

## **Muthoot Microfin Limited – CSR Policy**

### **(In compliance of Section 134 and 135 of Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014)**

#### **Purpose**

A Corporate Social Responsibility (CSR) policy outlines a company's commitment to operating ethically and contributing to social, environmental, and economic development. It focuses on sustainable practices, community engagement, and addressing key issues such as environmental impact, employee welfare, and ethical governance. The policy ensures the company's actions align with its values while benefiting society and stakeholders.

#### **Introduction to Muthoot Microfin Limited**

Muthoot Microfin Limited (MML) promoted by the Muthoot Pappachan Group (MPG) is a Non-Banking Financial Company Microfinance Institution (NBFC- MFI) registered with the Reserve Bank of India.

#### **Policy Applicability**

As per Section 135 of the Companies Act, 2013 (Act) and rules made thereunder, every Company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility (CSR) Committee.

The CSR Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act.

#### **Policy Objectives**

This policy, which reflects the Company's philosophy and mission is designed to portray its commitment to be a responsible corporate citizen and presents the strategies and methods for undertaking social programs for well-being and sustainable development of the local community in which it operates.

This policy applies to all CSR initiatives and activities taken up at the various work centres and locations of MML, for the benefit of various segments of the society, with the emphasis on the under privileged.

The objectives of CSR Policy of the Company are to:

- a) build a framework of CSR activities with a philanthropic approach in line with business unit objectives, which also benefits the organization at large;
- b) shape sustainability for the organization by 'Engaging the Community';

- c) build a corporate brand through CSR; and
- d) for other stakeholders, make it "an integral part of the Company's DNA, so much so that it has to be an organic part of the business".

### **Implementing Agency - Muthoot Pappachan Foundation (MPF)**

- 1) The CSR activity of the Company may be channelized through the Muthoot Pappachan Foundation (MPF).
- 2) Muthoot Pappachan Foundation (MPF) is a Public Charitable Trust formed in the year 2003 as the CSR arm of the Muthoot Pappachan Group (MPG) to facilitate CSR activities for the entire Group and all its business verticals.
- 3) Planning and implementing various CSR activities towards the established objectives of the organization and facilitating the CSR programmes through various group Companies of MPG, is the major responsibility of MPF.
- 4) The entire range of CSR activities implemented by the group Companies will be streamlined and facilitated through MPF. The CSR programs of MPF are bound by the theme "**HEEL**": **Health, Education, Environment and Livelihood**. Each vertical will be leading its own CSR initiative within the HEEL framework, specifically involving their staff and customers.
- 5) Aligning with its vision, MML will continue increasing value creation in the community in which it operates, through its services and CSR initiatives planned and implemented by MPF, so as to stimulate well-being for the community, in fulfilment of its role as a responsible, corporate citizen.
- 6) The over-arching framework of HEEL will not only guarantee consistency among the Group Verticals but also full compliance with the CSR requirements mandated by the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. HEEL will allow the MPF to remain focused on selected issues while adopting a systematic and professional approach to its work. Under the effigy of MPF, each vertical will be leading its own CSR initiative within the HEEL framework, specifically involving their staff and customers.

### **Planning**

**Identification of Focus Areas and Strategic Initiatives:** The CSR efforts of MML will be facilitated through MPF in a continuous and effective method. The CSR programs are bound by the theme – "HEEL" and are identified as follows:

- a) Health: Life Blood Directory, Outreach Camps, Smile Please, PMR Centre
- b) Education: Community Education Scheme, Scholarships, Financial Literacy
- c) Environment: Green Strategy
- d) Livelihood: Grant-making

As primer provider of finance, strategic CSR activities are aligned to its business operations with the objectives as following:

#### **a) Health:**

- 1) Life Blood Directory objectives:

