

***INDIA SME ASSET
RECONSTRUCTION COMPANY
LIMITED (ISARC)***

***CORPORATE SOCIAL
RESPONSIBILITY (CSR) POLICY***

I. Vision Statement & Objective

This policy titled “ISARC 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.

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.

The main objectives of this Policy are to:

- Set guiding principles and the 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.
- The Policy will function as a built-in, self regulating mechanism whereby the business will monitor and ensure its active compliance with the spirit of law, ethical standards and requisite norms.

II. Definitions

In this Policy unless the context otherwise requires:

- (a) “Act” means Companies Act, 2013, (including any statutory modification or re-enactment thereof);
- (b) “Rules” means Companies (Corporate Social Responsibility Policy) Rules, 2014, (including any statutory modification or re-enactment thereof);
- (c) “Ministry” means the Ministry of Corporate Affairs;
- (d) “Company” means India SME Asset Reconstruction Company Limited (ISARC);
- (e) “Corporate Social Responsibility (CSR)” means and includes but not limited to:
 - (i) Projects or programs relating to area or subjects specified in Schedule VII to the Act or;
 - (ii) Projects or programs relating to area or subjects undertaken by the Board of Directors of the Company in pursuance of recommendations of the CSR Committee of the Board as per declared CSR policy subject to the condition that such policy will cover area or subjects enumerated in Schedule VII to the Act;
- (f) “CSR Committee” means the Committee of the Board of Directors of ISARC constituted pursuant to the provisions of Section 135 of the Act;
- (g) “CSR Policy” means this Policy containing inter-alia the CSR outlook of the Company and the area or subjects to be undertaken by the Company as specified in Schedule VII to the Act and the expenditure thereon, excluding area or subjects undertaken in pursuance of normal course of business of the Company;

- (h) “Net Profit” means net profit as referred to in Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 as below:

“Net Profit” as per financial statements prepared in accordance with the Section 198 of the Act, but will 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 net profit in respect of financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956 (1 of 1956) will not be required to be re-calculated in accordance with the provisions of the Companies Act, 2013.

- (i) 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.

III. Constitution, Composition and Scope of CSR Committee:

- (a) Constitution and Composition of the CSR Committee:

ISARC has established Board-level CSR Committee which will make recommendations to the Board on CSR policy and related matters.

The CSR Committee will comprise of 3 (three) or more members out of which at least one member will be an Independent Director of the Company. The quorum of the CSR Committee meeting will be two members. The CSR Committee will meet as often as its members deem necessary to discuss various issues on implementation of the CSR Policy of ISARC.

- (b) Scope of the CSR Committee:

The scope of the CSR Committee will be:

- (a) To formulate and periodically review ISARC’s CSR strategy and goals
- (b) To recommend CSR policy to the Board including any amendment thereof;
- (c) To approve the CSR projects to be undertaken along with requisite plan, modalities of execution, implementation schedule, monitoring process and amount to be incurred on such area or subjects in a financial year;
- (d) To undertake performance review of the company’s CSR activities on yearly basis, and recommend modifications in the Policy as may become necessary consequent to change in law / judicial pronouncements;
- (e) Any other matter as may be considered expedient in furtherance of and to comply with the CSR Policy of the ISARC.

For the above, ISARC will nominate suitable officer(s) who would identify and evaluate the CSR proposals for sanction, place the appraisal thereof to the CSR Committee.

IV. CSR Thrust Areas or Subjects:

- (a) Eradicating hunger, poverty and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water;
- (b) Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and differently abled and livelihood enhancement projects;
- (c) 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;
- (d) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conversion of natural resources and maintaining quality of soil, air and water;
- (e) 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;
- (f) Measures for the benefit of armed forces veterans, wars widows and their dependants;
- (g) Training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
- (h) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government and State Governments for Socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other Backward classes, minorities and women;
- (i) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- (j) ISARC may undertake such following CSR area or subjects that would dovetail the CSR activities with the business activities. This will provide the desired visibility for the Company:
 - (i) Conducting Health Camps for Industrial workers.
 - (ii) Conducting Health Check-ups for the promoters /key management personnel of these units.
 - (iii) Conducting camps for spreading awareness of communicable diseases in these areas.
 - (iv) Creating awareness towards a Paperless organization.
 - (v) Ensuring awareness and implementation of various waste management and environmental protection measures.

- (vi) Providing Vocational/Skill development training to children of workers in these industrial clusters.
- (vii) Financial Literacy programmes.
- (k) Rural development projects.
- (l) Any other area or subjects, specified in Schedule VII of the Act from time to time.

The above list is illustrative and not exhaustive. The CSR committee of Board of Directors is authorized to consider other area or subjects in conformity with the provisions of the Companies Act, 2013. The area or subjects will be specific to the village(s) depending on the assessed need of the people. All area or subject under the CSR should be environment friendly and socially relevant to the local people.

