SK Finance Limited
(Formerly known as Ess Kay Fincorp Limited)

CORPORATE SOCIAL RESPONSIBILITY POLICY 2022-23

SUMMARY OF POLICY

Policy Name	Corporate Social Responsibility Policy (herein after referred as "CSR Policy")
Regulations	Section 135 of Companies Act, 2013 read along with Companies (Corporate Social Responsibility) Rules, 2015
Review Cycle	Annually or in the event of any change in regulatory guidelines
Approver	Board of Directors of SK Finance Limited (Formerly known as Ess Kay Fincorp Limited)
Latest approval/review date	April 2022
Version	1.0

Responsibility for Implementation	**Company Secretary**	
Vetted by	**Head of Compliance** **Chief Risk Officer**	

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PREAMBLE

SK Finance Limited (Formerly known as Ess Kay Fincorp Limited) (herein after referred as (**"the Company/SK Finance"**) has framed this Corporate Social Responsibility Policy (herein after referred as **"CSR Policy"**) pursuant to the provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, Schedule VII of the Companies Act, 2013 and General Circular No. 14 /2021 issued by Ministry of Corporate Affairs. The core theme of the CSR policy is giving back to the society from which it draws its resources by extending helping hand to the needy and the underprivileged.

The CSR initiatives of the Company will continue to enhance value creation in the society, through its services, conducts & initiatives, so as to promote sustainable growth of the society, in fulfillment of its role as a Socially Responsible Corporate, with environmental concern.

DEFINITIONS

- **"Act"** means the Companies Act, 2013, as amended from time to time.

- **"Administrative overheads"** means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme;

- **"Board"** means Board of Directors of the Company;

- **"Company"** means SK Finance Limited (Formerly known as Ess Kay Fincorp Limited);

- **"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 these 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) and their families;

(v) Activities benefitting promoters, promoter group, subsidiaries or associates, if any or service providers of the Company.

(vii) Activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;

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

- **"CSR Rules"** means Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time;

- **"CSR Project/Program"** means the interventions undertaken by the Company in pursuance of its statutory obligation laid down in Section 135 of the Act;

- **"CSR Committee"** means the Corporate Social Responsibility Committee constituted by the Board of Directors pursuant to Section 135 of the Act;

- **"Implementing Agency"** means any of the following:

(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;

(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;

(c) Any entity established under an Act of Parliament or a State legislature;

(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.

Provided that every entity mentioned above, 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.

- **“International Organisation”** means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply;

- **"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, if any, 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;

- **“Ongoing Project”** 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 shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification;

- **“Policy”** means this Corporate Social Responsibility Policy, as may be amended from time to time.

SCOPE AND APPLICABILITY

This Policy shall be applicable to all CSR initiatives undertaken by the Company in pursuance of the requirements of Section 135 and Schedule VII of Companies Act, 2013 and the Companies Corporate Social Responsibility Policy) Amendment Rules, 2021 (including any statutory modifications, amendments, or re-enactments of any of them for the time being in force).

OBJECTIVES

The following are the objectives of the CSR Policy:

- Embrace responsibility for the Company's actions and encourage a positive impact through its activities on hunger, poverty, malnutrition, environment, communities, stakeholders and the society.

- Strive for economic development that positively impacts the society at large with minimal resource footprint.

- Comply with the statutory and regulatory requirements pertaining to corporate social responsibility.

- Identify areas of intervention and projects that will be taken up by the Company as part of its CSR plan with the implementation schedules.

- Ensure that the surplus arising out of CSR projects/ programs/ activities shall not form part of the business profit of the Company.

- To display the contents of the CSR policy and the implementation of the CSR activities on the website and the annual report of the company.

CSR FOCUS AREAS

The Company has identified CSR Thrust Areas for undertaking CSR Projects/ programs in India. The actual distribution of the expenditure among these thrust areas will depend upon the needs as may be determined by the need identification studies or discussions with local government/ Gram panchayat/ NGOs. The Company shall give preference to the areas around which the Company operates and the areas with identified needs for CSR spending.

Focus areas (List of CSR projects or programmes):

- Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.

- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

- 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.

- 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.

- 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;

- 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;

- Training to promote rural sports, nationally recognised sports, Paralympic sports and olympic sports;

- 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;

- (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;

(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).

- Rural development projects

- Slum area development.

