

IFCI LIMITED

# Corporate Social Responsibility Policy

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2014-15

**Proposed by CSR Committee of Directors**

**26/05/2014**

*Abstracts of the Corporate Social Responsibility Policy proposed by the Corporate Social Responsibility Committee of IFCI Limited for the approval of the Board of IFCI. The policy may be updated or modified in case of any new compliance requirements or as desired by the Board of IFCI.*

## 1. Introduction

Corporate Social Responsibility (CSR) may be understood to be a process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrate its commitment in this regard by suitable and strategically targeted activities. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

Ministry of Corporate Affairs has notified section 135 and schedule VII of Companies Act 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 to come into effect from April 01, 2014.

This CSR Policy of IFCI has been prepared pursuant to the section 135 of the Companies Act, 2013 and the notified CSR Rules, 2014. This CSR policy should serve as the referral document for all CSR related activities of IFCI Limited.

## 2. CSR Vision Statement and Objective

### 2.1. Vision Statement

To promote development of human capital and rural areas as a key contributor to the growth of India and to support sustainable developmental activities aimed at creating a cleaner, greener and healthier environment.

### 2.2. Objectives

The objectives of IFCI CSR Policy would be to:

1. Support activities aimed at development of human capital and rural areas thereby also enhancing the quality of life and well-being of the people.
2. Support activities which help create a cleaner, greener and healthier environment and thereby also enhance IFCI's perception as a socially responsible entity.

## 3. Financial Resources

Every year, IFCI shall, with the approval of its Board of Directors, make a budgetary allocation for CSR and Sustainability activities / projects for the year. The budgetary allocation will be at least two percent of the average net profits of the company made during the three immediately preceding financial years. For the purposes of this section "average net profit" shall be calculated in accordance with the provisions of section 198 of Companies Act, 2013. Net Profit shall not include the following:

- a) any profit arising from any overseas branch or branches of the company whether operated as a separate company or otherwise;

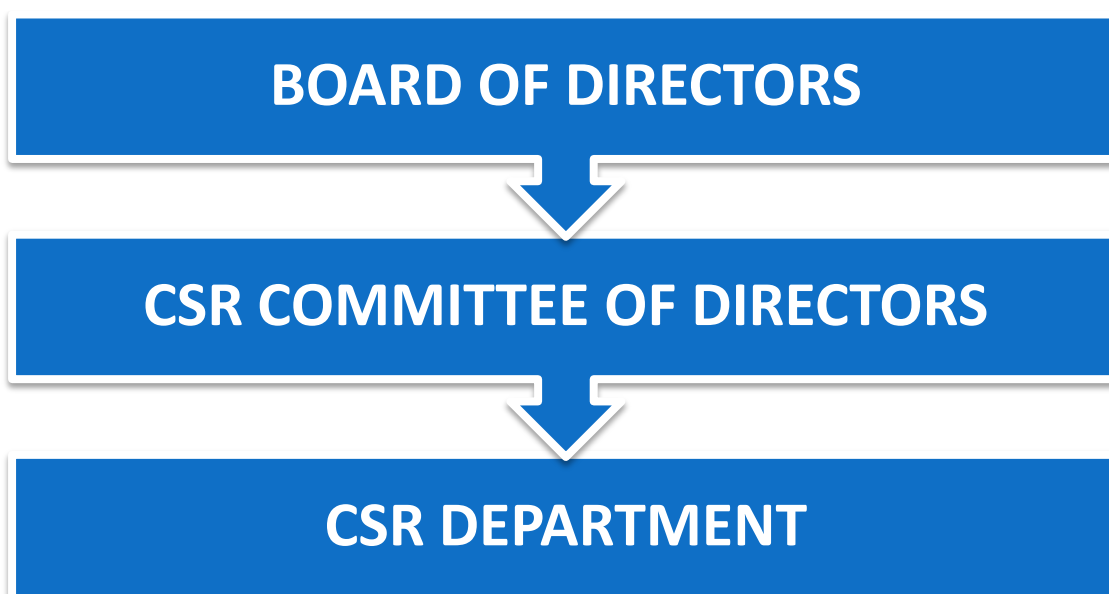
- b) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Companies Act, 2013;

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956, shall not be required to be re-calculated in accordance with the provisions of the Act.

