.
- e) 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.
- f) The Company will enter into partnerships with the government, civil society, social enterprises and communities to create multiplier effect of its social projects.
- g) Baseline survey and needs assessment would be undertaken for all the new projects.
- h) 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.
- i) The Company shall carry out impact assessment
 - If the average CSR obligation is of ten crore rupees or more in the three immediate 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 Specialized 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 SPECIALIZED AGENCIES

In case the Committee decides to execute a CSR project through an external Specialized Agency, the Lendingkart CSR team would adhere to the guiding principles for identifying the Specialized Agency as per the CSR partner evaluation matrix:

- a) The Specialized 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. Lendingkart CSR Team must use below mentioned evaluation and scoring criteria to review each agency. ~~but not less than 3 years.~~

Evaluation Category	Scoring criteria
Govt Recognized and Registered	<ul style="list-style-type: none"> ● Yes=3 points ● No = 0
Age of the Agency	<ul style="list-style-type: none"> ● 1-5 yrs = 1 point; ● 5.1-20 yrs = 2 points ● 20 yrs+ = 3 points
Presence in Bengaluru/ Ahmedabad	<ul style="list-style-type: none"> ● Yes=3 points ● No = 1 point
Corporate Reach	<ul style="list-style-type: none"> ● Upto 5 Orgs = 1points ● More than 5 Orgs = 3 points
Project Impact	<ul style="list-style-type: none"> ● H = 3 points ● M = 2 points ● L = 1 points
Project Size	<ul style="list-style-type: none"> ● H = 3 points ● M = 2 points ● L = 1 points
Board Presence	<ul style="list-style-type: none"> ● Any governing body (Board/Trust/Advisory Committee) = 3 points ● No Governing body = 0
Fund Utilization Statement	<ul style="list-style-type: none"> ● Audit access and fund utilization statement = 3 points ● No Audit Access and no fund utilization Statement = 0
Project plan in place	<ul style="list-style-type: none"> ● Yes = 3 points ● No = 1 point

- Minimum Score to qualify for evaluation / nomination (based on above criteria) – 15
- Non-Negotiable evaluation categories are Government Recognized and registered, Fund utilization statement and presence of governing body. Any Agency can not be considered in absence of mentioned 3 categories despite having more than 15 score.

In addition, CSR team would check on the following parameters only for the shortlisted

Agencies to ensure logical selection for the program. These are:

Parameters	Agency 1	Agency 2	Agency 3
What would be the impact of our project as in the number of people we would be impacting with our budget?			
Admin cost - how much %age of our contribution would go into their operation cost / project running cost?			
Promoters/Chairman/Board/Trust Details			
How do we prevent any pilferation of our budget			
Why are these government agencies not getting funds from the government? or if they are getting but budget is small?			
Estimated Budget (Option 1)			
Estimated Budget (Option 2)			

- b) 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 Specialized Agency, provided that no personal benefit, directly or indirectly, should flow from such Agency to any such director.
- c) The Lendingkart CSR team will provide specific Project agenda, targets, target spending, accomplishments, manner of execution, etc. to the Specialized Agency and will further report to the CSR committee.
- d) The disbursement of funds to the Specialized Agency must be done on a progressive basis so as to align with the funding needs of the Project, and to permit the evaluation of the activity carried so far.
- e) The Specialized Agency must provide periodic reports, to Lendingkart CSR team which will further report to the CSR committee.

11. MONITORING & REPORTING

a) MONITORING & EVALUATION

The Committee shall institute a well-defined monitoring and evaluation mechanism through the Lendingkart CSR team to ensure that each CSR program 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 CSR Rules.
- The Lendingkart CSR team would have the responsibility of monitoring approved projects and funds disbursements for such projects. Monitoring mechanism 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.

b) REVIEW AND REPORTING

The Lendingkart 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 forms 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.