

# **CORPORATE SOCIAL RESPONSIBILITY POLICY**



## **NATIONAL BACKWARD CLASSES FINANCE & DEVELOPMENT CORPORATION**

DFA-IV(16.3.106-400PM)

# CSR POLICY

## 1. Corporate profile and main objects

1.1 National Backward Classes Finance & Development Corporation is a Govt. of India undertaking under the aegis of Ministry of Social Justice & Empowerment, Govt. of India. The Corporation was incorporation on 13th January, 1992 as a Company not for profit under Section 25 of the Companies Act, 1956 (Section 8 of the Companies Act, 2013). The objective of the Corporation is to promote economic and developmental activities for the benefit of members of backward classes living below the double the poverty line through State Channelising Agencies (SCAs) nominated by the respective State Governments/Union Territories. Its authorized capital is Rs.1500 crore and its paid up capital is of Rs.1024 crore as on financial year ending 31.3.2016.

1.2 The main objects of the Corporation are as under:

- (i) To promote economic and developmental activities for the benefit of Backward Classes;
- (ii) To assist, subject to such income and/or economic criteria as may be prescribed by the Government from time to time, individuals or groups of individuals belonging to Backward Classes by way of loans and advances for economically and financially viable schemes and projects. Under Micro Financing Schemes, Self help Groups having members of target group to the extent of at least 75% could be considered for financial support. The groups of the individuals belonging to the backward classes will include such groups in which predominantly (75% and above) members belong to Backward Classes provided other members belong to weaker sections (as per income and/or economic criteria prescribed by Government) including Scheduled Castes/Scheduled Tribes, Minorities and Disabled Persons;
- (iii) To promote self-employment and other ventures for the benefit of Backward Classes;
- (iv) To grant concessional finances in selected cases for persons belonging to Backward Classes below the poverty line in the Country in collaboration with Government Ministries/Departments at the National and State level to the extent of the budgetary assistance granted by the Government of India to the Company;
- (v) To extend loans to the Backward Classes for pursuing general/professional/technical education or training at graduate and higher levels;
- (vi) To assist in the upgradation of technical and entrepreneurial skills of Backwards Classes for proper and efficient management of production units;
- (vii) To assist the State level organizations dealing with the development of the Backward Classes by way of providing financial assistance and in obtaining commercial funding or by way of refinancing;

- (viii) To work as an apex institution for coordinating and monitoring the work of all Corporations/Boards set up by the State Government/Union Territory Administrations for Schedule Castes, Schedule Tribes, Backward Classes and Minorities in so far as it relates to the economic development of the Backward Classes;
- (ix) To help in furthering the Government policies and programmes for the development of Backward Classes.

## **2. Background & Preamble**

- 2.1 The Ministry of Corporate affairs vide notification dated 27<sup>th</sup>Feb., 2014 has notified the enforceability of Sec. 135 of Companies Act (i.e. provision for CSR) and Companies (Corporate Social Responsibility Policy) Rules, 2014 with effect from 01.04.2014. In addition DPE has issued guidelines on CSR and Sustainability for CPSEs to be followed with effect from 01.04.2014

Pursuant to the same & subsequent Guidelines issued by Dept. of Public Enterprises, the Board has constituted a Committee called as “Corporate Social Responsibility Committee” having Managing Director as its Chairman.

The committee recommended a policy to be pursued by the Company in the matter of its Corporate Social Responsibility and the same has been approved by Board of Directors (BoD) in its meeting held on.....

This policy is made in accordance with the notification issued under section 135 of Companies Act 2013 Schedule VII issued by Ministry of Corporate Affairs (MCA) with effect from 1<sup>st</sup> April 2014 and DPE guidelines.

- 2.2 NBCFDC is primarily a Corporation involved in social upliftment and as a part of its mandate has been undertaking various activities like community development, Cluster Development etc. In line with the Companies Act 2013 and DPE guidelines this policy aims at developing company specific social responsibility strategies in long, medium and short term period with built in mechanism for implementation and monitoring towards all-round development of people/clusters/community/society.

## **3. Policy Statement**

To be a Responsible Corporate Citizen committed to Socio – Economic development through social innovation and to build a better sustainable way of life for the weaker sections of the society through suitable projects or programs.

## **4. Short Title & Applicability**

This policy may be called the Corporate Social Responsibility & Sustainability Policy- 2016. It shall come into force with effect from 1.4.2016.

## 5. CSR Objectives:

- 5.1 NBCFDC will lay focus on CSR activities specially on communities in and around areas where notified backward districts are located or where OBC clusters are located. NBCFDC is committed to allocate significant part of its CSR budget for these local communities.
- 5.2 NBCFDC will implement CSR activities to empower weaker, less privileged and marginalized sections of the society to create Social Capital.

