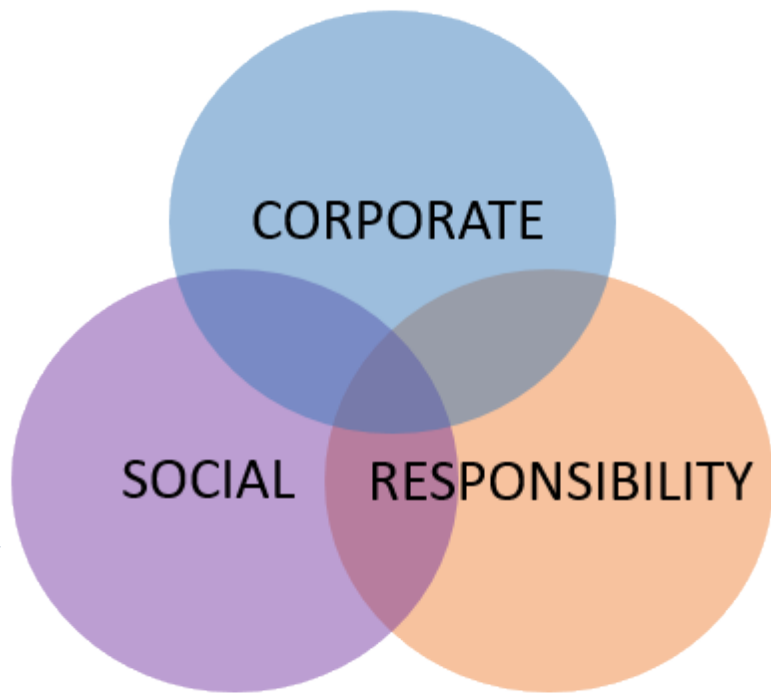




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Canbank Venture Capital Fund Ltd.



CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

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1. INTRODUCTION

Corporate Social Responsibility (CSR) is the continuing commitment by business to achieve commercial success in ways that honor ethical values, address legal issues and contribute to economic development while improving the quality of the workforce and their families as well as the local community and society at large. The idea of Corporate Social Responsibility is not new to the business world.

CSR is clearly on capacity building, empowerment of communities, inclusive socio-economic growth, environment protection, promotion of green and energy efficient technologies, development of backward regions and upliftment of the marginalized and under-privileged sections of the society. The emerging concept of CSR goes beyond charity and requires the company to act beyond its legal obligations and to integrate social, environmental and ethical concerns into the company's business process.

In recent years Corporate Social Responsibility has become an important issue at global level. The concept of CSR recognizes commitment of an organization to operate in a socially responsible manner. It takes into consideration the social and environmental implications of corporate financial decisions. It is also associated with corporate governance and ethical business procedure.

2. BACKGROUND:

The Companies Act 2013 has introduced several provisions which would change the way Indian Corporates do business and one such provision is spending on Corporate Social Responsibility (CSR)

activities. CSR, which has largely been Voluntary contribution by Corporates, has now been made mandatory under the law.

The Ministry of Corporate Affairs (MCA) has vide its notification dated 27th February, 2014 and in exercise of powers conferred by section 1(3) of the Companies Act, 2013, notified 1st April, 2014 as the date on which the Provisions of section 135 and schedule VII, (which defines the companies Which are necessarily to comply with this Section and the activities that could be regarded as CSR activities for the purpose of this Section), have come into force.

3. PROVISIONS OF SECTION 135 OF COMPANIES ACT 2013, RULES MADE THERE UNDER AND SCHEDULE VII, ON CSR:

Section 135(1) of Companies Act, 2013 states that every company having:

- Net worth of Rs.500 crore or more, or
- Turnover of Rs.1000 crore or more, or
- Net profit of Rs.5 crore or more during any financial year

Shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more Directors, out of which at least one Director shall be an independent Director.

Section 135(5) of the Act states that, the Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, atleast two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR 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 CSR activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134 (which provides for attaching the Directors report to statement laid before a company in general meeting, which among other things should give details about the policy developed and implemented by the company on CSR initiatives taken during the year), specify the reasons for not spending the amount.

Further schedule VII of the Act 2013 specifies the activities which may be included by companies in their CSR policy. Accordingly, this Policy specifies these activities.