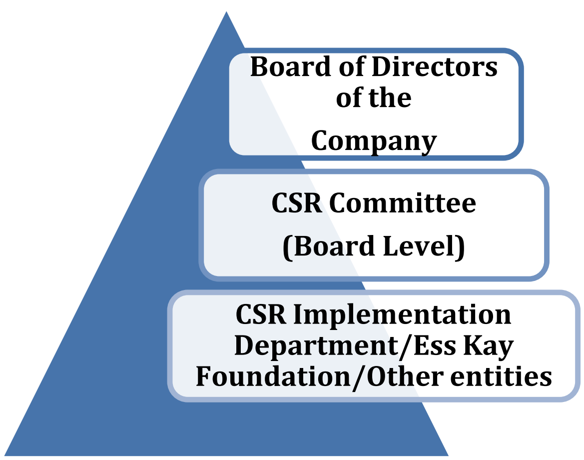
For the purposes of this item, the term `slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

- Disaster management, including relief, rehabilitation and reconstruction activities.

These broad categories have been chosen keeping in mind the following requirements:

(a) Preference shall be given to the local area and areas around it where it operates, for spending the amount designated for CSR activities.
(b) Amount spent for the benefit of the employees of the company and their families shall be considered outside the scope of CSR activities.
(c) Contribution of any amount directly or indirectly to any political party under Section 182 of the Act shall not amount to as CSR activity.
(d) Amount spent on CSR activities within the boundaries of India shall only be considered.
(e) Expenditure made on any other activities pursued in the normal course of business shall not be considered within the scope of CSR activities.

GOVERNANCE STRUCTURE



6.1 ROLE OF THE BOARD OF DIRECTORS

- Approve the Corporate Social Responsibility Policy for the company based on the recommendations of CSR Committee and disclose contents of such Policy in its report and also place it on the company's website.
- Approval of the annual action plan formulated and presented by the CSR Committee for spending of the prescribed CSR budget.
- Alter the recommended annual action plan at any time during the financial year, if required, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

- Ensure that the Company spends, in every financial year, at least 2% of the average net profits made during the three immediately preceding financial years, in pursuance, of its CSR Policy.
- Ensure that the Company, treats the CSR Spends i.e. CSR surplus, excess expenditure and unspent CSR funds as per the modalities prescribed in the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.
- Specify in its Report the reasons for not spending the amount if the Company fails to spend such amount and transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.
- Disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on the Company's website, if any, for public access.
- Ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company and activities included by a company in its Corporate Social Responsibility Policy are related to the areas or subjects specified in Schedule VII of the Act.
- 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.
- Ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

6.2 CSR COMMIITTEE COMPOSITION:

The Corporate Social Responsibility Committee (CSR Committee) shall comprise of three or more Directors, out of which at least one shall be an Independent Director.

6.3 QUORUM

Quorum of the meeting of CSR Committee shall be one third of the total strength or two Directors, whichever is higher in compliance with section 174 of Act with minimum one Independent Director to be presented at the Meeting.

6.4 MEETINGS

The CSR Committee shall meet as and when deemed necessary.

6.5 ROLE OF COMMITTEE

- Recommend the amount of expenditure to be incurred on the activities under the CSR Policy;

- Formulate and recommend to the Board, an annual action plan consisting of list of approved projects or programs to be undertaken within the purview of Schedule VII of the Companies Act, 2013, manner of execution of such projects, modalities of fund utilization and implementation schedules, monitoring and reporting mechanism for the projects, and details of need and impact assessment, if any, for the projects to be undertaken.

- The CSR Committee will be responsible for monitoring CSR policy, CSR initiatives, and progress on approved projects and shortfalls in achieving the CSR plan, if any;

- Any other matter as may be considered expedient in furtherance of and to comply with CSR Policy of the Company.

CSR ACTIVITIES

"Corporate Social Responsibility (CSR)" means the activities undertaken by a Company in pursuance of section 135 of the Act and in areas or subject, specified in Schedule VII of the Act as amended from time to time, but shall not include the following, namely:

The following shall not be treated as expenditure under CSR activities:

- Any expenditure that benefits only employees of the company or their families;

- Contribution of any amount directly or indirectly to any political party under section 182 of the Companies Act, 2013;

- One-off events such as marathons/awards/charitable contributions/advertisements/TV sponsorship programmes etc.

- Activities carried out for fulfilment of any other statutory obligations under any law in force in India;

- Activities undertaken in the ordinary course of business of the company;

- 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;

- Activities supported by the companies on sponsorship basis for deriving marketing benefit for its products or services.

IMPLEMENTATION

- The CSR Committee shall provide guidance on the allocation of the CSR budget among the thrust areas on an annual basis and seek approval from the Board.

- The CSR Projects will be undertaken based on the annual action plan formulated and recommended by the CSR Committee and approved by the Board. The Board may alter the annual action plan at any time during the financial year, as per the recommendation of the CSR Committee based on reasonable justification to that effect.

- The Board shall ensure that the CSR activities are undertaken by the company itself or through implementing agency.

- Company may engage international organisations 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.

