

CORPORATE SOCIAL RESPONSIBILITY POLICY

Version 4.0

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Table of Contents

1	AYE'S VISION AND MISSION	2
1.1	VISION	2
1.2	MISSION	2
2	INTRODUCTION	2
3	OBJECTIVES OF THE POLICY	2
4	FOUNDATION FOR ADVANCEMENT OF MICRO ENTERPRISES (FAME)	2
5	CSR PROJECTS AND ACTIVITIES	3
6	CSR GOVERNANCE STRUCTURE AND APPROACH	4
6.1	BOARD OF DIRECTORS	4
6.2	CSR COMMITTEE	4
6.3	CSR CORPUS	4
7	OPERATING FRAMEWORK	5
8	MEASUREMENT OF CSR PERFORMANCE	6
9	DISCLOSURE: PUBLISHING A CSR REPORT	6
10	SCOPE & LIMITATION	6
11	AMENDMENTS TO THE POLICY	6

1 Aye's CSR Vision and Mission

1.1 Vision

Aye's vision is to be a Leading finance company in India, admired by Customers, Employees, Investors and Regulators for its Service and Innovations.

1.2 Mission

Aye's mission is to provide innovative & customer centred financial services to micro and small businesses through knowledgeable team, effective technology & robust processes, to power their growth into the new-age India.

2 Introduction

Section 135 of the Companies Act, 2013 ("**Act**") along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("**CSR Rules**"), as amended from time to time, stipulates the requirement of Corporate Social Responsibility Policy ("**CSR Policy**") and various aspects viz., implementation, activities under Corporate Social Responsibility ("**CSR**"), amount to be spent etc. This Policy sets out the broad framework guiding the Aye's CSR activities. The Policy also sets out the principles and the rules that need to be adhered to while taking up and implementing CSR activities to be undertaken in areas or subjects as specified in Schedule VII of the Act (excluding the activities pursued in the normal course of business), as well as the CSR philosophy of the Company.

3 Objectives of the Policy

The CSR Policy of Aye Finance sets out the framework guiding the Company's CSR activities. The following are the objectives of the CSR Policy:

1. To define what CSR means to Aye and the approach for the same.
2. To comply with the statutory and regulatory requirements pertaining to CSR.
3. To lay down the guidelines & mechanisms to carry out CSR programs and projects & to report the work as prescribed by the Rules in the act.
4. To identify focus areas of projects that will be taken up by Aye as part of its CSR plan
5. To constitute a review mechanism for monitoring the progress of CSR projects/ and programs and implementation of CSR policy by CSR Committee.
6. To ensure that the surplus arising of CSR projects/ programs/ activities shall not form part of the business profit of the Aye.

4 Foundation for Advancement of Micro Enterprises (FAME)

Aye has incorporated FAME under section 8 of the Act as wholly owned subsidiary of the Company. FAME has been set up for *inter alia* planning and implementing the CSR activities and providing non-financial support to the target beneficiaries.

The responsibilities of FAME are:

1. Plan and execute Aye's CSR projects, programmes and activities as approved under the annual action plan & budget by Board of Directors of Aye's on recommendation of CSR committee in accordance with the Companies Act, 2013 read with rules made thereunder.
2. Monitor all programmes implemented in collaboration with partner organizations, if any.
3. Provide half yearly progress report to the CSR committee covering the following:
 - a. Achievement since last progress report in terms of coverage compared to the target.
 - b. Achievement of the year-to-date in terms of coverage compared to the target, plans to overcome shortfalls, if any and support required from the CSR Committee/Board to overcome the shortfalls.
 - c. Actual year-to-date spend compared to the budget and reasons for variance, if any.
 - d. Area-wise expenditure on account of CSR.
 - e. Disclosures on CSR as required to be incorporated in the annual results.
 - f. Provide utilization certificate for the funds received for CSR Activities.

5 CSR Projects and Activities

Guiding principles for selecting CSR projects or programmes and implementation will be as follows:

1. CSR projects will be in areas recommended by CSR Committee and approved by the Board of Directors, and in compliance with the areas or subject as specified in Schedule VII of the Act.
Provided that the Company shall give preference to the local areas and areas where the Company has its operations.
2. The Company may engage third party including international organizations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR Policy, other than Foundation for Advancement of Micro Enterprises ("**FAME**"), provided that the Board shall ensure that the CSR implementation is in accordance with Act read with rule 4 of CSR Rules.
3. Enhanced due diligence may be performed at the time of engaging a third party, other than FAME, for undertaking a CSR activity. This would include checking for negative news on the entity and its promoter(s), verifying possibility of misuse of funds or anti-money laundering and seeking clarifications if required on any matter of relevance.
4. Ensure that the CSR activities undertaken are non-discriminatory, apolitical and have no religious affiliations.
5. Any project or programme that is exclusively for the benefit of Aye's employees would not be considered as CSR.
6. Any surplus generated 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 of the Act within a period of six months of the expiry of the financial year other than ongoing project.

