



**INDOSTAR**

**Corporate Social Responsibility Policy  
(‘CSR Policy’)**

Version: V5

## **BACKGROUND:**

IndoStar Capital Finance Limited (“**ICF**” or “**Company**”) is registered with the Reserve Bank of India (“**RBI**”) as a Non-Banking Financial Company – Middle Layer. ICF offers structured term financing solutions for corporates, loans to small and medium enterprise borrowers and vehicle financing in India.

ICF aims at conducting its business in a way that it achieves its business goals and objectives with due consideration of community’s economic, environmental and social aspirations and therefore commits to integrate corporate social responsibility with its business processes.

## **TITLE AND APPLICABILITY:**

ICF has developed this policy titled ‘Corporate Social Responsibility Policy’ (“**CSR Policy**”) encompassing the Company’s philosophy for being a socially responsible corporate citizen. This CSR Policy lays down guiding principles for selection, implementation and monitoring of activities, and provides for formulation of an annual action plan for CSR activities, which are in accordance with section 135 of the Companies Act, 2013 read along with the rules, regulations and schedules framed thereunder, as amended from time to time.

## **CSR VISION STATEMENT:**

The Company, through its CSR projects, will enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfillment of its role as a socially responsible corporate citizen. The ultimate aim of the CSR projects will be to benefit the communities at large and over a period of time enhance the quality of life and economic well-being of the local populace.

### **1. DEFINITIONS:**

1.1. In this CSR Policy, unless the context otherwise requires,

- a. “**Act**” means the Companies Act, 2013 and rules made thereunder (as amended from time to time).
- b. “**Board**” means the board of directors of the Company.
- c. “**Corporate Social Responsibility**” or “**CSR**” means the activities undertaken by the Company in pursuance of its statutory obligation laid down in section 135 of the Act.
- d. “**CSR Committee**” shall mean the committee of the Board constituted pursuant to section 135 of the Act.
- e. “**CSR Policy**” shall mean this policy titled as ‘Corporate Social Responsibility Policy’.
- f. “**Net Profit**” shall mean the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Act.
- g. “**Ongoing Project**” shall mean a multi-year project undertaken by the Company in fulfilment of its CSR obligation having timelines not exceeding 3 (three) years excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the Board based on reasonable justification.

1.2. Words and expressions used and not defined in this CSR Policy shall have the same meanings respectively assigned to them in the Act.

### **2. CSR ACTIVITIES/ PROGRAMMES/ PROJECTS:**

2.1. CSR activities of the Company should broadly confirm to the following:

- a. there is a genuine business purpose/ regulatory requirement for making the charitable donation;
- b. the donation is not made for the purpose of influencing a recipient to misuse their position;
- c. employees should not solicit charitable donations from external parties with which the Company has (or is seeking) business dealings or regulatory approvals; and
- d. the making of any donation cannot be expected to result in negative reputational implications for the Company, or be controversial in any way.

2.2. The Company will consistently explore and undertake CSR programs/ projects relating to the activities in any of the fields enumerated below with a preference to carry on such activities within the local area(s) around it, wherever it operates:

- a. Education:**  
promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
- b. Women Empowerment:**  
promoting gender equality, empowering women and enhancing women employment.
- c. Humanitarian Relief:**  
contribution to the prime minister's national relief fund or any other fund set up by the central/state government, including for socio-economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women, contribution for disaster management including relief, rehabilitation and reconstruction activities.
- d. Healthcare, Sanitation and Water:**  
eradicating hunger, poverty and malnutrition, promoting health care including 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 safe drinking water.
- e. Environment:**  
ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, 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.
- f. Promoting Sports:**  
training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports.

### **3. WHAT IS NOT A CSR ACTIVITY**

Following activities will not be considered as CSR activities:

- a. activities that benefit the employees of the Company (as defined in section 2(k) of the Code of Wages, 2019) and their families;
- b. one-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships;
- c. expenses incurred towards or activities carried out for the fulfillment of any other statutory obligations under any law in force in India;
- d. activities supported by the Company on sponsorship basis for deriving marketing benefits for its products or services;
- e. contribution of any amount directly or indirectly to any political party under the provisions of the Act;

- f. activities undertaken in pursuance of normal course of business of the Company;
- g. any activities undertaken by the Company outside India except for training of Indian sports personnel representing any state or union territory at national level or India at international level.

