

# Yunus Social Business Fund Bengaluru Private Limited Investment Policy

(Revised Version approved by the  
Board of Directors on 28<sup>th</sup> November 2024)

# INVESTMENT POLICY

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## 1. INTRODUCTION

### 1.1. COMPANY

Yunus Social Business Fund Bengaluru Private Limited (YSBFB) was incorporated in 2016. It subsequently received a Type I Non-Banking Financial Company (NBFC) license from the Reserve Bank of India (RBI) on February 9, 2017, categorized as a Non-Systemically Important Loan Company. In November 2019, the Company upgraded its license to a Type II NBFC. As per the latest RBI scale based regulations, YSBFB is currently categorized as an NBFC-ICC-BL (Non-Banking Financial Company-Investment & Credit Company-Base Layer). The Company primarily raises capital through equity and debt financing from domestic and foreign institutions. It does not accept public deposits.

YSBFB is inspired by Nobel Laureate Prof. Muhammad Yunus's Social Business Philosophy. A social business is one with a social mission at its core, and 100% dedicated to solving human problems. A social business either creates income for the poor or provides them with essential products and services like healthcare, safe water or clean energy. They operate exactly like normal companies except for a few small differences: i) the primary aim of Social Business is to solve a social problem; ii) unlike a charity, a social business generates profit and reinvests these profits back into generating impact; iii) a social business aims to be financially self-sustaining.

We aim to achieve this through providing patient finance to businesses that are driven by ambitious local entrepreneurs with a strong focus on solving social / environmental problems with sustainable business principles and creating impact.

### 1.2. VISION

YSBFB's vision is to have a "World of Three Zeroes" i.e.

- a) Zero Poverty;
- b) Zero Unemployment;
- c) Zero Net Carbon Emissions.

### 1.3. MISSION

YSBFB's purpose is to harness the power of business to end poverty and the climate crisis.

#### 1.4. OBJECTIVES OF THE POLICY

This document lays down the investment policy of the Company and the guide lines to be adhered to while undertaking investment transactions for deployment of funds.

Yunus Social Business Fund Bengaluru Private Limited, hereinafter referred to as the “YSBFB”, obtains its funding primarily through the subscription of Share Capital, Loans, other Debt Instruments. It does not accept public deposit or access public funds.

The investment policy is framed with the following objectives:-

- a) Effectively manage and invest the funds in the Permitted investments for the duration available.
- b) Effectively manage and invest the other surplus funds which may be available comparatively for a longer period.
- c) Effective management of interest rate risk by adopting certain maturity pattern, particularly when the funds are invested in Government Securities.
- d) Effective Internal Control on the operations/execution of Investment Transactions.
- e) Proper recording/accounting of the investment transactions.
- f) Effective reporting of the Investment transaction to the Management.

Surplus funds available for investment will be as far as possible will be deployed for the available duration in specific instruments or deployed in instruments which have high liquidity.

#### 2. LIQUIDITY MANAGEMENT

Management of the investible surpluses of the Company shall be managed by the Company. Where ever there is availability of surplus funds for deployment, the management of the Company would invest the surplus funds. The following activities shall be responsibility of the management.

- a) Investment of funds as per the policy guide lines.
- b) Day to day monitoring of Investment portfolio.
- c) Disposal of securities and realization of proceeds and revenue dues.
- d) Accounting of the Securities transactions and reconciliation thereof
- e) Review of portfolio as and required

#### 3. CRITERIA FOR INVESTMENT

YSBFB will only invest in AA or AAA rated funds/securities.

#### 4. CRITERIA FOR CLASSIFICATION

At the time of making the Investment, the investment so made by the Company is to be classified mainly into two criteria:

- a) **Long Term Investment**  
Any investment, which is made for the period of 1 year or above, is to be classified as Long-Term Investment.
- b) **Short Term Investment**  
Any Investment made in Liquid funds or for the period lesser than 1 year, is to be classified as Short-Term Investment.

There shall be no inter-class transfer on ad-hoc basis;

- a) The inter-class transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board;
- b) The investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower;
- c) The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;
- d) The depreciation in one scrip shall not be set off against appreciation in another scrip, at the time of such inter-class transfer, even in respect of the scrips of the same category.

#### 5. GROUPING OF INVESTMENT

The investments made by the Company are to be classified into following categories:

- a) Equity Shares or Preference Shares into unlisted social impact businesses across multiple sectors in India, a maximum of 30% of the paid-up capital will be invested in such equity shares
- b) Government Securities
- c) Units of Mutual Fund -AAA rated mutual funds
- d) Fixed Deposits – Short term investment with scheduled banks
- e) Debentures and Bonds<sup>1</sup>
- f) Commercial Papers<sup>1</sup>

<sup>1</sup> Inserted vide Board Resolution dated 16<sup>th</sup> June 2021

## 6. VALUATION OF INVESTMENT

All the Long Term Investments are to be valued in accordance with Accounting Standards issued by Institute of Chartered Accountants of India (ICAI).

- a) Investments in the units of mutual funds in the nature of current investments shall be valued at the net asset value (NAV) declared by the mutual fund in respect of each particular scheme.
- b) In case of FD, value is to be determined by its present net value.

## 7. INCOME FROM INVESTMENT

- a) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis: Provided that the income from dividend on shares of corporate bodies shall be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the applicable NBFC's right to receive payment is established.
- b) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis: Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.
- c) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by the Central Government or a State Government shall be taken into account on accrual basis.

## 8. PORTFOLIO DIVERSIFICATION

The investments portfolio shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific class. Diversification strategies shall be periodically reviewed.

## 9. REVIEW AND REVISION:

The Board of Directors of YSBFB shall review the policy annually and shall approve all necessary changes for adoption.

## 10. ADMINISTRATION & ADOPTION OF POLICY:

The Managing Director of the Company shall be responsible for the administration, interpretation, and application of this policy. The Managing Director of the Company also shall be empowered to bring about necessary changes to this Policy, if required at any stage

with the concurrence of the Board. This policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors.

**11. DISCLOSURE ON THE WEBSITE:**

The details of this shall be disclosed by the YSBFB in its website.