

Corporate Social Responsibility Policy



Roha Housing Finance Private Limited

Corporate Social Responsibility (CSR) Policy

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1. INTRODUCTION & BACKGROUND

Corporate Social Responsibility is not a new concept in India, however, the Ministry of Corporate Affairs, Government of India has recently notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 hereinafter referred to as "CSR Rules" and other notifications related thereto which makes it mandatory (with effect from 1st April, 2014) for certain companies who fulfill the criteria as mentioned under Sub-Section (1) of Section 135 to comply with the provisions relevant to Corporate Social Responsibility. As mentioned by United Nations Industrial Development Organization (UNIDO), CSR is generally understood as being the way through which a Company achieves a balance of economic, environmental and social imperatives ("Triple Bottom-Line-Approach"), while at the same time addressing the expectations of shareholders and stakeholders.

▪ WHAT IS CSR?

The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the Company's effects on the environment and impact on social welfare. The term generally applies to companies' efforts that go beyond what may be required by regulators or environmental protection groups.

Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

▪ FOR WHOM IT IS APPLICABLE?

The Companies on whom the provisions of the CSR shall be applicable are contained in Sub-Section (1) of Section 135 of the Companies Act, 2013. As per the said section, the companies 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 be required to constitute a Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee" with effect from 1st April, 2014.

The provisions governing 'Corporate Social Responsibility' are ruled by the provisions of Sec.135 of the Companies Act 2013 and the Companies (Corporate Social Responsibility) Rules 2014.

▪ WHAT TO DO WHEN CSR IS APPLICABLE?

Once a Company is covered under the ambit of the CSR, it shall be required to comply with the provisions of the CSR. The companies covered under the Sub section 1 of Section 135 shall be required to do the following activities:

1. As provided under Section 135(1) itself, the Companies shall be required to Constitute Corporate Social Responsibility Committee of the Board (hereinafter referred to as 'CSR Committee'). The CSR Committee shall be comprised of minimum 3 Directors, out of which at least one Director shall be an Independent Director. However, the requirement of having an Independent Director is not applicable on Private Limited Companies.
2. The Board's report shall disclose the compositions of the CSR Committee.

However, in case the total amount required to spend on CSR by a Company is less than rupees fifty lakh, then the formation of a CSR Committee is not mandatory for the Company.

3. All such Companies shall spend, in every financial year, at least two per cent of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of the Corporate Social Responsibility Policy. It has been clarified that the average net profits shall be calculated in accordance with the provisions of Section 198 of the Companies Act, 2013. Also, proviso to the Rule provide 3(1) of the CSR Rules that the net worth, turnover or net profit of a foreign company of the Act shall be computed in accordance with balance sheet and profit and loss account of such company prepared in accordance with the provisions of clause (a) of sub-section (1) of section 381 and section 198 of the Companies Act, 2013.

▪ **REPORTING FOR CSR**

Rule 8 of the CSR Rules provides that the companies, upon which the CSR Rules are applicable on or after 1st April, 2014 shall be required to incorporate in its Board's report an annual report on CSR containing the following particulars:

- A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs;
- The composition of the CSR Committee, if any;
- Average net profit of the Company for last three financial years;
- Prescribed CSR Expenditure (2% of the amount of the net profit for the last 3 financial years);
- Details of CSR Spent during the financial year;
- In case the Company has failed to spend the 2% of the average net profit of the last three financial years, reasons thereof;

▪ **ROLE OF CSR COMMITTEE**

The CSR Committee constituted in pursuance of Section 135 of the Companies Act, 2013 shall be required to carry out the following activities:

- a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
and
- c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

In the absence of a CSR Committee all the above functions shall be done directly by the Board of Directors of the Company.

▪ **WHAT IF A COMPANY CEASES TO BE COVERED UNDER SECTION 135?**

Rule 3(2) of the Corporate Social Responsibility Rules, 2014 provides that a 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 a company, 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.

2. OBJECTIVES OF THE POLICY

This Policy shall be read in line with Section 135 of the Companies Act 2013, Companies (Corporate Social Responsibility Policy) Rules, 2014 and such other rules, regulations, circulars, and notifications (collectively referred hereinafter as 'Regulations') as may be applicable and as amended from time to time and will, inter-alia, provide for the following:

- Establishing a guideline for compliance with the provisions of Regulations to dedicate a percentage of Company's profits for social projects.
- Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting
- Creating opportunities for employees to participate in socially responsible initiatives.

The Board of Directors (the "Board") of Roha Housing Finance Pvt. Ltd (the "Company") has adopted the following policy and procedures with regard to Corporate Social Responsibility. The Board may review and amend this policy from time to time subject to the recommendations of Corporate Social Responsibility Committee.