## 6. Organization Structure

- 6.1 The CSR policy will be approved by the Board of Directors (BoD) on the recommendation of the CSR committee. The Board will also ensure that the activities as are included in the CSR policy of the Company are undertaken by the company.
- 6.2 **CSR Committee:** Subject to the applicable provisions of the Companies Act 2013 and Companies (CSR Policy) Rules 2014, the CSR Committee shall consist of three or more Directors. As per the approval of the Board of Directors, presently, the CSR Committee of the Corporation is as under:

Sl.No.	Name/Designation of the Directors	Status
1.	Managing Director, NBCFDC	Member
2.	JS & FA, Ministry of SJE	Member
3.	Independent Director	Member
Company Secretary shall function as Secretary to the Committee		

- 6.3 The CSR Committee shall formulate and recommend to the Board of Directors CSR policy, recommend expenditure to be incurred, monitor CSR policy from time to time. It will oversee the implementation and monitoring of the CSR policies and all related activities in NBCFDC. It will assist the Board of Directors to formulate suitable policies and strategies to take the CSR agenda of the Company forward to the desired direction.
- 6.4 The reconstitution of CSR Committee may be made with the approval of the Board.
- 6.5 **CSR Management Committee:** CSR Management Committee shall comprise of senior officials of the Management of NBCFDC, who will assist the CSR Committee in putting up proposals and monitoring progress of CSR projects undertaken as part of CSR initiatives of the Company. Presently, GM (Planning) and AGM (HR) are members of the CSR Management Committee to be assisted by AM (Fin.) as per requirement. The CSR Management committee will assist in preparation of annual budget, documentation and screening and putting up of CSR projects as per delegation, facilitate coordination of CSR initiatives in the company and will take initiatives within the organization and outside. The CSR Management committee shall also monitor the progress, implementation and guide the initiatives in any manner it may deem fit and necessary. The reconstitution of CSR Management committee may be made with the approval of the Managing Director.

## **7 CSR Focus area Project/ Programs/Activities:**

- 7.1 The activities to be covered and the projects to be undertaken shall be the activities laid down in Schedule VII of the Companies Act 2013 as amended from time to time. Schedule VII is enclosed at **ANNEXURE-I**.
- 7.2 Other projects, programmes/Activities as may be permitted under the applicable Laws and Government Guidelines, as amended from time to time, and with the approval of the Board of Directors.
- 7.3 Significant part of the budget will be spent for the communities in and around notified backward districts or where OBC clusters are located.

## **8 Budget**

- 8.1 The Budget for CSR activities will be as per the relevant sections of the Companies Act 2013, as amended from time to time. Section 135 read with section 198 of the Companies Act 2013 states that a company shall spend at least 2% of the average Net Profits (surplus) for the preceding three financial years for its CSR activities of current year.
- 8.2 CSR expenditure shall include all expenditure including contribution to corpus for projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but shall 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.
- 8.3 Contribution of any amount directly or indirectly to any political party under section 182 of the Companies Act 2013, shall not be considered as CSR activity. Activities which are for the benefit of employees of the company or their family members shall not form part of CSR activities. Activities being carried out routinely as part of our operations shall also not form part of CSR activities.
- 8.4 The expenditure on CSR capacity building and monitoring/evaluation of CSR project/activities etc. may be met from CSR budget, as may be permitted within the CSR government laws/rules/guidelines issued from time to time.
- 8.5 CSR Budget with broad break up of heads of the areas of CSR initiative will be approved by the Board of Directors on recommendation of the Board Level CSR Committee.
- 8.6 Any re-appropriation between the sub-heads may be done with approval of Managing Director with intimation to CSR Committee subject to same being within overall CSR budget for the year.

- 8.7 Any surplus arising out of the CSR activity shall not form part of the business surplus/profits of NBCFDC. In case NBCFDC fails to spend the budget towards CSR, the reasons thereof shall be recorded in its annual report. Further in terms of DPE guidelines, the unspent amount will be carried forward to the next financial year.

## **9 Assessment and approval of Project:**

The CSR Management Committee shall examine and recommend the projects / program to the CSR Committee for its approval and largely adhere to the following:

- a) Appraisal of the project especially the cost estimates, the funding arrangement and its impact on target population and areas.
- b) Time chart/ project schedules and funding requirements for each stage.
- c) Payment terms and its linkages with the physical progress and contribution of share from other parties, if any.
- d) Finalizing the terms of Letter of Intent.
- e) Draft MoU, if required especially for large projects, with the implementing agency/organization detailing the roles and responsibilities of the agency, NBCFDC and any other party.

## **10 Competent Authority:** Subsequent to assessment and suitability of the individual proposal, recommendation of the CSR Management Committee will be forwarded for approval for taking up, execution, disbursement, etc. as mentioned hereunder:-

- a) The proposal of individual values upto Rs. 20 lakhs falling within the BOD approved CSR budget heads will require approval of Managing Director.
- b) All proposals of value above Rs.20.00 lakhs and upto Rs.40.00 lakhs falling with the BOD approved CSR budget heads will require approval of CSR Committee.
- c) All proposals above Rs.40.00 lakhs and those not covered under the approved CSR budget heads will require approval of the BOD.

