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| Title | ISARC-Corporate Social Responsibility Policy |
| Approval Date | March 31, 2023 |
| Approving Authority | Board |
| Effective Date | March 31, 2023 |
| Review | At least once in two years |
| Applicable to | ISARC and all its employees |

| Sr. No. | Particulars |
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ISARC-Corporate Social Responsibility Policy

1. Vision Statement & Objective

- 1.1 The Corporate Social Responsibility (CSR) Policy encompasses the Company's philosophy of giving back to society as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for the welfare and sustainable development of the community at large.
- 1.2 This policy is framed in accordance with the provisions of Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014, including any amendments thereof.
- 1.3 The objective of this policy is to set guiding principles and general framework for carrying out CSR activities by the Company and also to set up process of execution, implementation and monitoring of the CSR programs to be undertaken by the Company.

2. Definitions

- 2.1 **'Act'** means the Companies Act, 2013 and rules framed thereunder as amended from time to time.
- 2.2 **'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 Corporate Social Responsibility project or programme;
- 2.3 **'Company'** means India SME Asset Reconstruction Company Limited/ ISARC
- 2.4 **'Corporate Social Responsibility (CSR)'** means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in the rules made thereunder.
- 2.5 **'Committee'** means Corporate Social Responsibility Committee as constituted / reconstituted by the Board from time to time.
- 2.6 **'CSR Policy'** means a statement containing the approach and direction given by the board of a Company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan;
- 2.7 **'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;

- 2.8 'Ongoing Project'** means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding 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;

Words and expressions used in this CSR Policy and not defined herein but defined in the Act will have the meaning respectively assigned to them in the Act

3. CSR Committee of the Board

CSR committee shall be constituted by the Board of the Company when required by and in compliance with the requirements of applicable law. The CSR Committee shall consist of at least three members out of whom, at least one shall be an Independent Director. The CSR Committee shall hold its meeting as stipulated in its charter or as required for compliance with the provisions of the Act, if any.

4. Thrust Areas of CSR Activities

4.1 The Company may undertake CSR activities, which are broadly related to the following:

- (1) rural development projects, promoting education, eradicating hunger, malnutrition and poverty, promoting gender equality, empowering women, promoting health care and sanitation, ensuring environmental sustainability, promoting employment, enhancing vocational skills, protecting natural heritage and culture, disaster management including relief, rehabilitation and reconstruction activities;
- (2) contribution to the prime minister's national relief fund or any other fund set up by central government for socio economic development and welfare of schedule caste and schedule tribes and other backward classes, minorities and women;
- (3) or any other activities specified in Schedule VII of the Companies Act, 2013 or otherwise specifically permitted by the government as eligible CSR activities under the applicable law from time to time.

5. Selection and implementation of CSR projects

5.1 This policy lists thrust areas of CSR activities, which have been selected from the list of areas detailed in Schedule VII of the Act. However, these focus areas are an indicative statement of intent, and the CSR Committee will have the ability to deploy

the funds earmarked for the CSR budget in any area which is legally permitted as per the Act, that they deem fit.

- 5.2** The CSR activities may be undertaken by the Company itself or through any implementing agency/entity as specified under the Act. The Company shall register itself with the Central Government, in such manner as prescribed under the Act, if CSR activities are undertaken through any agency/entity.
- 5.3** The CSR activities may be either independent projects and programs or activities, either new or ongoing, but will not include the activities that are undertaken in pursuance to the normal course of the business unless otherwise permitted under applicable law. Similarly, contribution of any amount directly or indirectly made to any political party and/or any such programs and activities designed to benefit only the employees of the Company and their family shall not be considered as CSR activity.
- 5.4** The strategy for implementation of the CSR activities will be reviewed from time to time. The process for implementation of CSR programmes will involve some or all these following aspects as suitable on a case to case basis:-
- a) Programme objective;
 - b) Adopting a basis such as primary or secondary survey / study, on which the outcome of the programme would be measured;
 - c) Prescribing implementation schedules with timelines for milestones of the programme;
 - d) Responsibilities and authorities;
 - e) Major results expected;
 - f) The agency/entity, if any, selected for executing CSR project will be required to furnish clear deliverables and break-up of the cost to be met for the purpose.
 - g) Review of the performance on timely basis, as decided by the Board/CSR Committee.

6. CSR Expenditure

- 6.1** As per the provisions of the Act, for achieving its CSR objective, the Company will allocate such percentage, as prescribed from time to time, of its average net profits of preceding three financial years, as its annual CSR budget. The expenditure for various projects, programs and activities are to be decided at the initial stage by the Company and such projects, programs and activities are to be approved by the CSR Committee. Once these projects, programs are approved by the CSR Committee, expenses for such activities may be permitted by the Company.
- 6.2** Administrative overheads in pursuance of CSR activities or projects or programs shall not exceed the prescribed thresholds. Any amount remaining unspent, not related to any ongoing project, shall be transferred to a fund specified in Schedule VII of the Act, within a period of six months from the expiry of the Financial Year.

- 6.3** Any amount remaining unspent, pursuant to any ongoing project, undertaken by the Company shall be transferred to a special account to be opened in that behalf for that financial year in any scheduled bank to be called the unspent corporate social responsibility account, within a period of thirty days from the end of the financial year. The said 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 of the Act, within a period of thirty days from the date of completion of the third financial year.
- 6.4** Where the Company spends an amount in excess of its prescribed CSR expenditure during a financial year, the Committee may make a recommendation to the Board for setting off the excess amount spent against CSR spend for such number of succeeding financial years and in such manner as may be prescribed.
- 6.5** In respect of impact assessment, as and when applicable under the provision of the Act, the company may book the expenditure incurred for such impact assessment towards CSR expenditure of the relevant financial year to the extent permissible under applicable law.
- 7. Monitoring and Reporting of CSR Activities**
- 7.1** The CSR Committee will institute a transparent monitoring mechanism for implementation of the CSR projects or programs, or activities undertaken by the Company. The CSR Committee will review and report the progress / impact of projects under implementation, amounts allocated / spent / unspent on the projects, to the Board on yearly basis or as per the requirements of the Act.
- 7.2** The Board will also monitor the implementation of ongoing projects and make suitable modifications to the same for smooth functioning of the project, within the overall permissible time period.
- 7.3** If the CSR activity is undertaken by the Company through implementing agency/entity, then certification for end use of the funds for the approved purpose is to be obtained from chartered accountant firm or statutory auditor of the executing agencies to the satisfaction of the CSR Committee.
- 7.4** Annual Report of CSR, as prescribed under the Act, shall form part of Board's Report. Further, Company shall furnish the report of CSR, in the form as may be prescribed, to the Ministry of Corporate Affairs.
- 7.5** Disbursement of funds, as approved by the Committee and Board should be as per Delegation of Powers Matrix approved by the Board.

8. Review of the Policy

This policy shall be reviewed by the Corporate Social Responsibility Committee, at least once in two years or changes or amendments to the policy, pursuant to any circular/notification/guideline issued by RBI/MCA or any other competent authority, from time to time, shall be recommended by the Committee and would be placed before the Board of Directors for their approval.

Approved & Confidential