The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of IFCI Limited. CSR expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Companies Act, 2013.

#### 4. Governance Structure

The proposed Governance Structure is as depicted and explained below:



##### 4.1.Role of the Board

In pursuance of the section 135 of the Companies Act, 2013, the Board of IFCI shall:

- a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for IFCI and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed;

- b) ensure that the activities as are included in Corporate Social Responsibility Policy of the IFCI are undertaken by the company
- c) The Board of IFCI shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy, provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.
- d) If the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134 of Companies Act 2013, specify the reasons for not spending the amount.

#### **4.2.CSR Committee**

In pursuance to Section 135 of the Companies Act 2013, IFCI shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

The Corporate Social Responsibility Committee shall:

- a) 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 Companies Act, 2013;
- b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a) above; and
- c) monitor the Corporate Social Responsibility Policy of the company from time to time.

#### **4.3. CSR Department**

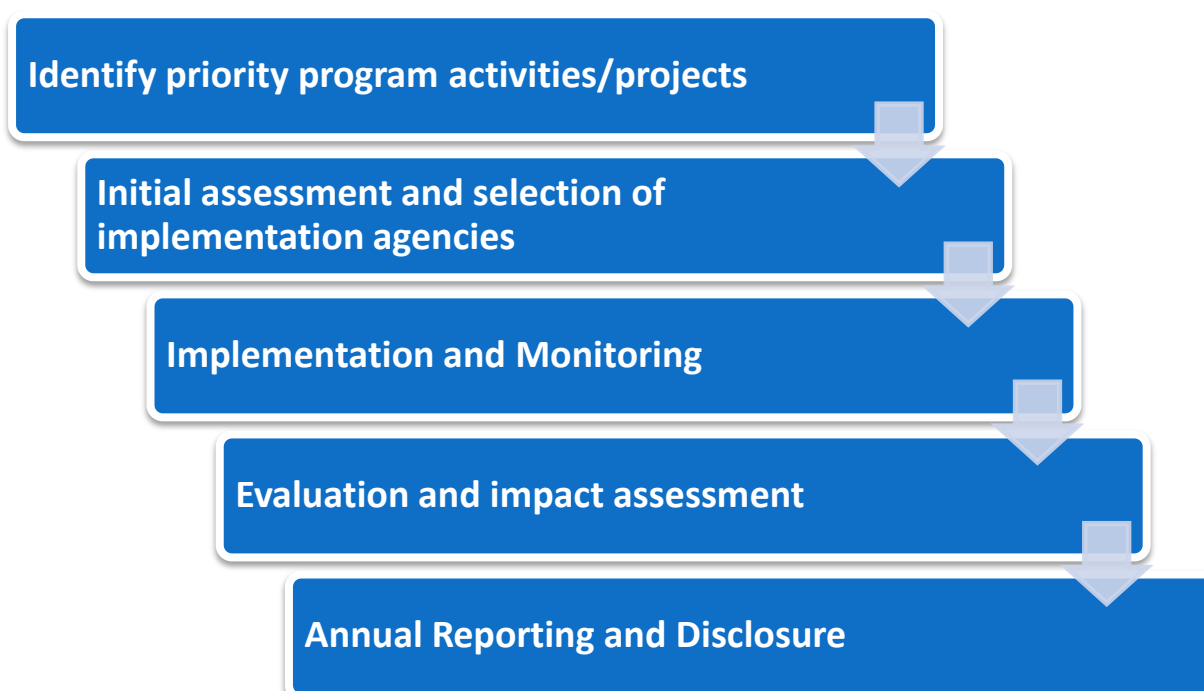
IFCI shall constitute a CSR Department in place to support the CSR Committee. The role and structure of the Department can be determined and changed by the CSR Committee, or the Board of Director's, from time to time. CSR Department shall be headed by an Executive Director. The designated nodal officer will have a team of officials to assist him / her in co-ordination work, which will in no way detract from the importance of CSR and Sustainability work in which all the supervisory staff in all departments may be continuously engaged in.

