



## **Corporate Social Responsibility Policy**

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## I. VISION STATEMENT:

Asset Reconstruction Companies (ARCs), known by different names in different countries, have been used world-wide, particularly in Asia, to resolve NPAs. However, these had a varying degree of success in different countries. ARCs focus on resolution of NPAs and allow the banking system to act as "clean bank".

Asset Reconstruction Company (India) Limited (Arcil) was formed as a first ARC in India. As the first ARC, Arcil played a pioneering role in setting standards for the industry in India. It has been spearheading the drive to recreate value out of NPAs and continues to play a proactive role in re-energizing the Indian industry through critical periods. Being the premier ARC of the country, Arcil align its vision to *"Be a major contributor to the Indian economy by enhancing velocity of capital."*

Arcil has always strived for creating value in the financial sector by reviving the NPAs. The Company also intends to make a positive difference to society and contribute its share towards the social cause of betterment of society. The Company also believes in the trusteeship concept. This entails transcending business interests and working towards making a meaningful difference to the society.

In this regard, the Company has made this policy which encompasses the Company's philosophy for delineating its responsibility as a Corporate Citizen and lays down the guidelines and mechanism for undertaking socially useful programs for welfare & sustainable development of the community at large and titles as the **"Corporate Social Responsibility (CSR) Policy"** which is based as per the Companies Act, 2013 and rules made there under.

## II. DEFINITIONS:

**"Act"** means the Companies Act, 2013;

**"Rules"** means Companies (Corporate Social Responsibility Policy) Rules, 2014;

**"Administrative overheads"** means the expenses incurred by the company for 'general management and administration' of CSR functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular CSR project or programme;

**"Corporate Social Responsibility (CSR)"** means and includes but not limited to:

- 1) Projects or programs relating to activities specified in Schedule VII to the Act; or
- 2) Projects or programs relating to activities 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 activities enumerated in Schedule VII to the Act;

**"CSR Committee"** means the Committee of the Board of Directors of Arcil constituted pursuant to the provisions of Section 135 of the Act;

**"Company/Arcil"** means Asset Reconstruction Company (India) Limited;

**"CSR Policy"** means this Policy containing inter-alia the CSR outlook of the Company and the activities to be undertaken by the Company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of the Company;

**"Net Profit"** means the net profit of the Company as per the applicable provisions of the Act.

**"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 Policy and not defined herein but defined under the Act shall have the same meanings respectively assigned to them.

### **III. CONSTITUTION, COMPOSITION AND SCOPE OF CSR COMMITTEE:**

#### **(a) Constitution and Composition of the CSR Committee:**

1. The CSR initiatives/activities of the Company will be identified and initiated by the CSR Committee.
2. The CSR Committee shall comprise of 3 (three) or more members out of which at least one member shall be an Independent Director of the Company. The quorum of the CSR Committee meeting shall be two members.
3. If the Chairman of the Board is a member of the Committee, he shall be the Chairman of the CSR Committee. In absence of the Chairman, one of the other members of the CSR Committee shall be elected as the Chairman of the meeting.
4. The CSR Committee shall recommend to the Board the amount of expenditure to be incurred by the Company on CSR activities and the Board will ensure that the activities as are included in the CSR Policy are undertaken by the Company subject to and in accordance with the provisions of Section 135 of the Act.
5. The composition of CSR Committee shall be disclosed in the Board's report.

**(b) Scope of the CSR Committee:**

The CSR Committee has been set up to:

1. formulate and recommend to the Board, CSR Policy which shall indicate the activities to be undertaken by the Company in areas or subjects as specified in the Schedule VII to the Act;
2. recommend to the Board the amount of expenditure to be incurred on the activities referred to in the CSR Policy; and
3. monitor the CSR Policy from time to time.

**(c) Frequency of Committee meeting:**

The CSR Committee shall meet as often as its members deem necessary to perform the duties and responsibilities but not less than two meeting in a financial year.

**IV. CSR ACTIVITIES:**

Keeping in mind the broad CSR activities prescribed in the Schedule VII of the Act, proposals having following content will be supported by Arcil under CSR:

- Promoting education, including special education and employment enhancing vocation skills especially among children, woman, elderly and the differently abled and livelihood enhancement projects; with special emphasis on the education of the girl child;
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources, maintaining of quality of soil, air and water, plantation of trees.
- Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation schemes and making available safe drinking water;
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- Any other proposals covered under the broad activities prescribed in Schedule VII of the Act.

