

**KOGTA FINANCIAL (INDIA) LIMITED**

**CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY**

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## 1. Introduction

Kogta Financial (India) Limited ('the Company' or "Kogta" or "KFL") is a Non-Banking Financial Company ('NBFC') having valid Certificate of Registration with Reserve Bank of India ('RBI') vide registration no. B.10.00086 dated May 27, 2016 under current RBI classification as NBFC - Investment and Credit Company (NBFC-ICC) – Non Deposit taking Systemically Important ('ICC-ND-SI') with more than 20 years of experience in asset finance business.

It is focused on offering financing of all kind of commercial vehicles (HCV, LCV, MUV, SCV), Cars, Tractors, Two-wheelers and MSME & Loan against property segment.

## 2. Regulatory Requirement

The Ministry of Corporate Affairs, Government of India has notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 "hereinafter CSR Rules" and other notifications related thereto which makes it mandatory (with effect from 1st April, 2014) for certain Companies who fulfill the criteria as mentioned under Sub Section 1 of Section 135 of the Companies Act, 2013, to comply with the provisions relevant to Corporate Social Responsibility. With the advent of the Companies Act 2013, constitution of Corporate Social Responsibility Policy ("Policy") became a mandatory requirement for the Company.

## 3. About the Policy

The Company constantly strives to ensure strong corporate culture which emphasizes on integrating CSR values with its business objectives. It is committed to contribute to the society by supporting causes on various concerns. The Company shall make its endeavour to positively impact and influence the Society for its sustainable development and to improve quality of lives through social development projects.

## 4. Meaning of Corporate Social Responsibility (CSR)

The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the Company's effects on the environment and impact on social welfare. The term generally applies to Company's efforts that go beyond what may be required by regulators or environmental protection groups.

## 5. Applicability

Section 135(1) of the Companies Act, 2013 notifies that the Companies having Net worth of INR 500 Crores or more; or Turnover of INR 1000 Crores or more; or Net Profit of INR 5 Crores or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board, hereinafter referred as "CSR Committee" with effect from 1st April, 2014.

The Company covered under the Section 135(1) shall be required to do following activities:

- (i) The Company shall be required to constitute Corporate Social Responsibility Committee of the Board. The CSR Committee shall be comprised of three or more directors, out of which at least one director shall be an independent director.
- (ii) The Company shall be required to prepare Corporate Social Responsibility Policy.
- (iii) The Company shall disclose the compositions of the CSR Committee and other details as specified in Corporate Social Responsibility Rules, 2014 in the Board's report.

- (iv) The Company shall spend, in every financial year, at least two per cent of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

## **6. Corporate Social Responsibility (CSR) Committee**

The Corporate Social Responsibility Committee shall consist of three or more directors, out of which at least one director shall be an independent director. A quorum at a meeting shall be 2 or more Committee members. The Chairman of the Corporate Social Responsibility Committee and other members of the Committee shall be decided by the Board of Directors. If so require, the Board may replace a Committee member at any time.

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely: -

- a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4;
- c) the modalities of utilisation 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 Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

## **7. Meetings**

The Corporate Social Responsibility Committee shall hold meeting(s) as and when needed. The chairman of the Committee will preside at each meeting of the Committee and, in consultation with the other members of the Committee. The chairman will ensure that the agenda for each meeting is circulated in advance of the meeting.

## **8. Resolution by Circulation**

In pursuant to the section 175 of the Companies Act, 2013, a resolution proposed to be passed by circulation should be sent in draft form, together with the necessary papers, individually to all the members of the Committee, at the same time. The resolution is passed, when it is approved by a majority of members entitled to vote on the resolution other than interested members. Members of the Committee should give their assent or dissent either by signing the resolution or by sending confirmation through mail on resolution to be passed by circulation within 24 hrs of circulation otherwise it will be deemed that the resolution have been passed on the same date.

## **9. Committee Authority and Responsibilities**

The Corporate Social Responsibility Committee shall be required to carry out the following activities:

- (i) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as per Companies Act, 2013 and rules made thereunder;
- (ii) Review and recommend the amount of expenditure to be incurred on the activities referred to in

clause (a);

- (iii) Institute a transparent monitoring mechanism for the implementation of the CSR projects, programs and activities undertaken the Company from time to time; and
- (iv) Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.

## **10. Corporate Social Responsibility (CSR) Reporting**

The Board's report of a Company shall include a report on Corporate Social Responsibility containing particulars of the CSR activities in the manner as specified in Corporate Social Responsibility Rules, 2014:

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- (i) A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs;
- (ii) The composition of the CSR Committee;
- (iii) Average net profit of the Company for last three financial years;
- (iv) Prescribed CSR Expenditure (2% of the amount of the average net profit for the last 3 financial years);
- (v) Details of CSR Spent during the financial year;
- (vi) In case the company has failed to spend the 2% of the average net profit of the last three financial years, reasons thereof.

