

Corporate Social Responsibility (CSR) Policy

of

Gujarat State Financial Services Limited

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Chapter-1

Introduction

1.1 Background

Gujarat State Financial Services Limited (GSFS) believes in the concept of Corporate Social Responsibility (CSR), which has been brought into legal frame work by Section 135 of the Companies Act, 2013 and rules made there under. The Schedule VII of the Act contains a list of activities that can be undertaken as part of the CSR initiatives. The Companies (Corporate Social Responsibility Policy) Rules, 2014 came in to effect from April 1, 2014. The present CSR policy is being framed to undertake the proposed CSR activities of the Company in consonance with the Section 135 read with Schedule VII of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

1.2 Applicability

- (a) The policy shall be applicable to a Company, if the Company is having net worth of Rs.500 Crore or more, or turnover of Rs.1000 Crore or more or a net profit of Rs.5 Crore or more immediately preceding financial year. (as amended from time to time)
- (b) The Company would be obliged to spend at least 2% of the average net profit of three immediate preceding financial years of the Company on CSR.
- (c) If the Company does not fulfill any of the criteria prescribed for attracting the provisions of Section 135 of the Act, the Company shall not be required to constitute a CSR Committee and comply with the provisions of Section 135 of the Act, until such time it meets with the prescribed criteria.
- (d) The provisions of Section 135 of the Companies Act are applicable to GSFS and hence the Company is required to formulate a policy.

1.3 Vision:

GSFS gives due importance to welfare activities in the social sectors covered under Human Development Index (HDI) for the well being of the people of the area of its operations. GSFS would endeavour to enhance value creation in the society 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 social responsible corporate citizen with utmost environment concern.

1.4 Objective

To operate the business in an economically, socially and environmentally sustainable manner, while recognizing the interests of all its stakeholders.

1.5 CSR Committee of Board of Directors:

The present constitution of the Corporate Social Responsibility (CSR) Committee is as under:

1. Dr. T. Natarajan, IAS, Managing Director
2. Smt. Arti Kanwar, IAS, Nominee Director
3. Shri Bhadresh Mehta, Independent Director

1.6 Role and Responsibilities of the CSR Committee:

The CSR 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 in the areas or subject specified in Schedule VII. (As amended from time to time).
- (b) Recommend the specific CSR initiatives to be adopted by the Company and the amount of expenditure to be incurred on the activities.
- (c) Ensure that activities included by the Company in its CSR policy are related to activities included in Schedule VII of the Companies Act, 2013 and CSR activities does not include activities undertaken in pursuance to normal course of business.
- (d) Monitor the Corporate Social Responsibility Policy of the Company from time to time, institution of transparent monitoring mechanism for implementation and expenditures.
- (e) Provide to the Board a responsibility statement that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company.
- (f) Formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:
 - The list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act (as amended from time to time);
 - The manner of execution of such projects or programmes as specified in the Rules;
 - The modalities of utilisation of funds and implementation schedules for the projects or programmes;
 - Monitoring and reporting mechanism for the projects or programmes;
 - Details of need and impact assessment, if any, for the project 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 reasonable justification to that effect.

1.7 Responsibilities of Board of Directors:

The Board of Directors shall:

- (a) After taking into account the recommendations made by the CSR Committee, approve the CSR policy of the Company and disclose contents of such policy in Board's Report and also place it on Company's Website.
- (b) Ensure that the activities as are included in CSR policy, are undertaken by the Company in India.
- (c) Ensure that the Company spends, in every financial year, at least 2% of average net profits of the Company made during the three immediately preceding financial years, in pursuance to the CSR policy.
- (d) Give preference to the local area, where the Company operates, for spending the amount earmarked for CSR activities.
- (e) In its report specify the reasons for not spending the amount, if the Company fails to spend the amount.
- (f) Decide to undertake the CSR activities through a registered trust or registered society or a company registered under Section 8 of the Companies Act, 2013 established by the Company or otherwise as per provisions of the Companies Act, 2013 as amended from time to time.
- (g) Ensure that the administrative expenditure for building own CSR capacity or through implementing agencies shall not exceed five percent of total CSR expenditure for the financial year. Expenses incurred by the company shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme.
- (h) Ensure surplus arising out of CSR activities shall not form part of business profits and shall be ploughed back in the same project or shall be transferred to unspent CSR Account and spent in pursuance of CSR policy and annual action plan 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.
- (i) Ensure an amount spent in excess of the requirements, such excess amount may be set off against the requirements to spend upto immediate succeeding three financial years subject to conditions that:
 - The excess amount available for set off shall not include the surplus arising out of the CSR activities.
 - The Board of the Company shall pass a resolution to this effect.
- (j) If CSR amount is spent by the company for creation or acquisition of a capital asset, it shall be held by the following entity:
 - a Section 8 Company or a Registered Public Trust or Registered Society, having charitable objects and valid CSR Registration Number or beneficiaries

of said CSR project in form of self-help groups, collectives, entities or a public authority.