4 ACTIVITIES COVERED UNDER CSR POLICY:

“Corporate Social Responsibility (CSR)”— Earlier the activities covered under CSR IS Inclusive definition now made exclusive and activities not considered as CSR specified clearly. Accordingly the following activities shall not be considered CSR:

- (i) Activities undertaken in pursuance of normal course of business of the company (except COVID 19 related R & D up to the financial year 2022-23, subject to certain conditions);**
- (ii) Any activity undertaken by the company outside India (except for training of Indian sports personnel representing any State or Union territory at national level or India at international level);**
- (iii) Contribution of any amount directly or indirectly to any political party under section 182 of the Act.**
- (iv) Activities that significantly benefit the employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);**
- (v) Activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;**
- (vi) Activities carried out for fulfillment of any other statutory obligations under any law in force in India;**

5. OBJECTIVE OF CSR POLICY:

The main objectives of the policy are to:

- Comply with the requirements of Section 135 of companies Act 2013 and rules made thereunder.
- Set out the appropriate procedures to identify the activity/ies amongst the activities specified under schedule VII, for contributing to the extent decided.
- Formulate CSR Committee of the Board for implementing the policy and to recommend to the Board, from time to time, with respect to the following matters:
 - ❖ Activity/ies to be identified from amongst the one specified in schedule VII
 - ❖ The amount of expenditure to be incurred on the activities so identified.
 - ❖ **CSR policy includes:**
 - ❖ **Approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee;**
 - ❖ **Guiding principles for selection, implementation and monitoring of activities; formulation of the annual action Plan.**
- Periodically monitor the compliance level so as to ensure that the company's compliance is well met as regards regulatory requirements.

6. FORMATION AND ROLE OF THE CSR COMMITTEE:

- a) As per the Companies Act, 2013, the Board of the Company shall constitute the CSR Committee with three or more members out of which at least one Director shall be an Independent Director.
- b) Ministry of Corporate Affairs, vide notification no. 95, Para 5 have clarified that "an unlisted public company or a private company covered under sub-section (1) of Section 135 which is not required to appoint an independent director pursuant to sub-section (4) of Section 149 of the Act, shall have its CSR Committee without such director.
- c) Accordingly, CVCFL shall have the CSR Committee comprising of members as approved by CVCFL Board. Further, the CSR Committee

can have an Independent Director as a member, as and when the CVCFL Board has an Independent Director.

d) CSR committee is not required if the amount to be spent by the company does not exceed Rs.50 Lacs (Rupees Fifty Lacs only)). In such cases company board will discharge all functions of CSR committee.

e) The role of the CSR Committee covers:

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,

- 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 sub-rule (1) of rule 4;**
- 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;**
- e) Details of need and impact assessment, if any, for the projects undertaken by the company:**

7. ROLE OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT:

The Board of Directors of CVCFL is required to:

- Examine, approve and adopt the CSR Policy recommended by the CSR Committee constituted vide Para 6 detailed above before approval and adoption. Further, cause the disclosure of contents of such policy in its report and place it on the company's website.
- Ensure the CSR activities are undertaken by the company
- Ensure two per cent spending on CSR activities.
- Report CSR activities in Director's report and disclose non-compliance (if any) with the CSR provisions, along with the reason thereof.
- The CVCFL shall place before the Board a note containing the activities to be identified from amongst the activities specified under schedule VII, outlining the benefits and the costs involved.

The Board may authorize the Managing Director of the Company to carry out all such functions as are necessary for identifying the activity and contributing for the same.

- An activity which does not come under the purview of schedule VII should not be considered.
- A review of the CSR policy shall be placed before the Board once a year or at such suitable intervals. The review will cover factors, like ensuring that the decisions taken by the company with regard to identifying the activities for carrying out CSR are commensurate with the CSR policy

The senior Management of the Company would be responsible for:

- o Evaluating the risk as well as cost benefits of CSR activities identified, based on the policy approved by the Board.
- o Reviewing periodically the effectiveness of procedures adopted for identifying the CSR activity.

8. IMPLEMENTATION OF CSR POLICY:

CVCFL can implement its CSR activities through the following methods:

1) The Board shall ensure that the CSR activities are undertaken by the company itself or through -

- a. A company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or**
- b. A company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or**
- c. Any entity established under an Act of Parliament or a State legislature; or**
- d. A company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.**

(2) Such entities, who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01st day of April 2021 and such company shall be assigned a unique CSR registration Number.

(3) A company may engage international organizations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.

(4) A company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programmes in accordance with these rules.

(5) The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the person responsible for it must be the same.

(6) In case of ongoing project, the Board of a Company 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.