## **11. Corporate Social Responsibility (CSR) Activities**

The Company constantly strives to ensure strong corporate culture which emphasizes on integrating CSR values with business objectives. It pursues initiatives to eradicate hunger poverty; promoting preventive health care and making available safe drinking water; promoting education, including special education, employment enhancing vocational skill trainings, promoting gender equality, programs for empowering women and projects for environmental protection.

Kogta CSR activities span five key areas and our single minded goal here is to holistically approach poverty reduction and bettering quality of lives through social development projects.

### **i. Environmental Projects**

Ensuring environmental sustainability, recharge-pit for bore wells, solar lamps at public places (e.g. Government hospitals), conservation of natural resources and organizing programmes on Environment Management and Pollution Control, Plantation of saplings producing fruit.

### **ii. Public Amenities, Health and Hygiene**

- (i) Safe drinking water facility at public places (i.e. bus stands, schools, hospitals etc);
- (ii) Public health and hygiene (supporting PHCs & maternity homes, cleaning public places, clearing garbage dumps, providing dust bins, improving drainage, area spraying for Malaria, Chikengunya, Dengue, public awareness programs etc.);
- (iii) Organizing camps on Blood donation, AIDS, TB, Diabetics detection, Hypertension, Diet and Nutrition.

### **iii. Promoting Education**

Providing and distribution of study materials, copies, pens, pencils, rubbers or other these types of materials free of cost in schools and Anganwadis, Initiatives for Girl child education, merit scholarships for technical & professional education.

**iv. Sports**

Sport education and training for the children and adults to promote sports activities.

**v. Social Welfare**

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 etc.

Beside above all such other activities /projects that are relevant and qualifies for CSR activities under schedule VII of the Companies Act, 2013.

But “Corporate Social Responsibility (CSR)” activities shall not include the following activities, namely:-

- (i) activities undertaken in pursuance of normal course of business of the Company: Provided that any Company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that-
  - a) such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;
  - b) details of such activity shall be disclosed separately in the Annual report on CSR included in the Board’s Report;
- (ii) any activity 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;
- (iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act;
- (iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);
- (v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services; and
- (vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India.

**12. Administration of Corporate Social Responsibility (CSR) Projects**

In pursuance to the Rule 4 of The Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board shall ensure that the CSR activities are undertaken by the Company itself or through -

- a) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or
- b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or
- c) any entity established under an Act of Parliament or a State legislature; or

- d) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

Every entity, covered above, who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01st day of April 2021.

In case of ongoing project, the Board of a Company 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.]

The Company may meet its CSR obligations by funneling its activities either on its own or through Kogta Foundation or a third party, such as a society, trust, foundation or Section 8 company (i.e., a Company with charitable purposes) that has an established record of at least three years in CSR activities but the expenditure of such institution shall not exceed 5% of total CSR expenditure in one financial year. The Companies may also collaborate and pool their resources, which could be especially useful for small and medium-sized enterprises. The Company may also collaborate with other companies or institutions for undertaking projects or programs for CSR activities.

Any surplus arising out of the CSR activities shall not form part of the business profit of a 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, within a period of six months of the expiry of the financial year.

### **13. Corporate Social Responsibility (CSR) Geographic Reach**

The Companies Act, 2013 provides 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. The Company will thus give preference to conducting CSR activities in the state of Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi, Haryana, Uttar Pradesh, Chandigarh and Punjab. However, the Committee may identify such areas other than stated above, as it may deem fit, and recommend it to the Board for undertaking CSR activities.

### **14. Corporate Social Responsibility (CSR) Funds**

The corpus for the purpose of carrying on the aforesaid CSR activities would include the followings:

- (i) 2% of the average Net Profit made by the Company during immediately preceding three Financial Years;
- (ii) Any income or surplus arising out of CSR activities carried out by the company and such surplus will not be part of business profit of the company.

As per the rules, the Company will set aside, for annual CSR activities, an amount equal to 2% of the average net profits of the Company made during the three immediately preceding financial years.

Where the Company spends an amount in excess of requirement provided under sub-section (5) of section 135, such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions that :

- a) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance to CSR rules.
- b) the Board of the Company shall pass a resolution to that effect.

Any amount remaining unspent, pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by Company in pursuance of Corporate Social Responsibility Policy, shall be transferred by the Company within a period of thirty days from the end of the 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 Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the Company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

The tax treatment of CSR spent will be in accordance with the Income Tax Act, 1961 as may be notified by the Central Board of Direct Taxes.

## **15. Review**

The Company's CEO, CFO and COO have been entrusted with the responsibility of enforcement of this policy. They are hereby given absolute power to jointly or severally, make necessary changes, amendments or additions or removals for the operational aspects of the policy within the overall spirit and guidance from time to time for reasons like technology or process upgradation, regulatory changes, maintaining competitive edge or responding to changes in market or risk environment, etc. This is required to ensure full operational freedom to the senior management and make the management team more adaptive to rapid changing external environment. All changes so made shall be noted to the policy approving authority during the next policy review.

The CEO, CFO and COO can decide on delegation of authority and can design / redesign MIS systems and reporting as they see fit to improve the responsibility and accountability within the team hierarchy.