- i) Establishing the largest blood donor directory in India through MML's staff network of customers, public interface and extensive reach across India;
  - ii) Raise awareness around the importance of donating blood thus increasing the number of Indian donors throughout the country; and
  - iii) Liaise and support reputable NGOs engaged in the collection and storage of blood and as a result, improve the Blood Donation Infrastructure in the country.
- 2) Outreach camps objectives:
- i) Making a positive difference in human lives by providing medical help at the door- step of the rural and urban poor in the communities in which the Muthoot Pappachan Group operates;
  - ii) Making health care services available in underserved areas; and
  - iii) Assisting and encouraging local volunteers to conduct the medical camp and provide medical help.
- b) Education:**
- 1) Financial Literacy
    - i) Educating budding women entrepreneurs;
    - ii) Making them financially literate; and
    - iii) Teaching how to use the credit effectively to create income generating activities.
- c) Environment**
- 1) Green Strategy
    - i) Reducing the ecological impact of internal processes and activities; and
    - ii) Promoting environmentally conscious behaviours both inside and outside the Company
- d) Livelihood**
- 1) Grant-making
    - i) Addressing social issues related to sports, arts and culture, social entrepreneurship etc.

Regarding the environment, MML will support three **UN Global Compact's Principles** related to the environment as below:

- a) Principle 7: Businesses should support a precautionary approach to environmental challenges;
- b) Principle 8: undertake initiatives to promote greater environmental responsibility; and
- c) Principle 9: encourage the development and diffusion of environmentally friendly technologies.

MML will apply its CSR activities in a way that also contributes to India's progress towards achieving the millennium development goals by skills improvement, entrepreneurship development, employment generation, health care improvement and application of environmental by sustainable growth.

## Implementation

- 1) The above described CSR activities may be implemented on behalf of MML by MPF in collaboration with other non-profit organisations or the Company can directly spend the CSR expenditure based on the approval from the Board of Directors.
- 2) The duration of each program will be related to the nature of the program and its impact.
- 3) CSR activities involving substantial financial commitment, undertaken on a long-term for a minimum period of 5 years will be considered as “flagship programs” and will have greater significance.
- 4) MPF will ensure that the CSR programs, financed by the MML, will be executed in the areas where the Company has business presence.
- 5) The programs will be implemented by MPF in collaboration with specialized organisations in compliance with applicable law/ regulations.
- 6) The implementation phase is based on the following steps:
  - i) Map existing eco system: thoroughly evaluating the existing scenario in which the Company operates. This step is crucial in order to assess the existing potential and find relevant partners to collaborate with.
  - ii) Create: designing programs, selecting partners.
  - iii) Enable: commencing collaboration with the selected actors, investing the resources needed to shift from the planning to the action phase.
- 7) **Powers for Approval**
  - i) CSR programmes for each financial year as may be identified by the Company/MPF will be considered, reviewed by the CSR Committee and recommend to the Board for approval. After Board’s approval the CSR programme shall be intimated to MPF for implementation. Any change in such programme shall be approved by the Board.
  - ii) For meeting the requirements arising out of immediate and urgent situations, MML’s CSR Committee is authorised to approve the proposals in terms of the powers accorded to the Committee by the provisions of the Companies Act, 2013.
- 8) **Criteria for Identifying Implementing Organisations**
  - i) The MPF on behalf of MML will identify external executing organisations that will implement the CSR programs. Each executing organisation (NGOs/Voluntary organisations) needs to fulfil the following requirements:
    - a) has been in existence for a minimum period of 3 years from date of registration;
    - b) is registered as a Trust/Society/Section 8 (Charitable) Company;
    - c) the physical address given by the organisation is verifiable.
    - d) possesses a valid Income Tax exemption certificate;
    - e) the antecedents of the NGO/Organisation are verifiable/subject to confirmation;
    - f) has sufficient infrastructure facilities like office, e-mail etc. and necessary resources to implement the projects;
    - g) has prior experience in service activities in the areas of health, education, etc.;
    - h) located in the area of planned activities with local knowledge; and

- i) has articulated shared vision/purpose beyond the registration documents.
- 9) After the approval of the CSR programs, MPF and the NGO/Organisation will be required to enter into a formal written agreement with each other.

