

KOGTA FINANCIAL (INDIA) LIMITED

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

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1. INTRODUCTION

Kogta Financial (India) Limited ("the Company" or "KFL") is a Non-Banking Financial Company ("NBFC") registered with the Reserve Bank of India ("RBI") vide Registration No. B.10.00086 dated May 27, 2016. The company is currently classified as an NBFC - Investment and Credit Company ("NBFC-ICC") under Middle Layer in accordance to RBI (NBFC - Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.

KFL has with more than 25 years of experience in the asset finance business and provides financing for commercial vehicles, cars, tractors, construction equipment, three-wheelers, two-wheelers, MSME business loans, and loan against property.

2. REGULATORY REQUIREMENT

The Ministry of Corporate Affairs, Government of India has notified the Section 135 of the Companies Act, 2013 ("Act") read with the Companies (Accounts) Rules 2014 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("CSR Rules") and other notifications related thereto which makes it mandatory for certain Companies who fulfill the criteria as mentioned under sub-section 1 of Section 135 of the Act, to comply with the provisions relevant to Corporate Social Responsibility. With the advent of the Act, constitution of the 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 endeavor 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 Act 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 the immediately preceding financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board of Directors ("Board"), hereinafter referred as "CSR Committee".

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;
- (ii) The Company shall be required to prepare the Corporate Social Responsibility Policy;
- (iii) The Company shall disclose the composition of the CSR Committee and other details as specified in CSR Rules 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.

Explanation: "**Net profit**" means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely: -

- i. any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
- ii. any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act. Provided that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381, read with section 198 of the Act.

6. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

In compliance with section 135 of the Act read with CSR Rules, the CSR Committee shall consist of three or more directors, out of which at least one director shall be an independent director. The Chairman of the CSR Committee and other members of the Committee shall be decided by the Board of the Company. If so require, the Board may replace a Committee member at any time. The Composition of the CSR Committee should be detailed in the Annual Report and also available on the website of the Company.

- ✓ **Secretary:** Company Secretary and Compliance officer of the Company will be the Secretary of the CSR Committee.
- ✓ **Quorum:** A quorum at a meeting shall be as per the provisions of the Act and the Articles of Association of the Company. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the CSR Committee.
- ✓ **Meetings:** The CSR Committee shall hold meeting(s) as and when needed. The Chairman of the Committee shall act as Chairman of the meeting and in case of his absence, the members present at the meeting shall elect one of themselves to chair and conduct the meeting. The Chairman shall ensure that the agenda for each meeting is circulated in advance of the meeting. Meetings can be held through video conferencing or other audio visual means.
- ✓ **Resolution by Circulation**
In pursuance to the section 175 of the Act, 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.
- ✓ **Duties and Responsibilities:**

The CSR Committee shall inter alia, be required to carry out the following activities:

- i. Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company in areas or subject specified in Schedule VII of the Act;
- ii. Review and recommend the amount of expenditure to be incurred on the CSR activities

referred to in clause (i);

- iii. Institute a transparent monitoring mechanism for the implementation of the CSR projects, programs and activities undertaken by the Company from time to time;
- iv. Monitor the CSR policy of the Company from time to time;
- v. Formulate and recommend to the Board, an annual action plan in pursuance to the CSR policy of the Company; and
- vi. Any other matter as mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.

✓ **Annual Action Plan:**

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance to 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 of CSR Rules;
- c) the modalities of utilization 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. DUTIES OF BOARD OF DIRECTORS

The Board of the Company shall carry out the following activities:

- The Board shall approve the CSR Policy, based on the recommendation of the CSR Committee and ensure that the activities included in this Policy are undertaken by the Company;
- Ensure the implementation of this Policy and monitoring of CSR expenditures;
- Disclose the composition of the CSR Committee, contents of CSR Policy and Projects approved by the Board in the Board's report and also place it on the website of the Company;
- The Board shall ensure that the Company spends, at least two per cent of the average net profits of the Company made during the three immediately preceding financial years.
- The Board shall satisfy itself that the funds so disbursed have been utilized for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect;
- In case of ongoing project, the Board 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.
- If the Company fails to spend at least two per cent of the average net profits of the company, the

Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount and transfer the unspent CSR amount as per provisions of sections 135(5) and 135(6) of the Act.

8. IMPLEMENTATION 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, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 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, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G 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, must be registered with the Central Government by filing the form CSR-1 electronically with the Registrar, duly certified by practicing professional.

