
VFS CAPITAL LIMITED
(formerly Village Financial Services Limited)

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Board Meeting Date	Subject	Department	Approved by
31-07-2024	CSR Policy	Compliance – as Custodian Accounts & ESSI – for implementation	Board

INTRODUCTION

VFS Capital Limited (“the Company”) believes that a business entity’s performance must be measured by its economic, social and environmental impact and efforts to embed sustainability. Social enterprises are, more than any other business enterprise, capable of addressing these concerns and company aspires to transcend business interests and work toward the all-round human development of the communities we operate in through initiating and supporting programmes that enhance social sustainability. The Company already serves people from economically and socially marginalised communities where illiteracy, unemployment and under-employment are rampant. It is in this social context that our CSR initiatives are developed to best cater to our customers and their communities. The Company would build on this connect with the marginalised sections of the society for furthering their welfare. These programmes are independent of the normal conduct of business and are not viewed as business propositions by the Company. In alignment to the Company’s mission to empower the underserved, we see Corporate Social Responsibility (hereinafter referred to as CSR) as an opportunity to further extend help to the underserved in the larger community through the provision of non- profit-based assistance. Along with sustained economic performance, environmental and social stewardship is also a key factor for holistic business growth. The Company’s focus has always been to contribute to the sustainable development of society and the environment, and to make our planet more liveable for future generations.

APPLICABILITY

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. As per Section 135 of the Companies Act, 2013 and rules made thereunder, every Company having net worth of rupees Five Hundred Crore or more, or turnover of rupees One Thousand Crore or more or a net profit of rupees Five Crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility (CSR) Committee of the Board consisting of two or more directors. The CSR Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company in areas or subject, specified in Schedule VII of the Companies Act. The CSR Committee shall formulate and recommend to the Board, a

Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company in areas or subject, specified in Schedule VII of the Companies Act.

OBJECTIVE

This policy is formulated to meet the CSR objectives set by the Company as well as the applicable statutory requirements notified by the Ministry of Corporate Affairs through the Act. This policy shall apply to all CSR activities / projects / programs undertaken by the Company. This policy also aims to establish boundaries for acceptable behaviour and guidelines for best practices in CSR. The objectives could be summarised as below:

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

CSR VISION

The Company's CSR Vision is "to make the Company the neighbour of choice of communities and earning the right to co-exist and co-create by working jointly for social well-being and improvement in quality of life".

CSR MISSION

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. While the Company may undertake CSR activities which the Corporate Social Responsibility Committee of the Board ("CSR Committee") may decide from time to time, in any areas or subjects in accordance with the requirements under the Companies Act, 2013 (the "Act") and the rules / regulations framed thereunder and circulars / clarifications issued thereunder (collectively, "Applicable Law"), the CSR activities of the Company 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**

- a) Safe drinking water facility at public places (bus stands, schools, hospitals, etc.).
- b) Safety for public (fencing electric transformers, road signals).
- c) 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).
- d) 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.

Preference shall be given to local area and areas around the Company for spending the amount earmarked for CSR. Aligning with its vision, the Company will continue to increase value creation in the community in which it operates, through its services and CSR initiatives planned and implemented, so as to stimulate wellbeing for the community, in fulfilment of its role as a responsible, corporate citizen. The over-arching framework of CSR activities will guarantee full compliance with the CSR requirements mandated by the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Company shall undertake its CSR activities in a way that also contributes to India's progress towards achieving the millennium development goals by skills improvement, entrepreneurship development, employment generation, health care improvement and application of environmental by sustainable growth. The employees of the Company will not be direct beneficiaries of the Company CSR activities.

PHILOSOPHY

The Company shall acknowledge its responsibility towards the environment, its consumers, employees and other stakeholders. CSR shall be a commitment and part of business behaviour at the Company. The Company shall make concerted efforts to protect and improve the welfare of the society as it demonstrates sustainable practices.

STRATEGY AND ACTION PLAN

The CSR strategy shall create long-term and scalable values for communities and society. The Company shall adopt the following strategies and action plan in the CSR process:

- Embed CSR into the business
- Develop action plans
- Mobilise resources and expertise for the initiatives
- Build capacities for CSR at all levels
- Involve employees to volunteer for CSR activities
- Engage stakeholders on a regular basis
- Build partnerships for scale

- Make strategic grants to support worthwhile projects / programs
- Be transparent, consistent and fair in communication
- Carry out periodic reviews and reporting
- Continuous compliance with statutory requirements

GOVERNANCE

In line with the provisions of the Section 135 of the Companies Act 2013, the Company's Board of Directors (herein after referred as 'Board') shall be responsible for:

- Forming a CSR Committee;
- Approving the CSR Policy, including periodical review and amendment;
- Making disclosures in the Boards' Report as specified in the Act and comply with any applicable statutory requirements.

UNDERTAKING CSR ACTIVITIES

The Company will undertake its CSR activities (being projects / programs / other permitted activities) either directly by itself or through CSR Implementing Agencies or in collaboration with other companies, as approved by the CSR Committee, in accordance with the requirements of Applicable Law. Identification and implementation of CSR projects / programs (ongoing projects) will be monitored by the CSR Committee and the Board of Directors of the Company ("Board"), as required under Applicable Law.