The designated nodal officer will regularly submit reports regarding the progress in the implementation of CSR and Sustainability activities to the CSR committee. The Committee will in turn, periodically submit the reports to the Board of Directors for their information, consideration and necessary directions. The periodicity of submission of reports by CSR Committee to the Board of Directors is a matter to be decided by the CSR Committee.

## 5. Planning and Strategy

The Company shall endeavor to integrate their CSR and Sustainability plans with the business plans and strategies. For easy implementation, any long-term CSR and Sustainability plans may be broken down into medium-term and short-term plans. Each plan must specify the CSR and Sustainability activities planned to be undertaken for each year, define the responsibilities of the designated authorities to be engaged in this task, and also may prescribe the measurable and the expected outcome and social / environmental impact of such activities.

The planning and execution of the IFCI CSR policy may be broken down into the following key activities as depicted in the diagram below:



### 5.1.CSR activity areas

The CSR activities shall be undertaken by IFCI, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding the activities undertaken in pursuance of its normal course of business.

CSR activities can be undertaken by IFCI either through its eligible subsidiaries or by associating with external entities. The Board of a IFCI may decide to undertake its CSR activities, approved by the CSR committee, through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise. Provided that-

- a) if such trust, society or company is not established by the company or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar programs or projects;

- b) the company has specified the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.

IFCI may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programs in accordance with the notified CSR Rules 2014.

CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure. The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.

IFCI may build CSR capacities of their own personnel as well as those of their implementing agencies through Institutions with established track records of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of the company in one financial year.

Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.

As per the Schedule VII under section 135 of the Companies Act, 2013, the following activities would be allowed as a part of CSR activities by IFCI Limited:

- i. eradicating hunger, poverty and malnutrition, promoting preventive health care and 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 centres 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;
- 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 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 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. contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- x. rural development projects.

## **5.2. Priority Programs, Geographic Areas and Implementation Schedule**

### **5.2.1. Priority Programs**

Efforts shall be made to take up long gestation, high impact projects from the budget allocated for CSR and Sustainability activities. The period of implementation of these long term projects may extend over several years depending upon the expected outcomes and impact thereof. While planning for any long term projects the estimated total cost of each project may be assessed and funds committed till the completion of the project in a phase wise manner as per milestones achieved. The performance of the CSR activities would be adjudged on the basis of their achievement of annual targets and the utilization of their annual budgets for the activities planned and the targets set for each year.

In the selection or choice of CSR and Sustainability projects, IFCI shall avoid taking up ad hoc, one time, philanthropic activities. However, contribution to the Prime Minister's National Relief 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 would be considered a valid CSR activity.

IFCI may refrain from taking up activities which are clearly mandated to be performed by the Government and / or for which Central / State Government's schemes have been sanctioned, as it could result in unnecessary duplication. However, the IFCI may supplement the efforts of the Government in deficit funding for achieving the targets / goals.

In case, the earmarked funds for CSR are not utilised as per the envisaged plans for a particular financial year, CSR Committee, with the approval of the Board of Directors, can contribute the unutilized funds to the Prime Minister's National Relief Fund.