**(a) Implementation Approach:**

1. The CSR activities shall be undertaken either directly or through one or more implementation agencies as specified under the CSR Rules
2. The Company shall specify the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.
3. The CSR projects or programs or activities will be undertaken in India only.
4. Any contribution directly or indirectly to any political party shall not be considered as CSR expenditure.
5. The CSR projects or programs or activities that benefit only the employees of Arcil and their families shall not be considered as CSR activities. In case of ongoing project, the Board of a Company/ Committee 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 the overall permissible time period.

**(b) Annual Action Plan:**

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR Policy, which shall include the following, namely:-

- (a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- (b) the manner of execution of such projects or programmes as specified in CSR Rules
- (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- (d) monitoring and reporting mechanism for the projects or programmes; and
- (e) details of need and impact assessment, if any, for the projects undertaken by the company:

The Board may alter such plan at any time during the financial year, as per the recommendation of the CSR Committee, based on the reasonable justification to that effect.

**V. SURPLUS OF CSR PROJECT:**

Surplus if any arising out of the CSR project or programs or activities shall not form part of the business profit of the Company and it shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company 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.

**VI. CSR EXPENDITURE & CHIEF FINANCIAL OFFICER CERTIFICATION:**

CSR expenditure shall include all expenditure including contribution to corpus, or on projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Act.

For achieving its CSR Initiatives and Activities through implementation of meaningful & sustainable CSR programs, the Company needs to allocate, in every financial year, at least 2% (two per cent) of the average net profit made by the Company during the three immediately preceding financial years. Any unspent amount for any financial year shall be dealt with as per the provisions of the Act and the Rules mentioned therein.

The administrative overheads shall not exceed 5 percentage of the total CSR expenditure of the Company for the financial year.

The Chief Financial Officer shall submit a certificate to the Board that the funds so disbursed have been utilised for the purposes and in the manner as approved by it.

**VII. GEOGRAPHIES AND TARGET COMMUNITIES:**

The Company would seek to utilise its large retail financial base and therefore focus on the country as a whole to benefit from its CSR projects with the target communities being the socially and economically marginalized groups.

**VIII. CSR REPORTING & DISPLAY OF CSR POLICY ON COMPANIES WEBSITE:**

The Board of Directors of the Company shall, after taking into account the recommendations of CSR Committee, approve the CSR policy for the Company and disclose content of such policy in its Report and on the Company's website as per the format prescribed under the Rules. The composition of the CSR Committee and the projects approved by the Board shall also be disclosed in the Company's website for public access.

**IX. MONITORING MECHANISM:**

The administration of the CSR policy and the execution of identified CSR projects, programs and activities under it shall be carried out under the overall superintendence and guidance of an internal monitoring group formed for this purpose by the CEO & Managing Director of Arcil.

**X. AMENDMENTS:**

The Policy may be reviewed and recommended by the CSR Committee for approval of the Board for any revision/amendment from time to time.

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**CSR PROJECTS APPROVED BY THE BOARD FOR THE FINANCIAL YEAR 2022-23**

<b>Sr. No.</b>	<b>Initiative</b>	<b>Amount in ₹</b>
1.	<u>Health &amp; Nutrition</u> <ul style="list-style-type: none"><li>• Providing clean &amp; safe drinking water to tribal / rural communities and Government Schools in such areas</li><li>• Providing adequate nutrition for pediatric cancer patients under chemo treatment</li><li>• Providing school children from the lesser privileged strata of society with nutritious mid-day meals where such facility does not exist</li></ul>	35,00,000/-
2.	<u>Rural Development Project</u>  <b>Energy Conservation</b> <ul style="list-style-type: none"><li>• Building Energy Efficient Schools through installation of solar panels in Government schools for electricity generation</li></ul>	12,00,000/-
3.	Contingency & Miscellaneous	1,65,000/-
	<b>Total CSR Budget for FY 2022 – 23</b>	<b>48,65,000/-</b>

**COMPOSITION OF CSR COMMITTEE**

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| <ol style="list-style-type: none"><li>1. Mr. Pavan Pal Kaushal (Chairman);</li><li>2. Mr. Srinivasa Rao;</li><li>3. Mr. Pallav Mohapatra</li></ol> |
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