#### **4. CSR BUDGET:**

- 4.1. The Board shall ensure that funds amounting to at least 2% (two percent) of the average Net Profits of the Company made during the immediately preceding 3 (three) financial years is spent towards the CSR programmes/ projects as mentioned above. The CSR Committee will recommend the allocation of funds for each programme or project or activities for approval by the Board.
- 4.2. The Company may collaborate or pool resources with other organization or companies to undertake CSR activities in such a manner that the CSR Committees of the respective companies are in a position to report separately on such projects or programmes in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

#### **5. IMPLEMENTATION PROCESS:**

- a. CSR programmes/ projects to be undertaken by the Company will be identified by the CSR Committee in line with the annual action plan adopted.
- b. The CSR Committee shall recommend the CSR activities/ programmes/ projects, specifying modalities of its execution and the amount of expenditure to be incurred on such activities/ programmes/ projects.
- c. Upon recommendations of the CSR Committee, the Board shall specifically approve such CSR activities/ projects/ programs and the amount of expenditure.
- d. The time period/ duration over which particular CSR activities/ programme/ project will be spread, will depend on its nature, extent of coverage and the intended impact of such CSR activities/ programme/ project.
- e. The mode of implementation of CSR activities/ programmes/ projects may include direct implementation or implementation through a company or an entity specified under rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 or through a combination of both. The Company will select its partners after appropriate due diligence.
- f. The Company may engage the services of external expert agencies, consultancy firms, etc. for carrying out any survey, assessment or report with regards to any CSR activities/ programmes/ projects to be undertaken by the Company.
- g. Any surplus arising out of the CSR activities/ programmes/ projects shall not form part of the business profit of the Company and shall be ploughed back into the same activities/ programmes/ projects or shall be transferred to an 'Unspent Corporate Social Responsibility Account' and spent in pursuance of the CSR Policy and annual action plan of the Company or transfer such surplus amount to a fund specified in Schedule VII of the Act or any fund as may be prescribed in the Act, within a period of 6 (six) months of the expiry of the financial year.
- h. The CSR Committee is authorized to settle all queries, differences or doubts that may arise in relation to the implementation of the CSR activities/ programmes/ projects as may be approved by the Board.
- i. The Company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per the CSR Policy as well as for capacity building of their own personnel for CSR.
- j. The CSR amount may be spent by the 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; or
  - ii. beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
  - iii. a public authority.

Also, such creation or acquisition of capital asset through CSR shall be disclosed in the report of Board

for the concerned financial year.

## **6. ROLES & RESPONSIBILITY OF THE BOARD:**

6.1. The Board will be responsible for:

- a. Constitution of CSR Committee;
- b. Approving the CSR Policy after taking into account the recommendations made by the CSR Committee;
- c. Ensuring that the activities included in CSR Policy are in line with activities, areas or subjects specified in the CSR Policy and Schedule VII of the Act, or activities as may be prescribed from time to time. The list of activities, areas or subjects specified in schedule VII of the Act has been reproduced hereinbelow in **Annexure 1**;
- d. Upon recommendation of CSR Committee, consider and approve CSR activities/ programmes/ projects to be undertaken by the Company and the amount of expenditure to be incurred on each of the CSR activities/ programmes/ projects and ensuring that only those activities, as are included in the CSR Policy, are undertaken by the Company;
- e. Ensuring that the Company gives preference to the local areas and areas around its operations for spending the amount earmarked for CSR activities/ programmes/ projects;
- f. Disclosing in its annual report (in the manner as prescribed under section 134(3) Act and as prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014) and on the website of the Company, the composition of the CSR Committee, content of the CSR Policy and CSR activities/ programmes/ projects, in the manner as prescribed;
- g. Ensuring that it specifies in its report made in accordance with section 134(3)(o) of the Act, the reasons for not spending the amount allocated to CSR activities/ programmes/ projects, in case the Company fails to spend such amount;
- h. Satisfying itself that funds disbursed for CSR programmes/ projects/ activities have been utilized for the purposes and in the manner as approved by it, and the chief financial officer of the Company or the person responsible for financial management shall certify the same;
- i. Monitoring the implementation of the programmes/ projects/ activities 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 in case of an Ongoing Project;
- j. Ensuring that in case of any unspent amount (forming part of the amounts allocated in respect of the CSR activities/ programmes/ projects), unless the unspent amount relates to any Ongoing Project referred to in sub-section (6) of section 135 of the Act, transfer such unspent amount to a fund specified in Schedule VII of the Act or such fund as may be prescribed in the Act, within a period of six months of the expiry of the relevant financial year;
- k. Ensuring that any amount remaining unspent under section 135(5) of the Act, pursuant to any Ongoing Project, fulfilling such conditions as may be prescribed, undertaken by the Company pursuant to the CSR Policy, shall be transferred by the Company within a period of 30 (thirty) days from the end of the relevant financial year to a special account to be opened by the Company in that behalf for that financial year in any scheduled bank to be called the 'Unspent Corporate Social Responsibility Account', and such amount shall be spent by the Company in pursuance of its obligation towards the CSR Policy within a period of 3 (three) financial years from the date of such transfer, failing which, the Company shall transfer the same to a fund specified in Schedule VII of the Act or such fund as maybe prescribed in the Act, within a period of 30 (thirty) days from the date of completion of the third financial year;
- l. Ensuring that the composition of the CSR Committee, the CSR Policy and programmes/ projects/ activities approved by the Board are mandatorily displayed on website of the Company for public access;
- m. Ensuring that the administrative overheads does not exceed 5% (five percent) of total CSR expenditure of the Company for a financial year;