CSR ANNUAL ACTION PLAN AND LOCATION OF CSR EFFORTS

The CSR Committee shall decide on the locations for CSR activities and formulate and recommend to the Board for approval a CSR annual action plan, which shall contain all matters which are required under Applicable Law and any other matters as the CSR Committee may deem fit from time to time.

CSR COMMITTEE CONSTITUTION, MEMBERSHIP AND COMPOSITION

The Committee shall consist of minimum of 3 Directors out of which at least one shall be an Independent Director.

- **Chairperson:** The Committee Chairperson shall be appointed by the Board. In the absence of the Committee Chairperson, the members present at any meeting of the Committee shall elect one among them to chair the meeting.
- **Membership** - The members of the Committee shall be appointed by the Board on the recommendation of the Nomination and Remuneration Committee.
- **Invitees:** Only members of the Committee have the right to attend Committee meetings. Other Directors may be invited to attend all or part of any meeting as and when appropriate. In addition, other individuals such as Company employees or external advisors may be invited to attend all or part of any meeting as and when appropriate. However, invitee directors do not have any voting rights and may be entitled to sitting fees, if any, as mutually agreed upon by the members of the Board.
- **Secretary:** The Company Secretary shall act as the secretary to the Committee.

CSR Committee Members are:

Sl. No	Name	Designation	Role in the Committee
1	Ms. Shivanjali Mehta	Independent Director	Chairman
2	Mr. Kuldip Maity	MD & CEO	Member
3	Dr. Sankar Datta	Non-Executive Director	Member

TERMS OF REFERENCE OF THE CSR COMMITTEE

The terms of reference of the Committee are as under:

1. Formulate and recommend to the Board, a CSR policy which shall indicate the activities that may be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
2. Identify the projects/activities to be undertaken by the Company for CSR expenditure;
3. Recommend to the Board, CSR activities to be undertaken along with detailed plan, modalities of execution, implementation schedule, monitoring process and amount to be incurred on such activities;
4. Monitor the CSR Policy of the Company from time to time;

5. Constitute a transparent monitoring mechanism for ensuring implementation of CSR Projects;
6. Ensure compliance of CSR Policy and the Rules;
7. To be directly responsible to the Board for any act that may be required to be done by the CSR Committee in furtherance of its statutory obligations or required by the Board from time to time.
8. To decide on other Implementation agencies for carrying out CSR activities of the Company.

PROCEDURE & QUORUM

Time and frequency of meetings – The Committee shall meet at least once in a year or as and when the need arises to discharge its roles and responsibilities. Members who are not physically present may attend meeting through video conference.

Quorum for meetings – A minimum of two members shall be present for the meeting including those who attend via video conference..

Onward Reporting – The draft Minutes of each meeting of the Committee shall be circulated within the statutory time period as stated in the Secretarial Standards as issued by the Institute of Company Secretaries of India read along with the Companies Act, 2013 or any other applicable law, rules or regulations as applicable from time to time. A copy of the signed minutes, certified by the Company Secretary, shall be circulated within the timelines as stated under the Secretarial Standards, to all the Members as on the date of the Meeting and appointed thereafter, except to those Members who have waived their right to receive the same either in writing or such waiver is recorded in the Minutes.

The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

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, directly and indirectly, incurred by the Company on CSR programmes taken up under its CSR Policy.

As per the prescribed criteria under the Companies Act, 2013, the Company shall spend at least two percent (2%) of its average net profit of the immediate (3) three preceding financial years on CSR activities in accordance with the provisions of the Act. The amount of net profit shall be calculated in accordance with the Act.

Any surplus arising out of CSR activities shall be reinvested into CSR initiatives and this shall be over and above the spending of mandated 2% spend, in pursuance of the Act. 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 the Company 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 the 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.

The Board of the Company shall:—

- a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and
- b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

- c) ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided 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 activities.

Provided further that if the Company fails to spend such amount, the Board shall, in its report under section 134 of the Companies Act 2013, specify the reasons for not spending the amount.

Explanation— for the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198 of the Companies Act, 2013 or such other amended provisions/rules as are promulgated from time to time.

If the Company ceases to fulfil the eligibility criteria as laid down under section 135 (1) of the Companies Act, 2013 for three consecutive years, then the company is not required to comply with CSR policy until the company will meet the eligibility criteria once again.

IMPLEMENTATION PROCESS

The Company will implement CSR activities via direct funding or through 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. The duration of any project or program will be related to the nature of that project or program and their impact on the society. The Company may also use the services of M/s Kaydee Foundation (formerly known as 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.

Process of Implementation:

- a) Thorough evaluation of the existing scenario in which the Company operates. This step is crucial in order to assess the existing potential and find relevant partners to collaborate with in line with this revised CSR Policy.
- b) Designing programs, selecting partners and empanelling them.
- c) Commencing collaboration and investing the resources needed to shift from the planning to the action phase.
- d) Monitor the CSR Budget and the spends.