Approval / Review of CSR Policy by the Board

The Board of Directors will:

- (a) Approve the CSR Policy of the Company and overall annual budget for a financial year;
- (b) Disclose the content of the Policy in its report and place the Policy on the Company's website in such manner as prescribed under Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014;

V. Implementation of CSR Activities:

- (a) Funding & Allocation

For achieving its CSR objectives, the company will allocate such percentage (currently 2%) of its average net profits of three preceding financial years, as its Annual CSR Budget in each financial year, as per the provisions of the Act and rules made there under. Any unspent / unutilized CSR allocation of a particular year will be carried forward to the next year, i.e. the CSR budget will be non-lapsable in nature.

- (b) Project area or subjects identified under CSR may be implemented through specialized agencies, including the trust created / to be created by the Company, Non-Government Organisations (NGO's), Recognised Institutes / Academic Institutions, Trusts / Missions / Foundations / Companies set up with charitable objects as per Section 8 of the Act, registered Mahila Mandals / Samitis / Panchayats / Self Help Groups, Professional Consultancy organizations etc.
- (c) The time period / duration over which a particular programme will be spread, will depend on its nature, extent of coverage and the intended impact of the programme and should be finalised at the time of approval of the Project.
- (d) The process for implementation of CSR programmes will involve some or all these following aspects as suitable on a case to case basis:-
 - (i) Programme objectives;
 - (ii) Adopting a basis such as primary or secondary survey / study, on which the outcome of the programme would be measured;

- (iii) Prescribing implementation schedules with timelines for milestones of the programme;
 - (iv) Responsibilities and authorities;
 - (v) Major results expected; and;
 - (vi) Annual review of the performance
- (e) Executing Agency and the criterion for identifying:
- (i) The NGO / Trust / Corporation / Company / Society, etc. identified as beneficiary should be registered under the Societies Registration Act, 1860 / Indian Trusts Act, 1882 / Section 8 of the Act and having a permanent office / address in India;
 - (ii) The agencies should have a record of rendering good services.
 - (iii) The antecedents of the NGO / Agency / Trust / Section 8 Company are verifiable / subject to confirmation.
- (f) ISARC will encourage potential agencies to submit proposals on which they may be considered for receiving donations. The CSR committee will be empowered to select entities for receiving donations. The proposals shall inter alia cover the following:
- (i) Details about the project, including objectives, time frames, and measures for evaluating project success.
 - (ii) Description of how the community will benefit from the projects, including long-term benefit
 - (iii) Details of any previous or current project with similar mandates
 - (iv) The nature and amount of support being sought and overall target funding for the project
 - (v) Current and anticipated contributors and partners to the project
- (g) CSR Expenditure:
- The agency selected for executing CSR project will be required to furnish clear deliverables and break-up of the cost to be met for the purpose.
- (h) Progress Reports:
- The agency selected for executing CSR project will be required to furnish progress reports to the company every quarter in the prescribed format.

VI. Exclusions:

The programs that benefit only the employees of ISARC such as training for the staff or medical checkup for the staff / their families, etc. will not be considered as eligible CSR expenditure in accordance with Section 135 of the Act.

Any contribution made directly or indirectly to any political party under section 182 of the Act, will also not be considered as CSR activity.

VII. Monitoring and Reporting Mechanism:

- The progress of projects under implementation will be reviewed by the CSR Committee on yearly basis or as and when changes in regulation / law make it necessary. As a part of the review, the CSR Committee will attempt to evaluate the impact of the CSR activity;
- The CSR Committee will report the progress / impact of projects under implementation, amounts allocated / spent / unspent on the projects, to the Board at the end of the financial year;
- The company will consider seeking feedback from beneficiaries about the programmes, wherever feasible.
- Certification for end use of the funds for the approved purpose, to be obtained from Chartered Accountants firm or Statutory Auditor of the executing agencies to the satisfaction of ISARC.

VIII. Delegation of Powers:

Delegation of powers is as given in Appendix-1.

IX. General:

- (a) In case of any doubt with regard to any provision of the policy and in respect of matters not covered herein, a reference will be made to CSR Committee. In all such matters, the interpretation & decision of the Committee shall be final.
- (b) Any or all provisions of the CSR Policy would be subject to revision/amendment in accordance with the guidelines on the subject as may be issued by the Government, from time to time.

Appendix-1

Sr. No.	Nature of Delegation	Approval Authority	Post Sanction Reporting Authority
1	Sanction of Annual Budget for CSR area or subjects	Board	--
2.	Sanction and reduction / cancellation of grant / corpus support to agencies, institutions, NGOs, training institutes, Section 25 companies, etc. for conduct of CSR area or subjects,	CSR Committee	To be covered in Annual Review Report submitted to the Board
3.	Operational modalities and changes thereto with regard to new CSR area or subjects	CSR Committee	To be covered in Annual Review Report submitted to the Board
4	Disbursement	As per Delegation of Power (DoP) matrix	To be covered in Annual Review Report submitted to the Board
5	Any other matter / new activity not specified elsewhere	MD & CEO	CSR Committee