

# **CORPORATE SOCIAL RESPONSIBILITY POLICY**

**(VFS CAPITAL LIMITED)**

## **PREFACE**

VFS Capital, earlier Village Financial Services Ltd (hereinafter referred to as “VFS Capital”), is one of India’s leading NBFC-MFIs based in the eastern part of the country, providing cutting-edge products and customer service to its member-base. VFS Capital lends to individual women who are part of a Joint Liability Group (JLG). Corporate Social Responsibility delivers the intent of giving back to society and the microfinance business of VFS Capital has helped many poor families by providing them credit for entrepreneurial activities that can make them economically self-sufficient. VFS Capital sensitizes women about empowerment issues and brings about a qualitative change in their lives and so the lives of their families VFS Capital prioritizes financial inclusion while offering a bouquet of financial products. It offers a complete range of financial and non-financial services such as loans and community- and institution- building support that help the poor become financially sustainable units.

Ministry of Corporate Affairs has notified Section 135 of the Companies Act, 2013 and Schedule VII thereto along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter “CSR Rules), effective April 01, 2014.

Further the Ministry of Corporate Affairs (MCA) has notified the amendment to the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022 on 20<sup>th</sup> September 2022 which need consideration of the Committee and the Board.

## **CSR OBJECTIVES**

- To promote Education.
- To promote healthcare facilities.
- To support community infrastructure development projects.
- To ensure environmental sustainability.

- To ensure Social Welfare

## **FOCUS AREAS**

The Company constantly strives to maintain a strong corporate culture that emphasizes the integration of CSR values with our business objectives. It pursues initiatives to eradicate hunger and poverty; promote preventive healthcare and make available safe drinking water; promote education, including special education, train women in vocational skills, promote gender equality, pursue programmes that empower women and build projects for environmental protection. The CSR activities of VFS Capital span five key areas and its goal here is to approach poverty reduction holistically and improve the quality of lives of the poor through social development projects.

- **Community infrastructure development projects**

These include minor constructions and renovations of bus stands (waiting sheds), public parks, schools and anganwadis or crèches, public toilets, water connections and public taps, public libraries, foot over-bridges, reconstruction/renovation of existing damaged infrastructure, etc.

- **Environmental projects**

Ensuring environmental sustainability, recharge pit for bore wells, solar lamps at public places (e.g. government hospitals), conservation of natural resources and maintaining quality of soil, air and water.

- **Public amenities, health and hygiene**

- Safe drinking water facility at public places (bus stands, schools, hospitals, etc.).
- Safety for public (fencing electric transformers, road signals).
- Public health and hygiene (supporting PHCs & maternity homes, cleaning public places, clearing garbage dumps, providing dust bins, improving drainage, area spraying for malaria, chikungunya, dengue, public awareness programmes etc).
- Eradicating hunger, poverty and malnutrition

- **Promoting education**

Providing facilities in schools and anganwadis, initiatives for girl-child education, merit scholarships for technical education.

- **Social welfare**

Relief programmes and facilities at orphanages, old-age homes, and for mentally- and physically-challenged people, etc.

The above list is illustrative and not exhaustive any other projects that are relevant and qualify as CSR activities under the Companies Act, 2013.

## **GEOGRAPHIC COVERAGE**

VFS will focus in the areas where the company is having its presence. The company will do the activities either directly or through parter/ sister/ group company. The employees of VFS will not be direct beneficiaries of the Company CRS activities. The company aim to give preference to the local need by following the norms of Section 135, Sub- Section 5 of the Companies Act, 2013

## **ROLE OF CSR COMMITTEE, QUORUM AND THE BOARD**

The Board of Directors of VFS Capital has formed a Corporate Social Responsibility Committee comprising of 3 Directors, out of which 2 are Independent Directors and 1 of them shall act de facto as the Chairperson of the Committee. The said Committee was reconstituted, and the present composition of the Committee is as follows:

1. Ms. Shivanjali Mehta (Independent Director) - Member
2. Dr. Sankar Datta (Director) – Chairman
3. Mr. Kuldip Maity (MD & CEO) - Member

Frequency of the meetings: The CSR Committee of the Board will meet on yearly basis at least once in a year and subsequently as may require from time to time.

Quorum for the meeting: The quorum shall be of two members who are required to be present for the proceedings to take place.