- Company may also collaborate with other companies for undertaking projects or Programmes or CSR activities in such a manner that the CSR committee is in a position to report separately on such projects or Programmes in accordance with Companies (Corporate Social Responsibility Policy) Rules, 2014.

- In case of ongoing project, the Board 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.

- The process for implementation of CSR Programmes will involve the following steps:

a. Internal need assessment & Receipt of proposals/requests
b. Discussions and request with local representatives/ Civic bodies/ Citizen's forums/Voluntary organizations (NGO's).

CSR FUNDING AND ALLOCATION

- For achieving the CSR objectives through implementation of eligible CSR Projects, the CSR Committee will allocate for its Annual CSR Budget, 2% of the average net profits of the Company made during the three immediately preceding financial years, calculated in accordance with the relevant Sections of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time.

- The Company may spend up to 5% of the total CSR expenditure in one financial year on building CSR capabilities on administrative overheads. The Company may also make contributions to SK Finance established CSR trust i.e. Ess Kay Foundation Trust (registered under section 12A and 80 G of the Income Tax Act, 1961) and any other Non-Government Organization (NGOs)/Trusts towards its corpus for projects approved by the Board.

- **Amount related to an ongoing project:**

Any unspent amount relating to an ongoing project will be dealt with a manner specified below:
1. Such unspent amount will be transferred to a special account called as the **"Unspent Corporate Social Responsibility Account"** : **within 30 days** from the end of the Financial year;
2. Company will spend such transferred amount in pursuance of its obligation towards the Corporate Social Responsibility Policy: **within a period of 3 financial years** from the date of such transfer;
3. If still unspent, the same will be transferred to a Fund specified in **Schedule VII, within a period of 30 days** from the date of completion of the third financial year.

- Any surplus arising out of the CSR Projects or Programs or activities shall not form part of the business profit of the Company and will be ploughed back into the project in the current Financial Year or be allocated for an ongoing project to be spent in any of the three succeeding financial years or will be transferred to a fund specified in Schedule VII of the Companies Act, 2013, within a period of six months of the expiry of the financial year.

- Where a company spends an amount in excess of2% of the average net profits made by the Company during the preceding 3 financial years, such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions prescribed under Rule 7 (3) of the CSR Rules.

- The Board of Directors will satisfy itself that the funds so disbursed have been utilized for the purposes and in the manner as approved by it and the Chief Financial Officer will certify the same to that effect.

MONITORING AND REPORTING

- To ensure effective implementation of the CSR Programmes undertaken at each work center, a monitoring mechanism has been established by the CSR Committee to maintain a regular connect with the implementing partner and take corrective actions at the right time.

- The implementing partners will report on a periodic basis to the chairman of CSR Committee, the progress of the project activities, the utilization of funds disbursed and plans for sustainability of the project.

- The CSR Committee will monitor and review on a regular basis or as and when required, the progress of CSR initiatives undertaken.

CSR Committee can conduct impact studies on a periodic basis, by its own or through independent professionals, third parties/ professional institutions, especially on the strategic and high value Programmes.

- The CSR Committee will be responsible to report to the Board on the status of achievement of the CSR initiatives and its activities on annual basis.

- The fund utilization made in projects as approved by the Board, will be certified by the Chief Financial Officer of the Company.

- Applicable projects, as required by the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall be subjected to an in depth impact study to assess the impact created through the project.

- In case of deviation in implementation as defined in the annual action plan, such changes will be approved by the CSR Committee and the Board of Directors of the Company.

- In order to ensure transparency and communication with all stakeholders, the CSR Policy and the list of approved projects will be uploaded on the Company's website.

- The Board's report of the Company shall include composition of the CSR Committee, an annual report on the CSR and CSR initiatives taken during the financial year. In case entire budget is not spent in a financial year, reasons for the same shall be specified in the CSR report.

CRITERIA FOR IDENTIFYING CSR PROJECTS INTERVENTIONS

While identifying the CSR projects, all efforts would be made to the extent possible to define the following:

i. Project objectives.
ii. Base line Survey/Need Assessment
iii. Implementation schedules.
iv. Defined fund disbursement schedules.
v. Responsibilities and authorities.
vi. Major results expected and measurable outcome.

POLICY SEVERABLE

This policy read with Companies Act, 2013 constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this policy and shall be of no force and effect, and this policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

AMENDMENT

Any change in the policy shall be approved by the Board of Directors of the Company. Any amendment in the regulatory guidelines shall prevail and necessary amendment shall be carried out at a subsequent date in the policy. The Board of Directors of the Company shall have the right to withdraw and / or amend any part of this policy or the entire policy, at any time, as it deems fit, or from time to time, subject to applicable law in force.