- (k) Ensure that the funds so disbursed have been utilized for the purposes and in the manner as approved by Board / CSR Committee and it shall seek a certificate from Chief Financial Officer or from person responsible for financial management, to the effect.
- (l) Disclose reasons for not spending the amount (if applicable) in the Annual Report to the Members of the Company and, unless the unspent amount relates to any ongoing project, transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.
- (m) Ensure that any amount remaining unspent, pursuant to any ongoing project, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, is transferred by the company within a period of thirty days (or within such other days as may be permitted under the Companies Act, 2013 and rules made thereunder) 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 is 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, 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.
- (n) Approve Annual action Plan as formulated and recommended by the CSR Committee, as per the CSR Policy of the Company which shall include projects or programs to be undertaken, manner of execution, modalities of utilization of funds, monitoring the reporting mechanism and require an impact assessment, if any. The Board may alter the plan during the financial year, if recommended by the CSR Committee, based on reasonable justification.
- (o) 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 overall permissible time period.

Chapter-2 RESOURCES

2.1 Budget:

GSFS shall allocate the statutory mandated amount of at least 2% of the average net profits of the Company made during the three immediately preceding financial years and this would be the minimum overall Annual budget of CSR activities.

2.2 Utilization:

The CSR Committee of the Company would be authorized to allocate funds for different projects on the basis of approved CSR plans on yearly basis.

Any unspent / unutilized CSR allocation of a particular year will be dealt with in due

compliance of law for the time being in force. Any surplus arising out of CSR activities shall not form part of the business profits of the Company.

Chapter-3 PLANNING

The CSR activities of GSFS would be in line with the activities as specified in Schedule VII of the Companies Act, 2013, which are as under:

- I. eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swach 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 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, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to clean Ganga Fund set up by 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; Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;
- VII. training to promote rural sports, nationally recognized sports, para-Olympic sports and Olympic sports;
- VIII. contribution to the Prime Minister's National Relief Fund 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 Caste, 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
- XI. Slum area development (Slum area means any area declared as such by Central Government or any State Government or any other competent authority under any law for the time being in force)

- XII. Disaster management, including relief, rehabilitation and reconstruction activities.
- XIII. Any other activity in relation to above and all other activities which form part of CSR as per Schedule VII of the Companies Act as may be amended from time to time.

Chapter-4 IMPLEMENTATION

4.1 Area or subject identification

The CSR activities will be focused for the following areas or subjects:

- (a) promoting preventive health care and sanitation including Community Toilets,
- (b) Diagnostic healthcare,
- (c) malnutrition,
- (d) Innovation and Entrepreneurship and
- (e) Skilling for Livelihood Enhancement projects.

- (f) Promoting education / special education among all including differently abled persons *

* (inserted as per approval of Board at 119th Board meeting held on November 30, 2017)

- (g) Rural Development Projects including projects related to Irrigation – Construction of Check Dam and Installation of Lift Irrigation**

** (Inserted as per approval of Board at 125th Board Meeting held on March 16, 2019)

4.2 Project Identification

GSFS may also contribute to such other Implementing Agency/Agencies which qualifies under the provisions of the Companies Act, 2013 and rules made thereunder, dealing in the thrust areas identified.

GSFS may channelize its CSR contribution to “Gujarat CSR Authority” established by Government of Gujarat under administrative control of Industries and Mines Department.

GSFS may directly contribute to the Gujarat CSR Authority or contribute to any project (s) identified by Gujarat CSR Authority for the purpose of the same within the broad categories of thrust areas as identified herein and which fulfills requirement of the provisions of the Companies Act, 2013 and rules made thereunder.

4.3 Partnering for Execution

The amount earmarked for CSR may be spent by the Company itself or in collaboration with registered implementing agency having at least three years track record and which are registered under Section 12A and 80G of Income Tax Act, 1961, with agencies / authorities of State or Central Government or with the State Government, if and when

required.

4.4 Monitoring, Evaluation and Reporting

- (a) Necessary certificate of implementation will be obtained each year after spending of the amount.
- (b) The implementation and progress of CSR activities would be regularly monitored and reported to the CSR Committee as and when the meeting of the committee is held.
- (c) The Board of Directors will be kept informed on CSR activities undertaken by the Company.
- (d) Based on monitoring reports, the activities undertaken by the Company shall form part of Board's Report of GSFS.
- (e) The Company shall write letter to implementing agencies, requesting them to provide utilization certificate stating the details of the projects in which CSR amount is being spent, amount utilized and amount unutilized on quarterly basis.
- (f) The impact assessment, if and when mandated under the applicable Act and Rules, will be undertaken by an independent agency and such impact assessment report shall be placed before the Board and annexed to the annual report of CSR. Further, the Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall be as per the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 as may be amended from time to time.

4.5 Display of CSR activities on the Website:

The composition of CSR Committee, and CSR Policy and Projects approved by the Board will be displayed on the company's website, for public access.

4.6 Documentation

Appropriate documentation of the CSR activities will be maintained on a periodical basis and reporting will be made in Annual Report as per format given under Companies Act, 2013.