Aye's CSR activities will primarily focus on professionalising micro enterprises and improving quality of lives through social development projects including but not limited to:

- promoting education and employment enhancing vocation skills and livelihood enhancement Education and skill development
- Promotion of gender equality and women empowerment
- Promoting health care including preventive health care Community development projects
- Social business projects

6 CSR Governance Structure and Approach

6.1 Board of Directors

In line with the provisions of Section 135 of the Act, Aye's Board of Directors will be responsible for the following:

1. Constitute a CSR committee and approve the CSR policy on recommendation of the CSR Committee.
2. To ensure Aye spends, in every financial year, at least 2% of its average net profit during the three preceding financial years, in pursuance of this policy.
3. Approve the CSR annual action plan and budget as proposed by the CSR committee in accordance with the CSR Policy.
4. Make disclosures in the Board Report as per clause (o) of sub-section (3) of section 134 including particulars specified in Annexures to the CSR rules, as amended from time to time. If Aye fails to spend and transfer the unspent CSR amount, then the Board shall specify the reasons for not spending the amount in the above Report .

6.2 CSR Committee

The Board of Directors had constituted a committee for its CSR activities called Corporate Social Responsibility Committee in accordance with the provisions of the Act, which constitutes of atleast three Directors including one Independent Director. The CSR Committee may invite other experts/invitees as per its requirements.

Roles and powers of the CSR committee:

1. Formulate CSR policy and seek approval from the Board of Directors of Aye & also place it on the Company's website.
2. Formulate CSR annual action plan with budget for the year and seek approval from the Board of Directors & also place it on the Company's website. Implement the activities either through its Section 8 Company FAME or directly through its own team or through any third party.
3. Monitor the spending of the allocated amount on CSR activities once approved by the Board of Directors and create a transparent monitoring mechanism of CSR initiatives.
4. Review the half-yearly progress report provided by FAME.
5. If it is observed that any CSR Activity taken up for implementation is found not properly implemented, CSR committee may with the approval of the Board, discontinue the funding

of project at any time during the course of implementation and use such funds for any other purpose.

6.3 CSR Corpus

The corpus of the CSR activities in accordance with the annual action plan would include the following:

1. 2% of the average net profits made by Aye during the three immediately preceding financial years;
2. Any Income arising there from;
3. Surplus arising out of CSR activities carried out by Aye or FAME and such surplus will not be part of the business profits of Aye.

7 Operating Framework

1. The CSR activities will be undertaken in the focus areas identified by the CSR Committee that qualify as CSR under Schedule VII of the Act and rules relating to CSR as amended from time to time.
2. A CSR annual action plan shall be presented to the CSR Committee by Head of Corporate Impact and based on its recommendations, to Aye's Board of Directors for approval.
3. Aye may also make contributions to not-for-profit entities directly for CSR-eligible projects. The funding of projects by not-for-profit entities could be either in the form of donations, or grants, or sponsorships or milestone-based funding for projects.
4. The CSR annual action plan shall *inter alia* contain the following:
 - a) the list of CSR projects or programmes that are approved to be undertaken during the relevant financial year in areas or subjects specified in Schedule VII of the Act;
 - b) The manner of execution of such projects or programmes as specified in the Companies (CSR Policy) Rules;
 - c) The modalities of utilization of funds and implementation schedules for the projects or programmes;
 - d) monitoring and reporting mechanism for the projects or programmes; and
 - e) details of need and impact assessment, if any, for the projects undertaken by the Company.

Provided that the Board of Directors may alter the annual action plan at any time during the financial year on the recommendation of CSR committee, based on the reasonable justification to that effect.

5. 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.
6. Any amount spent in excess of CSR obligation during a financial year, such excess amount may be set off upto immediate succeeding three financial years subject to conditions as mentioned in the rule 7 of CSR rules.
7. Pursuant to an ongoing project, any amount remaining unspent in a financial year would be transferred within a period of thirty days from the end of the financial year to the Unspent CSR Account and such amount will be spent within a period of three financial years towards the project. In the event the amount is not spent, it will be transferred to a fund specified in Schedule VII of the Act within 30 days from the date of completion of the third

financial year.

8. The administrative overheads shall not exceed five percent of the total CSR expenditure of the Company for the financial year.
9. The Board shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and Chief Financial Officer or any other person authorized by the Board, shall certify to the effect.
10. 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.

8 Measurement of CSR Performance

Aye's goal is to maintain high quality standards on all its activities including its CSR activities. Aye will institutionalise a transparent measurement system, which will help it measure its performance against the set key performance indicators (KPIs) and best practices. The measurement process will also help set its future action plans.

9 Disclosure: Publishing a CSR report

Reporting will constitute an integral part of Aye's CSR initiatives, as Aye remains committed to being transparent and accountable to its stakeholders. The objective of reporting is not only to update its stakeholders, but also to receive their feedback, and incorporate their suggestions into its future CSR strategies.

10 Scope & Limitation

In the event of any conflict between the provisions of this Policy and the applicable provisions of the Act or any other statutory enactments, rules, the provisions of such Act or statutory enactments, rules shall prevail over this Policy.

11 Amendments to the policy

This policy shall be reviewed at least annually. The Board of Directors on its own and/or as per the recommendations of the CSR committee can amend this policy, as and when deemed fit. Any or all provisions of this CSR policy are subject to the applicable provisions of the Act and any subsequent amendments thereof from time to time.