## **11 Implementation and Executing Agency/Partner :**

- a) Implementation of CSR projects can be through suitable partnerships with State Governments, NGOs, PSUs, Private Companies, Panchayats, Trusts, Self help Groups, Mahila Mandals, Professional consultancy organization, SCOPE, joining the ongoing programs of these agencies etc. As far as possible, NBCFDC's manpower should be committed only for monitoring and supervision.
- b) The CSR Management Committee will identify the projects and after its approval, arrange its implementation and monitor the CSR activities in the company. It will regularly monitor the progress, implementation of various project and guide the initiative in any manner it may decide.
- c) While identifying project, the external agency who would execute the same would be identified. In case of project execution by NGOs/Voluntary organizations, the following minimum criteria need to be ensured:
  - i) It has an office/address in India.

- ii) It is a registered entity under the relevant statute.
- iii) It possesses a PAN no.
- iv) Its antecedents are verifiable/subject to confirmation. Inspection by an individual/body nominated by CSR management committee & approved by the Managing Director, NBCFDC is essential before the first sanction to the organization is considered.
- v) It has documented track record of at least three years in executing similar project.
- vi) Audited accounts of last three years are available.

## **12 Project Monitoring, Evaluation & CSR Reporting.**

12.1 In general the following shall be applicable for all the project / programs under implementation.

- (i) The chairman of the CSR Committee shall apprise the progress of CSR activities to the Board of Directors on **quarterly** basis, as per format in annexure-II.
- (ii) CSR Management Committee shall monitor the execution and progress of the project / program and submit a **quarterly** report to the CSR Committee.
- (iii) The implementing agency/organization shall submit **monthly** report of physical and financial performance of the project in terms of the sanction letter.
- (iv) NBCFDC may consider appointing an independent external agency for monitoring of CSR Projects and its implementation as per terms of sanction/MoU.
- (v) CSR projects of NBCFDC/implementing agencies are subject to scrutiny and test check audit by NBCFDC/external agencies, as may be decided by the CSR Management Committee with the approval of the Managing Director.
- vi) CSR Management Committee shall recommend for payment as per terms of Letter of Intent/MoU.
- vii) CSR Management Committee shall coordinate and record progress of work as per the agreed time schedule.
- viii) NBCFDC and the implementing agency shall jointly prepare a time schedule for the project execution.
- ix) Finance shall be provided by NBCFDC in suitable installments on recommendation by CSR Management Committee. After release of the first installment for initiation of the work, further release of fund shall be based on progress of the work /utilization certificate(as per GFR) submitted by the respective Agency. Final installment will be released after receipt of audited statement of income and expenditure a Chartered Accountant.
- x) The CSR Management Committee, wherever required and with the approval of the Managing Director, may arrange impact assessment studies of major projects on its own/NBCFDC employees or through an independent professional third parties/professional institutions or through executing agency in such manner as it may deem fit.

## **12.2 CSR Reporting in Annual Report**

The Company shall report the details of the CSR initiatives in the Directors' Report and Companies website in the prescribed format (enclosed at **ANNEXURE – II**) as per the provisions of section 135(1),(2) & 469 of the Companies Act, 2013.

## **13 General**

In case of any doubt with regard to any provision of CSR policy and also in respect of matters not covered therein, the interpretation & decision of CSR Committee shall be final.

The Company reserves the right to modify, cancel, odd/or amend any of the provisions contained in the CSR policy with the recommendation of CSR Committee and approval of Board of Directors of NBCFDC.

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## CSR Projects/Programmes/Activities

### ANNEXURE-I

1. The activities that a company can undertake as its CSR activity is laid down in Schedule VII of Companies Act which has been notified and is reproduced as under:
  - i. Eradicating hunger, poverty and malnutrition: ***promoting health care including preventive health care*** and making available safe drinking water;
  - ii. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
  - iii. 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;
  - iv. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water.
  - v. 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;
  - vi. Measures for the benefit of armed forces veterans, war widows and their dependents;
  - vii. Training to promote rural sports, nationally recognized sports, Paralympics sports and 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 and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
  - ix. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
  - x. Rural development projects.
  - xi. ***Slum area development***

***Explanation- For the purpose 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.***

[Item no (xi) and phrases in ***italics*** under items no.(i) and (iv) have been inserted in Schedule VII of the Act through amendments subsequent to gazette notification on Schedule VII dated 27.02.2016]

**FORMAT OF THE ANNUAL REPORT ON CSR ACTIVITIES***(Also forming part of the Board's Report)*

1. 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.
2. The Composition of the CSR Committee.
3. Average net profit of the company for last three financial years
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)
5. Details of CSR spent during the financial year.
  - a) Total amount to be spent for the financial year
  - b) Amount unspent, if any;
  - c) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>S. No</b>	<b>CSR Project or activity identified</b>	<b>Sector in which the project is covered</b>	<b>Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken</b>	<b>Amount outlay (budget) project or program wise</b>	<b>Amount spent on the projects or programs Sub-heads: 1)Direct expenditure on projects or programs 2) Overheads:</b>	<b>Cumulative expenditure upto to the reporting period</b>	<b>Amount spent ; Direct or through implementing agency</b>
1							
2							
3							
	TOTAL						

\* Give details of implementing agency:

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company

<b>Sd/-</b>  <b>(Chairman, CSR Committee)</b>	<b>Sd/-</b>  <b>(Member , CSR Committee)</b>
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