The priority areas for the year 2014-15 may be considered as provided in the table below:

IFCI Vision Element	Priority program/projects for 2014-15	% Funds committed	Schedule VII area
<b>Promote development of Human Capital</b>	Promoting education among children, Employment enhancing vocational skills and livelihood enhancement projects	Upto 40%	(ii)
	Contributions or funds to technology incubators located in academic institutions which are approved by the Central Government.		(ix)
<b>Promote development of rural areas</b>	Rural development projects	Upto 15%	(x)
<b>Promote sustainable developmental activities</b>	Ensuring environmental sustainability, ecological balance, agroforestry and conservation of natural resources and maintaining quality of soil, air and water	Upto 25%	(iv)
<b>Other welfare elements</b>	Any other areas under Schedule VII of Section 135 of Companies Act, 2013	Upto 15%	

In addition to the priority programs/projects identified above 5% of the funds committed during the year 2014-15 may be used for building CSR capacities of IFCI personnel as well as those of implementing agencies through institutions with established track record of at least three financial years.

The priority programs/projects (including assigned budgets) may be changed during the financial year, subject to compliance requirements, by the CSR Committee, to be approved by the Board of Directors.

### 5.2.2. Geographic Areas

IFCI, primarily being in the financial sector services space, has no defined geographic concentration areas, since entities assisted have operations widely distributed all over India. However, priority may be given to areas where IFCI has a presence by virtue of its offices.

### 5.2.3. Due diligence of implementation agencies

While engaging or partnering with external agencies, care should be exercised in selecting only those specialised agencies which have the necessary capabilities and expertise to implement the CSR projects. The credentials of reliability, integrity and professional competence of such agencies should also be verified. Funding to agencies with tax exemption may be preferred. An evaluation matrix may be devised to assess the suitability of implementation partners.



Implementation agencies, if any, would be approved by the CSR Committee before disbursement of funds. Any implementation partners being owned (partially or completely), managed by any IFCI employee or their immediate family members or any of the Directors, shall not be eligible for any funds.

## **6. Implementation and Monitoring**

Activities which are selected under CSR and Sustainability agenda, as far as possible, shall be implemented in a project mode, which entails charting the stages of execution in advance through planned processes, with mobilisation of pre-estimated quantum of resources, and within the allocated budgets and prescribed timelines. It shall also assign clear responsibility and accountability of the designated officials / agencies who are entrusted with the task of implementation.

Monitoring shall be done periodically with the help of identified key performance indicators; the periodicity being determined largely by the nature of performance indicators. Monitoring mechanisms should have periodic feedbacks with recourse to mid-course correction in implementation, whenever required.

Actual disbursements shall be linked to the progress on the ground.

### **6.1.Evaluation and Impact Assessment**

Evaluation may be assigned to an independent external agency for the sake of objectivity and transparency. It is advisable to use the services of the agency engaged for doing the need assessment study prior to the commencement of the project, to perform the task of monitoring and eventual evaluation of outcome. However, whenever CSR and Sustainability activities are implemented by IFCI, it would be mandatory to associate an external agency for monitoring purposes, as it would enable an impartial assessment of work progression, and help in mid-course correction, if required.

The ultimate test of the success of any CSR and Sustainability activity / project is the social, economic or environmental impact thereof. Every CSR activity is planned and implemented with some anticipated impact on society or environment. It is against such perception and expectation of impact that the completed activity / project should be measured to ascertain the degree of its success, or failure. In fact, it is at the time of impact assessment that a well-documented and detailed baseline survey or need assessment study done at the commencement of the activity, comes in handy for comparison of data.

Impact assessment can be understood to be associated with accomplishment of set targets and goals at various stages of progress in implementation. While achievement of targets and expected outcomes can be a source of satisfaction, IFCI may try to get an assessment done of the social/economic/environmental impact of their CSR and Sustainability activities after the same are completed.

## **7. Reporting and Disclosure**

### **7.1. Annual Reporting**

The Board's Report of a IFCI Limited for the financial year commencing from 1st day of April, 2014 shall include an annual report on CSR containing particulars as specified in the Annexure.

### **7.2. Company Website**

The Board of Directors of the IFCI shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the company and disclose contents of such policy in its report and the same shall be displayed on the company's website, if any, as per the particulars specified in the Annexure.