

CORPORATE SOCIAL RESPONSIBILITY

(CSR) POLICY OF

SAKTHI FINANCE LIMITED

(As revised by Board on 14 August 2021)

1 INTRODUCTION

Sakthi Group to which Sakthi Finance Limited belongs ("**SFL**" or "**THE COMPANY**") has over the years, believes in the conduct of its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty and integrity.

"Corporate Social Responsibility ("**CSR**") means the initiatives or activities undertaken by a Company in pursuance of its statutory obligations prescribed under Section 135 of the Companies Act, 2013 (at least 2% of the average net profits of the Company, made during the three immediately preceding financial years).

Section 135 of the Companies Act 2013, dealing with Corporate Social Responsibility, has prescribed that Corporate Social Responsibility Committee ("**CSR Committee**") has to formulate and recommend to the Board a Corporate Social Responsibility Policy.

2 CSR POLICY

Based on the recommendations of CSR Committee, a Corporate Social Responsibility Policy ("**CSR Policy**") has been formulated with a view to provide the scope for the CSR Committee to deal with the matters which are prescribed under the Companies Act 2013 and SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015.

This policy is applicable to all CSR initiatives and activities taken up at various branches and other locations of Sakthi Finance Limited (SFL), for the benefit of various segments of the society.

3 CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The CSR activities of the Company is designed in such a way to cover and focus in one or more areas as notified under Section 135 of the Companies Act 2013 read with Companies (Corporate Social Responsibility Policy) Rules 2014 as amended from time to time which, *inter alia*, includes the following activities.

- a) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care, sanitation and provision of safe drinking water.
- b) Promoting education including special education and employment enhancing vocation skills, especially among children, women, elderly and the differently-abled and promoting livelihood enhancement projects.
- c) Promoting gender equality, empowering women, setting up of homes, hostel for women and orphans, setting up old of age homes, day care centers 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, agroforestry, conservation of natural resources and maintaining quality of soil 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, war widows and their dependents.
- g) Training to promote rural Sports, Nationally recognized Sports, Para Olympic Sports and Olympic Sports.
- h) Contributions to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio economic development and relief and welfare of SC/ ST/OBC, minorities and women.
- i) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- j) Contributions to rural development projects and
- k) Such other activity as may be prescribed by the Central Government of India from time to time.

4 ON-GOING PROJECTS

On-going Project with respect to Company's CSR Project or activities 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 should include such project that was initially not approved as a multi-year project but whose duration had been extended beyond one year by the Board based on reasonable justification."

5 IMPLEMENTATION OF CSR

5.1 The CSR activities shall be undertaken either by the Company itself or through:

- a) a company incorporated under Section 8 of the Companies Act 2013 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 incorporated under Section 8 of the Companies Act 2013 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 incorporated under Section 8 of the Companies Act 2013 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.
- 5.2 An entity mentioned above which intended to undertake any CSR activity, should register itself with the Central Government by filing the form CSR-1 electronically with the Registrar of Companies, with effect from the 01st day of April 2021 and obtain a unique CSR Registration Number. This shall not affect the CSR projects or programmes approved prior to the 01st day of April 2021.
- 5.3 A company might engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes according to its CSR policy as well as for capacity building of their own personnel for CSR.
- 5.4 A company might also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies were in a position to report separately on such projects or programmes in accordance with these rules.
- 5.5 Company should ensure that the funds so disbursed under CSR are utilised for the purposes and in the manner as approved by the Board / CSR Committee and the Chief Financial Officer or the person responsible for financial management shall certify the same.
- 5.6 In case of ongoing project, the Board of a Company should' monitor the implementation of the project with reference to the approved timelines and year wise allocation and should be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

6 CSR COMMITTEE

The Board of Directors of the Company will constitute a CSR Committee comprising minimum of number of Directors as Members of the Committee as prescribed under the Companies Act 2013. The CSR Committee is responsible to formulate the CSR Policy and to monitor the CSR activities on regular basis. The Committee should also ensure that the Company spends the minimum sum prescribed under the Companies Act 2013.

The CSR Committee shall formulate and recommend to the Board, an annual action plan in accordance with its CSR policy, which, *inter alia*, includes the following:

- a) the list of CSR projects or programmes which were approved to be undertaken in areas or subjects specified under Schedule VII to the Act;
- b) the manner of execution of such projects or programmes;

- 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 annual action plan shall be altered by the Board at any time during the financial year, as recommended by the CSR Committee, with reasonable justification to that effect.

7 CSR SPEND

The Board shall ensure that the administrative overheads should not exceed five percent of overall total CSR expenditure of the company for the financial year. Administrative Overhead means, expenses incurred by the company for general management and administration of Corporate Social Responsibility functions in the company, but should not include the expenses directly incurred for the designing, implementation, monitoring and evaluation of a particular Corporate Social Responsibility project.

Any surplus arising out of the CSR activities should not form part of the business profit of a company. It should 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.

In case the Company spends an amount in excess of its requirement, such excess amount might be set off against the requirement to spend up to immediate succeeding three financial years subject to the conditions that:

- a) the excess amount which is available for set off should not include the surplus arising out of the CSR activities, if any.
- b) the Company should pass a resolution to that effect.

The CSR amount shall be spent by a company for creation or acquisition of a capital asset, which should be held by :

- a) a company incorporated under Section 8 of the Companies Act 2013 or a Registered Public Trust or Registered Society, having charitable objects and having valid CSR Registration Number
- b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
- c) **a public authority:**

Any capital asset created by a company prior to the commencement of this rules should within a period of one hundred and eighty days from such commencement comply with the requirement of this rule, which might be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.

8 CSR REPORTING AND DISCLOSURES

The Board's Report should include an Annual Report on CSR containing the particulars specified under the Companies Act 2013 and the rules made thereunder.

Every company having average CSR obligation of ten crore rupees or more, in the three immediately preceding financial years, should undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which had been completed not less than one year before undertaking the impact study.

The impact assessment reports should be placed before the Board and shall be annexed to the annual report on CSR.

A Company undertaking impact assessment might book the expenditure towards Corporate Social Responsibility for that financial year, which should not exceed five per cent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.

The composition of the CSR Committee, CSR Policy and Projects approved by the Board shall be disseminated on the website of the Company for public access.

9 UNSPENT CSR AMOUNT

The unspent CSR amount, if any, should be transferred by the company to any fund included in Schedule VII to the Companies Act 2013 until a specific fund was introduced by the MCA.

10 MONITORING PROCESS

The Director (Finance and Operations) / Company Secretary shall submit a report to the CSR Committee annually about the end-use of contributions made.

11 REVIEW OF CSR POLICY

The CSR Policy will be reviewed by the CSR Committee / Board to update the policy based on the regulatory changes from time to time.