9. REPORTING:

The CSR Reporting includes:

- 1) The Board's Report of a company covered under these rules pertaining to any financial year shall include an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable..**
- 2) In case of a foreign company, the balance sheet filed under clause (b) of sub-section (1) of section 381 of the Act, shall contain an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable.**
- 3) Every company having average CSR obligation of Rs.10 Cr or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.**
- 4) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.**
- 5) A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed 5% of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less. ”.**
- 6) The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on company's website, if any, for public access.**

10. MONITORING AND REVIEW:

- Periodical monitoring of compliance shall be done by Compliance Department. Detailed report of the contribution made towards CSR activities during each quarter as well as the contributions made on cumulative basis upto the quarter during the respective financial year to be maintained and appraised to the Board.
- Compliance Officer should ensure that during every financial year, the company spends the required amount, in pursuance of its CSR Policy.
- Compliance Officer should ensure that the CSR activities undertaken are reported in the Director's report and non-compliance (if any) should be specified with reasons there for.

11. NON APPLICABILITY:

Rule 3(2) of the Corporate Social Responsibility Rules, 2014 provides that every company which ceases to be a company covered under section 135(1) of the Act for three consecutive financial years, shall not be required to:

a. constitute a CSR Committee ; and

b. comply with the provisions contained in subsection (2) to (5) of the said section till such time it meets the criteria specified in sub section (1) of Section 135.

Accordingly, if CVCFL, for 3 consecutive years, ceases to be covered under the ambit of section 135(1), it shall not be required to fulfil the conditions relating to the constitution of CSR Committee and other related provisions.

12. CSR EXPENDITURE:

- 1) The board shall ensure that the administrative overheads shall not exceed 5% of total CSR expenditure of the company for the financial year.**
- 2) Any surplus arising out of the CSR activities shall not form part of the business profit of a company and 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 6 months of the expiry of the financial year.**
- 3) Where a company spends an amount in excess of requirement, such excess amount may be set off against the**

requirement to spend up to immediate succeeding 3 financial years subject to the conditions that -

- a. 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 this rule.**
- b. The Board of the company shall pass a resolution to that effect.**

(4) The CSR amount may be spent by a company for creation or acquisition of

Capital asset, which shall be held by -

- a) A company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number. Or**
- b) Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or**
- c) A public authority:**

(5) Any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall comply the requirements of this rules within a period of 180 days, which may be extended by a further period of not more than 90 days with the approval of the Board based on reasonable justification.

13. TRANSFER OF UNSPENT CSR AMOUNT:

Unspent amount relating to Ongoing Project -To be transferred within a period of 30 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 (UCSRA).

Such amount shall be spent within a period of 3 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

Unspent amount not relating to ongoing Project: Where amount doesn't relate to any ongoing project, then in case of failure to spend the same, will require carrying forwarding of the same to a Fund specified in Schedule VII, within 6 months of close of financial year, in addition to disclosure of reasons for not spending in Board Report.

Until a fund is specified in Schedule VII for the purposes of subsection (5) and(6) of section 135 of the Act, the unspent

CSR amount, if any, shall be transferred by the company to any fund included in schedule VII of the Act.

Funds included in Schedule VII: (i) Swachh Bharat Kosh (ii) Clean Ganga Fund (iii) Prime Minister's National Relief Fund (PMNRF) (iv) Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) (v) Any other fund set up by the Central Government and notified by the Ministry of Corporate Affairs, for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women

14. PENAL PROVISIONS ON UNSPENT AMOUNT:

Any non-compliance said provision is a civil offence and shall attract the following Penalties:

The Company is liable to pay twice the unspent amount required to be transferred to any Fund included in Schedule VII of the Act or Unspent CSR Account, as the case may be, or one Crore rupees, whichever is less.

Every Officer in Default liable to pay 10% of the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, or two lakh rupees, Whichever is less.

15. GLOSSARY TERMS:

- "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Companies Act, 2013.
- **Administrative Over heads: Only the expenses incurred by the company for general management and administration' of CSR functions classified as Administrative overheads. The expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme specifically excluded.**

The administrative overheads not to exceed five percent of total CSR expenditure of the company for the financial year.

- **Ongoing Project: "Ongoing Project" means a multiyear project**

having timelines not exceeding three years excluding the financial year in which it was commenced.

Project that was initially not approved as a multi-year project can be made ongoing by extending the duration beyond one year by the board based on reasonable justification.

It appears that CSR Project duration cannot be more than three years.

- “Net Profit” as per the Companies (CSR Policy) Rules, 2014 (CSR Rules), means the net profit of a company as per its financial statements prepared in accordance with the applicable provisions (i.e in accordance with the provisions of Section 198 of the 2013 Act).