Approval Process:

CSR programmes for each financial year as may be identified by the Company will be considered, reviewed by the CSR Committee and recommend to the Board for approval. After Board's approval, the CSR programme shall be implemented. Any change in such programme shall be approve by the Board. For meeting the requirements arising out of immediate and urgent situations, the CSR Committee is authorised to approve the proposals in terms of the powers accorded to the Committee by the provisions of the Companies Act, 2013.

Criteria for Identifying Implementing Organisations:

The Company may identify other external executing organisations that will implement the CSR programs. The Company may also use the services of M/s Kaydee Foundation (formerly known as Village Foundation for Social Services) or other executing organizations for identifying, implementing and monitoring of projects, asand when required. The executing organisation needs to fulfil the following requirements:

1. has been in existence for a minimum period of 3 years from date of registration;
2. is registered as a Trust/Society/Section 8 (Charitable) Company;
3. the physical address given by the organisation is verifiable.
4. possesses a valid Income Tax exemption certificate;
5. the antecedents of the Organisation are verifiable/subject to confirmation;
6. has sufficient infrastructure facilities like office, e-mail etc. and necessary resources to implement the projects;
7. has prior experience in service activities in the specified areas as covered under CSR, as per Schedule VII of the Companies Act, 2013;

8. located in the area of planned activities with local knowledge; and
9. has articulated shared vision/purpose beyond the registration documents.

RESPONSIBILITY OF THE CSR COMMITTEE

The Corporate Social Responsibility Committee shall,—

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities as may be undertaken by the company in areas or subject, specified in Schedule VII of the Companies Act, 2013;
- To formulate the CSR Budget and recommend to the Board to seek approval for the amount of expenditure to be incurred on the CSR activities;
- Institute a transparent monitoring mechanism for implementation of the CSR projects, programs or activities.
- To decide on the locations for CSR activities, though preference be given to the local areas where it operates, for spending the amount earmarked for CSR activities.
- To review, implement and monitor all CSR activities from time to time and regularly report to the Board on the progress;
- To periodically review and assess the adequacy of the existing policy and seek approval from the board for revision(s), if any;
- To ensure that the surplus fund that arises from the CSR activities shall not form part of the business profit;
- To ensure that CSR activities undertaken as per the Act only shall account towards CSR expenditure;
- To ensure that any activity that benefits only the employees of the Company and their families shall not be considered as CSR activities;
- To ensure that CSR projects or programmes or activities undertaken in India only shall amount to CSR expenditure;
- To undertake self-evaluation of its own functioning and identification of areas for improvement towards better governance;
- To ensure compliance with the requirements of the Act.
- To assess the need of impact assessment, if any, for the projects undertaken by the Company.

RESPONSIBILITIES OF BOARD OF DIRECTORS:

- a) To constitute the CSR Committee, from amongst itself and fill vacancy in case of resignation by any director/ member of the CSR Committee.
- b) To approve the CSR policy for the Company as recommended by the CSR Committee.
- c) To ensure that only the activities that are in line with the CSR Policy and are related to the activities included in Schedule VII of the Companies Act are undertaken.
- d) To approve the CSR Budget in line with regulations as recommended by the CSR Committee.
- e) To ensure that funds committed by the Company for CSR activities are utilized effectively and monitored regularly.
- f) To ensure that the reasons for any under spending and / or not spending of the allocated CSR budget are explained in the Board Report.
- g) Disclosing the content of the policy in its report and placing the policy on the Company's website in the manner prescribed under section 135 of the Act read with CSR Rules.

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.

The monitoring system will include:

- i. Regular field visits to project/programme sites by designated teams;
- ii. Comprehensive documentation/compilation of field reports;
- iii. Regular interaction with beneficiary communities to obtain feedback;
- iv. Monitoring of timely fund utilization to ensure that projects/programmes as budgeted are actually being carried out and/or; and
- v. Any other activity that the CSR Committee may deem necessary in the larger initiatives.

The Company will communicate with the beneficiaries in order to obtain feedback about the programs. The CSR programs and their impact will also be reported in the Board 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.

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.

REVIEW AND AMENDMENTS TO THE POLICY

This policy shall come into force from the date of its approval by the Board of the Company. This policy shall revoke and replace any and all previous policies and

understandings that are inconsistent with those contained herein. The Board on its own and/ or as per the recommendations of CSR Committee can amend this Policy, as and when required as deemed fit. The policy shall be reviewed at least on an annual basis. All or any of the provisions of CSR Policy would be subject to revision / amendment in accordance with the Regulations on the subject as may be issued from relevant statutory authorities, from time to time.

In case of any ambiguity or need for clarification, the Company should refer applicable Secretarial Standards, provisions of Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Articles of Association of the Company and any other applicable law. Further, in case there prevails any inconsistency between the provisions of this charter and the law, the law shall prevail.

GENERAL

Any term or aspect not specifically defined or set out in this Policy shall be construed to mean what is laid down in respect thereof under the Companies Act, 2013 or the CSR Rules, as the case may be.

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Last reviewed: By the Board of Directors of the Company in their meeting dated 31-07-2024.