

# **CORPORATE SOCIAL RESPONSIBILITY**

## **POLICY**



# **NATIONAL CREDIT GUARANTEE TRUSTEE** **COMPANY LIMITED**

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## **I. INTRODUCTION**

National Credit Guarantee Trustee Company Ltd. (NCGTC) has been set up by the Department of Financial Services, Ministry of Finance, Government of India to, inter alia, act as a common trustee company to manage and operate various credit guarantee trust funds.

National Credit Guarantee Trustee Company Limited (NCGTC) has helped in enhancing the credit flow to unserved and underserved sections of the economic pyramid in the country through guarantee support to the Member Lending Institutions.

The CSR Policy of NCGTC has been framed in accordance with Section 135 of Companies Act, 2013 and the Rules framed thereunder to achieve this objective.

## **II. DEFINITIONS**

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

- (a) “Act” means Companies Act, 2013, (including any statutory modification or re-enactment thereof);
- (b) “Rules” means Companies (Corporate Social Responsibility Policy) Rules, 2014, (including any statutory modification or re-enactment thereof);
- (c) “Ministry” means the Ministry of Corporate Affairs;
- (d) “Company” means National Credit Guarantee Trustee Company Limited (NCGTC);
- (e) “Corporate Social Responsibility (CSR)” means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in the rules, but shall not include the following, namely:-

- (i) activities undertaken in pursuance of normal course of business of the company:

Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that –

- (a) Such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;
    - (b) Details of such activity shall be disclosed separately in the Annual Report on CSR included in the Board’s Report;

(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 benefitting 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 companies on sponsorship basis for deriving marketing benefits for its products and services;

(vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India;

(f) "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Act;

(g) "CSR Policy" means a statement containing the approach and direction given by the Board of company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of action plan;

(h) "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; and

(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 in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit o such company as per profit and loss account prepared in terms of clause (a) of sub section (1) of section 381, read with section 198 of the Act;

(2) Words and expressions used in this CSR Policy and not defined herein but defined in the Act will have the meaning respectively assigned to them in the Act.

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

(a) Constitution and Composition of the CSR Committee:

**In terms of sub-section 9 of Section 135 of the Act, where the amount to be spent by a company under sub-section (5) of the Act does not exceed fifty lakh rupees, the requirement under sub-section (1) of the Act for constitution of the Corporate Social**

**Responsibility Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.**

Accordingly, CSR Committee shall be constituted, as and when it becomes applicable. Meanwhile, as per the above provision, the Board shall continue to discharge the functions of the CSR Committee. NCGTC has established Board-level CSR Committee which will make recommendations to

(b) Scope of the CSR Committee (to be discharged by the Board, till its constitution):

(1) Formulate and periodically review NCGTC's CSR policy, to be submitted to the Board of Directors for approval.

(2) Recommend the CSR expenditure to the Board for approval.

(3) To approve the CSR projects to be undertaken along with requisite plan, modalities of execution, implementation schedule, monitoring process and amount to be incurred on such area or subjects in a financial year;

(4) To undertake performance review of the company's CSR activities on yearly basis, and recommend modifications in the Policy as may become necessary consequent to change in law / judicial pronouncements;

(5) Any other relevant matters/issues which need to be undertaken in accordance to CSR Policy.

For the above, NCGTC will nominate suitable officer(s) who would identify and evaluate the CSR proposals for sanction, place the appraisal thereof to the CSR Committee/Board.

#### **IV. CSR FOCUS AREAS**

i) Eradicating hunger, poverty and malnutrition, ["promoting health care including preventive health care"] and sanitation [including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation] 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 centres 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, agroforestry, conservation of natural resources and maintaining quality of soil, air and water [including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga].

(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 art and handicrafts;

(vi) measures for the benefit of armed forces veterans, war widows and their dependents, [ Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows];

(vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

(viii) contribution to the prime minister's national relief fund [or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

10[(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in

science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).]

(x) Rural development projects

(xi) Slum area development.

(xii) Disaster management, including relief, rehabilitation and reconstruction activities.

\* It will also cover activities as may be incorporated pursuant to amendment of Schedule VII of the Companies Act, 2013

## **V. ROLE OF THE BOARD**

The role and responsibilities of the Board shall include:

- (a) Approve the CSR Policy of the Company and overall annual budget for a financial year;
- (b) Disclose the content of the Policy in its report and place the Policy on the Company's website in such manner as prescribed under Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014;
- (c) Ensure that NCGTC spends in every financial year, at least 2% of the average Net Profits made during three immediately preceding financial years on CSR activities, in accordance with this Policy.
- (d) Ensure that the CSR activities are undertaken and executed by the Company as per the policy, the Act and other applicable Rules/laws.
- (e) If the company fails to spend the amount as mentioned in (c) above in any financial year, specify in Board's Report under Section 134 of the Act, the reasons for not spending the amount and unless the unspent amount relates to any ongoing project, transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

## **VI. CSR EXPENDITURE**

The Board shall ensure that the Company spends the following amounts for CSR activities in pursuance of this policy, and compiles with the following conditions as set out in the Act and Rules:

- (i) In every financial year, at least 2% of its average Net Profits made during the three immediately preceding financial years. Average Net Profits shall be calculated in

accordance with the provisions of Section 198 of the Act and rules framed thereunder from time to time.

- (ii) The administrative overheads shall not exceed five percent of total CSR expenditure of the company for financial year.
- (iii) Any surplus arising out of CSR activities shall not form a 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 six months of the expiry of the financial year.
- (iv) Where a company spends an amount in excess of requirement provided under sub-section (5) of section 135, such excess amount may be setoff against the requirement to spend under sub section (5) of section 135 up to immediate succeeding three 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.
- (v) The CSR amount may be spent by a company for creation or acquisition of a 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 under sub-rule (2) of rule 4; or
  - (b) Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
  - (c) A public authority;

Provided that any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy), Amendment Rules, 2021, shall within a period of one hundred and eighty days from such commencement comply with the requirement of this rule, which may be extended by further period of not more than ninety days with the approval of the Board based on reasonable justification.

## **VII. CSR IMPLEMENTATION**

- (1) CSR activities may be initiated/implemented/executed by the Company directly; or through-
  - (i) A company established under section 8 of the Act, or a registered public trust or a registered society, registered under 12A and 80G of the Income Tax Act, 1961



(43 of 1961), established by the Company, either singly or along with any other company, or

- (ii) A company established under section 8 of the Act or a registered trust or a registered society, established by the Central or State Government; or
  - (iii) Any entity established under an Act of Parliament or a State legislature;
  - (iv) A company established under section 8 of the Act, or a registered public trust or a registered society, registered under 12A and 80G of the Income Act, and having an established track record of at least three years in undertaking similar activities.
- (2) A company may engage international organisations for designing, monitoring an evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building for their own personnel for CSR.
- (3) 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 position to report separately on such projects or programmes in accordance with the rules.
- (4) 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 Chief Financial Officer or the person responsible for financial management shall certify to that effect.
- (5) In case of ongoing project, the Board of the 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.

#### **VIII. CSR REPORTING**

- (1) The Board's Report of a company covered under these rules pertaining to any financial year shall include an annual report on CSR.
- (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) (a) Every company having average CSR obligation of ten crore rupees or more in pursuance of sub section (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 impact study.
- (b) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

(c) A company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year of fifty lakh rupees, whichever is less.

**IX. EFFECTIVE DATE**

The policy is effective from the date of Board Approval.

**X. CONTACT**

For queries **related** to CSR policy, please write to us at: [ceo@ncgtc.in](mailto:ceo@ncgtc.in)