### **Monitoring and Feedback**

- 1) A comprehensive monitoring mechanism will be devised by the MPF to ensure that the CSR process functions as mandated by the Act and the Rules, ensuring that all Projects/Programmes are duly implemented as budgeted. This will be done on the basis of the following:
  - i) Allocation of a separate budget for setting up and running the monitoring system;
  - ii) Installation of an electronic MIS and human architecture that shall work together to ensure a firm check on spends and the actual implementation of activities as planned; and
  - iii) Release of funds only against verified utilizations.
- 2) The CSR Committee will be responsible for monitoring approved projects/programmes.
- 3) The monitoring system devised by MPF on behalf of MML will include:
  - i) Regular field visits to project/programme sites by designated teams;
  - ii) Comprehensive documentation/compilation of field reports;
  - iii) Regular interaction with beneficiary communities to obtain feedback;
  - iv) Monitoring of timely fund utilization to ensure that projects/programmes as budgeted are actually being carried out and/or; and
  - v) Any other activity that the CSR Committee may deem necessary in the larger initiatives.
- 4) MPF will conduct impact studies on a regular basis, especially on the “flagship programs”.
- 5) MPF will communicate with the beneficiaries in order to obtain feedback about the programs.
- 6) The CSR programs and their impact will also be reported in the Annual Report of MML.
- 7) **Impact Assessment/Evaluation Of CSR:** In order to assess the impact of its CSR projects and programmes, maximize outcomes and build-in sustainability, scalability and replicability, MML shall undertake the following activities:
  - i) Ensure that the projects/programmes undergo concurrent and final evaluation; and
  - ii) Engage credible third parties to undertake evaluation of all or selected projects/programmes.
- 8) **Documentation**
  - i) Meticulous documentation of projects/programmes is the only way to ensure that progress is continuously tracked, course corrections are provided, lessons learnt and objective feedback received.
  - ii) Good quality documentation enables MML to effectively address questions and queries and also to prepare instructive and good quality case studies.
  - iii) Keeping this end in sight, MML will endeavor at all times to put in place, for all projects/programmes, an effective documentation process.

- iv) Comprehensive documentation will include printed materials, audio recordings, video recordings, etc. This will also be of great value to MML in brand building, market positioning, enhancing its competitive advantage and embedding CSR values within the organization.

## **Governance**

A meaningful engagement of the Board of Directors and Management in CSR will be ensured so that MML's Leadership recognizes the Company's social concerns and the strategic value of its CSR initiatives.

The MML's Board of Directors consists of the following members:

- 1) Thomas John Muthoot - Director
- 2) Thomas George Muthoot - Director
- 3) Thomas Muthoot - Managing Director
- 4) Akshaya Prasad - Director
- 5) John Tyler Day - Director
- 6) Alok Prasad - Independent Director
- 7) Pushpy B. Muricken - Independent Director
- 8) T. S. Vijayan - Independent Director
- 9) Bhama Krishnamurthy - Independent Director
- 10) R Anand - Independent Director

The MML's Board of Directors is committed to assume the following roles:

- a) Approving the CSR policy recommended by the CSR Committee;
- b) Disclosing the CSR policy contents in the Board Report;
- c) Making the CSR Policy public on the Company website; and
- d) Deploying the funds to NGOs/Organisations.

The MML's CSR Committee consists of the following 4 Members:

- 1) Thomas John Muthoot - Director
- 2) Thomas George Muthoot - Director
- 3) Thomas Muthoot - Director
- 4) Alok Prasad - Independent Director

The terms of reference of the Committee are as under:

- i) Formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- ii) Recommend to the Board the amount of expenditure to be incurred on the CSR activities referred to in (i) above; and
- iii) Monitor the CSR policy of the Company from time to time.

## **Amendment of this Policy**

The Board of Directors of the Company has the right to amend or modify this Policy.

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