3. DEFINITIONS

(1) In this Policy, unless the context otherwise requires:

- a) "Act" means the Companies Act, 2013;
- b) "Annexure" means the Annexure appended to these rules;
- c) "Corporate Social Responsibility (CSR)" means and includes but is not limited to
 - (i) Projects or programs relating to activities specified in Schedule VII to the Act or
 - (ii) Projects or programs relating to activities undertaken by the board of directors of a company (Board) in pursuance of recommendations of the CSR Committee of the Board as Per declared CSR Policy of the company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.
- d) "CSR Committee" means the 'Corporate Social Responsibility Committee' of the Board referred to in Section 135 of the Act
- e) "CSR Policy" relates to 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 a company.
- f) "Net profit" means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:-

- (i) Any profit arising from any overseas branch or branches of the company' whether operated as a separate company or otherwise;
- (ii) Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:

Provided that net profit in respect of a financial year for which the relevant financial

- (2) Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

4. CSR ACTIVITIES

The Policy recognizes that corporate social responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014:

- i. Eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation & making available safe drinking water;
- ii. Promoting education, including special education & employment enhancing vocation skills especially among children, women, elderly & the differently unable & livelihood enhancement projects;
- iii. Promoting gender equality, empowering women, setting up homes & hostels for women & orphans, setting up old age homes, day care centers & such other facilities for senior citizens & measures for reducing inequalities faced by socially & economically backward groups;
- iv. Ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agro forestry, conservation of natural resources & maintaining quality of soil, air & water including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga;
- v. Protection of national heritage, art & culture including restoration of buildings & sites of historical importance & works of art; setting up public libraries; promotion & development of traditional arts & handicrafts;
- vi. Measures for the benefit of armed forces veterans, war widows & their dependents;
- vii. Training to promote rural sports, nationally recognized sports, sports & Olympic sports;
- viii. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development & relief & welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities & women;
- ix. Contributions or funds provided to technology incubators located within academic institutions, which are approved by the Central Government;
- x. Rural development projects, etc.
- xi. Slum area development [Explanation: For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force."]

All activities under the CSR activities should be environment friendly and socially acceptable to the local people and Society.

5. SCOPE & GEOGRAPHIC REACH

The Act provides 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. The Company will thus give preference to conducting CSR activities in the Delhi/NCR herein the Company has/will have its operations. However, the Committee may identify such areas other than stated above, as it may deem fit, and recommend it to the Board for undertaking CSR activities.

6. ANNUAL SPENDS/ALLOCATION OF FUNDS ANNUAL SPENDS/ALLOCATION OF FUNDS

- i. The Company would spend not less than 2% of the average Net Profits of the Company made during the three immediately preceding financial years. The surplus arising out of the CSR activity will not be part of business profits of the Company. The Corpus would thus include the 2% of average net profits, as aforesaid, any income arising there from and surplus arising out of CSR activities.
- ii. The Company may build CSR capacities of its personnel and/or those of its implementing agencies through Institutions with established track records of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of the Company in one financial year.
- iii. However, if the Company ceases to be covered under sub-section (1) of Section 135 of the Act for three financial years, then it shall not be required to, comply with the provisions laid down under sub-section (2) to (5) of the said section, till such time it meets the criteria specified in sub-section (1) of the Act.

7. CSR COMMITTEE

The CSR Committee would be formulated by the Company once the amount to be spent by the Company under Sec 135 (5) of the Act exceeds INR 50 lacs. The Board will in the interim perform all the duties and responsibilities of the CSR Committee.

8. SCOPE AND FUNCTIONS OF CSR COMMITTEE / BOARD

The Board of Directors will recommend a formal CSR Policy, will recommend particular CSR activities, set forth a budget, describe how the Company will implement the project and establish a transparent means to monitor progress. The Board of Directors of the Company would be deciding the budget till the time the CSR Committee gets applicable on the Company.

9. ADMINISTRATION OF CSR PROJECTS

The Company can meet its CSR obligations by funnelling its activities on its own or through a third party, such as a society, trust, foundation or Section 8 company (i.e., a company with charitable purposes) that has an established record of at least five years in CSR-like activities. The Company may also collaborate and pool their resources, which could be especially useful for small and medium-sized enterprises. Managing Director will have the power to sanction any project for CSR with the approval of the Board.

10. IMPLEMENTATION

- a) The investment in CSR should be project based and for every project time framed periodic mile stones should be finalized at the outset.
- b) Project activities identified under CSR are to be implemented by Specialized Agencies and generally NOT by staff of the organization. Specialized Agencies could be made to work singly or in tandem with other agencies.
- c) Such specialized agencies would include:
 - i. Community based organization whether formal or informal.
 - ii. Elected local bodies such as Panchayats
 - iii. Voluntary Agencies (NGOs)
 - iv. Institutes/Academic Organizations
 - v. Trusts, Mission etc.
 - vi. Self-help groups
 - vii. Government, Semi Government and autonomous Organizations.
 - viii. Standing Conference of Public Enterprises (SCOPE)
 - ix. Mahila Mondals/Samitis and the like Contracted agencies for civil works Professional Consultancy Organization etc.

11. FUNDING

As per the regulations the company will set aside, for annual CSR activities, an amount equal to 2% of the average net profits of the Company made during the three immediately preceding financial years. Any unutilized CSR allocation fund of a particular year, will be carried forward to the next financial year.

12. BUDGET

- i. The Board of Directors shall ensure that in each financial year the Company spends at least 2% of the average Net Profit made during the three immediate preceding financial years.
- ii. As per section 135 of the Companies Act, the Company will report reasons for under spending of the allocated CSR budget of the current financial year in the template provided by the Ministry of Corporate Affairs. This reporting will be done in the Annual Report and signed off by the Board of Directors.
- iii. In case of any surplus arising out of CSR projects the same shall not form part of business profits of the Company.
- iv. The Company may collaborate or pool resources with other companies to undertake CSR activities, through any non-profit organization, if required.

13. AMENDMENTS/REVIEW OF THE POLICY

The Board of Directors can amend its Policy as and when deemed fit. Any or all provisions of CSR Policy would be subjected to revision/amendment in accordance with the regulations on the subject as may be issued from relevant statutory authorities, from time to time. The CSR Policy shall be reviewed annually by the Company.