- n. In the event Company's average CSR obligation is of Rs. 10,00,00,000/- (Rupees Ten Crores only) or more in pursuance of section 135(5) of the Act, in the immediately 3 (three) preceding financial years, it shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of Rs. 1,00,00,000/- (Rupees One Crore only) or more, and which have been completed not less than 1 (one) year before undertaking the impact study. Such impact assessment reports shall be placed before the Board and also annexed to the annual report of the Company. The Company, if it undertakes impact assessment, may book the expenditure towards CSR for that financial year, which shall not exceed 2% (two percent) of the total CSR expenditure for that financial year;
- o. In the event the Company spends amount in excess of the requirement prescribed under section 135(5) of the Act, such excess amount may be set-off against the requirement to spend under section 135(5) the Act, up to immediate succeeding 3 (three) financial years, subject to the conditions that:
  - The excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of Companies (Corporate Social Responsibility Policy) Rules, 2014.
  - the Board of the Company shall pass a resolution to that effect.
- p. Reviewing and monitoring progress on CSR initiatives/ implementation by the CSR Committee and the Board at least annually.

6.2. The CSR Committee will be responsible to:

- a. Formulate and recommend the CSR Policy which identifies specific CSR activities/ programmes/ projects areas to be undertaken by the Company, to the Board for their approval;
- b. Recommend the amount of expenditure to be incurred for each CSR activities/ programmes/ projects, to the Board for their consideration and approval;
- c. Identify CSR team for implementation of CSR activities/ programmes/ projects;
- d. Monitor the CSR Policy, CSR activities/ programmes/ projects from time to time and recommend changes to the Board;
- e. Constitute a transparent monitoring mechanism for ensuring implementation of the CSR activities/ programmes/ projects undertaken by the Company;
- f. Update the Board on the status of CSR activities/ programmes/ projects undertaken by the Company during the financial year and amount of expenditure incurred;
- g. Formulate and recommend to the Board, an annual action plan in pursuance of the CSR policy which shall include the following:
  - i. the list of CSR activities/ programmes/ projects that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act and the CSR Policy of the Company;
  - ii. the manner of execution of such activities/ programmes/ projects;
  - iii. the modalities of utilization of funds and implementation schedules for the activities/ programmes/ projects;
  - iv. monitoring and reporting mechanism for the activities/ programmes/ projects; and
  - v. details of need and impact assessment, if any, for the activities/ programmes/ projects undertaken by the Company.

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

## 7. **SELF GOVERNANCE:**

- a. The Company, its Board of Directors, employees, officers, CSR Committee members, its invitees, shall not accept any kind of favors and gifts, in any form, from any prospective or potential CSR Partners or beneficiaries as a result of consideration of the proposal to grant funds to such CSR

Partners or beneficiaries under this Policy.

- b. CSR activity should not be made where they could influence a current bid or where a decision is being sought from a public official, (e.g., such as approval of a license or resolution of an issue such as a tax dispute or investigation etc.).
- c. A risk-based due diligence on all CSR Partners and recipient organizations shall be conducted in line with the Company's Third-Party due diligence Policy.
- d. The CSR Committee shall maintain a register for all donations/charitable contributions. Further, documents such as invoices, acknowledgements, thank you letters and proof of payment shall be maintained for all donations/charitable contributions.
- e. Payments to CSR Partners and recipient organizations shall be monitored to make sure that they have been used for their intended purpose and the objectives have been met. The recipient shall report back to the Company on the progress and delivery.
- f. Record and payments and in-kind contributions (if any) shall be accurately recorded. Periodic audits of the donations/charitable contributions shall be conducted by the Company.

**8. REVIEW OF CSR POLICY:**

The Board shall review the CSR Policy at periodic intervals, at least once a year and make suitable changes as may be required.

## Annexure I

Activities which may be included by the Company in its CSR Policy include: —

- i. eradicating hunger, poverty and malnutrition, promoting health care including preventive health and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- ii. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- iii. 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 citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, 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;
- v. protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- vi. measures for the benefit of armed forces veterans, war widows and their dependents;
- vii. training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;
- viii. contribution to the Prime Minister's National Relief Fund 5 or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- ix. (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organization (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs);
- x. rural development projects;
- xi. slum area development';
- xii. disaster management, including relief, rehabilitation and reconstruction activities.

Explanation— For the purposes of this item, 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.