### **RESPONSIBILITY OF THE CSR COMMITTEE**

- Formulate and recommend to the Board the activities to be undertaken [in areas or subjects specified in Schedule VII of the Companies Act, 2013].
- Recommend the amount of expenditure to be incurred on the activities referred to in clause (a).
- Monitor the CSR Policy periodically.
- Institute a transparent monitoring mechanism for implementation of the CSR projects, programs or activities.
- Details of need and impact assessment, if any, for the projects undertaken by the Company.

### **CSR BUDGET**

ESSI (environmental, social and sustainable development) department will be responsible of working on the yearly budget with the help of accounts department. The budget will be prepared by the CSR committee and sent to the board for approval. The Board may delegate its powers to any of the Director(s) to implement the decision of the Board and to take decisions for and on behalf of the Board in the matters related to CSR activities of the Company.

### **CSR EXPENDITURE**

CSR expenditure will include all expenditure, direct and indirect, incurred by the Company on CSR programmes taken up under its CSR Policy.

As per the prescribed criteria under the Companies Act, 2013, VFS Capital shall set apart a minimum of at least 2% of its average net profit made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. As

per Section 198, Profit Before Tax (PBT) will be considered as Net Profit for this purpose.

Any amount remaining unspent-

- (a) If such amount is not relating to ongoing project, shall be transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year;
- (b) If such amount is relating to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by VFS Capital in pursuance of its 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.
- (c) a company having any amount in its Unspent Corporate Social Responsibility Account as per sub-section (6) of section 135 shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section. Companies are allowed to keep unspent amounts relating to ongoing projects in designated account but have to utilise it within three financial years. Now it is compulsory to have a CSR Committee in this case who will oversee its utilisation.

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 –

- (i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of CSR Rules 2014.
- (ii) the Board of the Company shall pass a resolution to that effect.

### **SANCTIONING PROCESS**

The Company shall prepare an action plan at the beginning of every financial year specifying the amount it is required to spend in that financial year as well as the tentative allocation of funds under different heads of activities, in line with the CSR policy and the relevant provisions of the Companies Act, 2013.

The action plan shall be placed before the CSR Committee and subsequently, the Board of Directors for their approval.

### **IMPLEMENTATION PROCESS**

VFS Capital will implement CSR activities via direct funding, registered trusts/organizations/agencies—either government or private—or in such other manner as it may deem appropriate, expedient and beneficial. The CSR projects, programmes, activities or expenditure will always be done in India. VFS Capital may also use the services of Village Foundation for Social Services or other NGOs/organizations for identifying, implementing and monitoring of projects, as and when required. The Company may also coordinate with the other group companies/associate companies to take a joint approach in CSR activities. However, in all such cases, it has to be ensured that each such joint project/module of projects may be specifically identified for each such group company/ associate company.

### **MONITORING PROCESS**

The CSR committee will determine the monitoring process on a case-to-case basis depending upon the nature of the CSR activity and the manner of implementation. The

CSR committee will also monitor the progress of identified CSR projects periodically. The progress report of CSR Programs under implementation shall be placed before the Board.

## **REPORTING**

CSR activities will form part of the Board's Report of the Company.

## **DISCLOSURES IN THE ANNUAL REPORT OF THE BOARD**

The Annual Report of the Company shall include an annual report on CSR activities. The reporting would be in the format prescribed under the Companies Act, 2013, and the Rules as prescribed and modified from time to time. The report which shall include, inter alia, the following information:

- The composition of the CSR committee along with the executive summary.
- weblinks of impact assessment of CSR projects carried out.
- The details of the CSR Policy developed and implemented, and the initiatives taken during the year;
- If the company fails to spend the CSR amount as prescribed by Companies Act, 2013, the reason for not spending the required amount.
- The amount set off.
- The details of CSR expenditures made as per CSR Budget of last year.

## **IMPACT ASSESSMENT**

If the Company anytime is required to undertake impact assessment, it may book the

expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.

### **REVIEW AND AMENDMENT**

The CSR committee is responsible for reviewing the policy time to time. The Board, however, based on the recommendations received from the CSR Committee to confirm to the revision/amendments, if any, to be made to the CSR Rules by the MCA, under the Act.

### **DISSOLUTION OF CSR COMMITTEE**

After omission of Rule 2 vide Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022 only if the Company falls under Section 135(1) shall be required to continue with CSR Committee. Therefore, if CSR is applicable to the Company for one year, then CSR Committee can be dissolved after one year. In other words, limits of 135(1) required to be checked every year to continue the CSR Committee in the Company.

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**Last reviewed: By the Board of Directors of the Company in their meeting dated 28-09-2023**