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.

Further, 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 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 administrative overheads of the Company shall not exceed 5% of total CSR expenditure in one financial year. The Company may also collaborate and pool their resources, which could be especially useful for small and medium-sized enterprises.

***Explanation:** i). The Company has established the Kogta Foundation in year 2020 (a trust incorporated by the Company to make CSR expenditures for and on behalf of the Company), to work pro-actively on ground in consultation with key stakeholders for understanding their social needs and designing sustainable initiatives that promote the wellbeing of the society in the long run.

ii). Administrative overheads means the expenses incurred by the Company for 'general management and administration' of [Corporate Social Responsibility](#) functions in the Company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular CSR project or programme;

The Company may also collaborate with other companies or institutions/entities for undertaking projects or programs for CSR activities in such a manner that the CSR Committee of Company are in a position to report separately on such projects or programmes in accordance with CSR Rules and can also engage with international organizations for designing, monitoring and evaluation of the CSR projects or

programmes as well as for capacity building of their own personnel for CSR, in pursuance to the approval of CSR Committee/Board of the Company.

9. 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.

KFL's 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, conservation of natural resources and organizing programmes on Environment Management and Pollution Control, Plantation or such other similar activities.

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 (healthcare, sanitization, public awareness programs, etc.);
- (iii) Organizing camps on Blood donation, Yoga, etc.

iii. Promoting Education

Providing and distribution of study materials free of cost in schools and Anganwadis, Initiatives for education, merit scholarships for technical & professional education, building classrooms at schools, etc.

iv. Sports

Sports 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 centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups, etc.

- vi. Beside above all such other activities /projects that are relevant and qualifies for CSR activities under schedule VII of the Act and Rules made thereunder.

10. RESTRICTED CSR ACTIVITIES

The following activities shall not be considered as Corporate Social Responsibility (CSR), namely: -

- (i) activities undertaken in pursuance of normal course of business of the Company;
- (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) One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programmes, etc. activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
- (vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India.

11. CORPORATE SOCIAL RESPONSIBILITY (CSR) GEOGRAPHIC REACH

The Act 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 where it operates. However, the Committee/authorized persons may identify such areas other than stated above, as it may deem fit.

12. EXPENDITURE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) FUNDS

The Board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the Company for the financial year.

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 to CSR policy and annual action plan of the Company or transfer such surplus amount to a Fund specified in Schedule VII of the Act, within a period of six months of the expiry of the financial year.

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

- (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 resolution to that effect.

The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by -

- a. A company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or

- b. beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
- c. a public authority.

Any amount remaining, pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by the 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.

In compliance with the Act and to ensure funds spent on CSR project(s) are creating the desired impact on the ground, a comprehensive monitoring and reporting framework shall be in place. The monitoring and reporting mechanism shall include as applicable and appropriate, necessary processes including baseline, midline and end-of-project assessments to allow for a structured approach and mid-course correction, if any, as required. A robust monitoring and evaluation system, and key performance indicators (quantitative and qualitative) shall be developed for each project as per its specific requirements. Documentation and reporting shall be undertaken for all projects to aid availability of updated information and to capture learnings and best practices.

13. IMPACT ASSESSMENT

The Company shall undertake an Impact Assessment of its CSR Projects, through Independent Agency, having outlay of INR One crore or more and which have been completed not less than one year before undertaking the impact study, as and when the average CSR obligation of the Company exceeds INR Ten crore or more in the three immediately preceding financial years.

The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

The Company undertaking impact assessment may book the expenditure towards CSR for that financial year, which shall not exceed 2% of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.

14. CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORTING

The Board's report of a Company pertaining to any financial year shall include an annual report on Corporate Social Responsibility containing particulars of the CSR activities in the manner as specified in CSR Rules.

15. VALIDITY

The Policy shall be valid till next review by Committee members and/or Board of Directors, as applicable.

16. POLICY OWNERSHIP AND GOVERNANCE

To strengthen governance and ensure accountability, the Policy Owner is explicitly designated as the responsible authority for the maintenance, review, and timely updating of this policy and all associated Standard Operating Procedures (SOPs) and process documents. The Policy Owner shall ensure that all related documents remain current, compliant with applicable laws and regulations, and are approved by the competent authorities. Any revisions or updates shall be documented and communicated to relevant stakeholders in a timely manner.

17. 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.