

IFCI LIMITED

Corporate Social Responsibility Policy

2015-16

Contents

| | |
|--|----|
| 1. Introduction | 2 |
| 2. CSR Vision Statement and Objective | 2 |
| 2.1. Vision Statement | 2 |
| 2.2. Objectives..... | 3 |
| 3. Financial Resources | 3 |
| 4. Governance Structure | 4 |
| 4.1. Role of the Board | 5 |
| 4.2. Role of the CSR Committee | 5 |
| 4.3. Role of the Screening Committee | 6 |
| 4.4. Role of the CSR Department..... | 6 |
| 5. Planning and Strategy | 6 |
| 5.1. CSR activity areas | 7 |
| 5.2. Priority Programs, Geographic Areas and Implementation Schedule | 9 |
| 5.2.1. Priority Programs | 9 |
| 5.2.2. Geographic Areas..... | 10 |
| 5.2.3. Implementation Schedule..... | 10 |
| 5.3. Modalities of Execution..... | 10 |
| 5.3.1. Initial assessment..... | 10 |
| 5.3.2. Due diligence of implementation agencies | 11 |
| 6. Implementation and Monitoring..... | 11 |
| 6.1. Evaluation and Impact Assessment | 11 |
| 7. Reporting and Disclosure..... | 12 |
| 7.1. Annual Reporting | 12 |
| 7.2. Company Website | 12 |
| 8. Annexures..... | 13 |

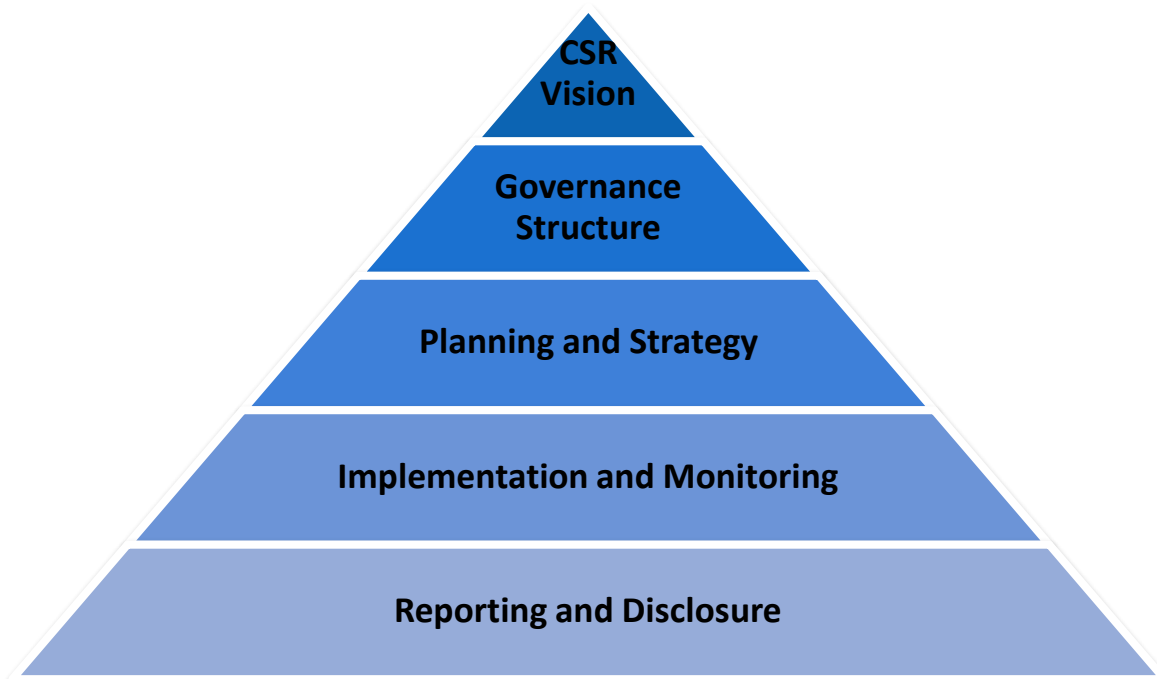
1. Introduction

Corporate Social Responsibility (CSR) may be understood to be a process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrate its commitment in this regard by suitable and strategically targeted activities. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

Ministry of Corporate Affairs has notified section 135 and schedule VII of the Companies Act 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 with effect from April 01, 2014.

This CSR Policy of IFCI has been prepared pursuant to the section 135 of the Companies Act, 2013 and the notified CSR Rules, 2014. This CSR policy would serve as the referral document for all CSR related activities of IFCI Limited.

A diagrammatic structure of the key CSR policy elements is depicted below:



2. CSR Vision Statement and Objective

2.1. Vision Statement

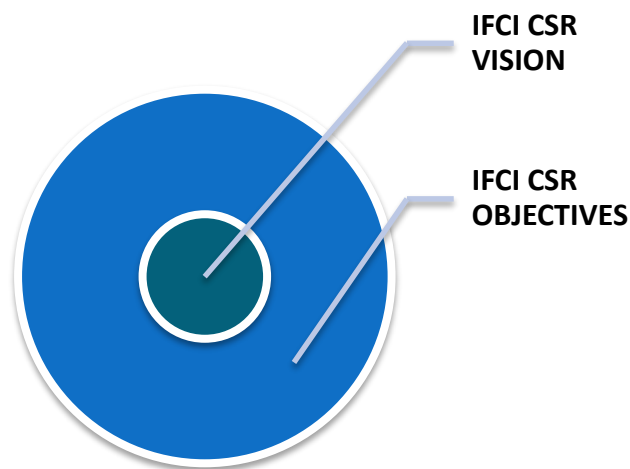
To promote development of human capital and rural areas as a key contributor to the growth of India and to support sustainable developmental activities aimed at creating a cleaner, greener and healthier environment.

2.2.Objectives

The objectives of IFCI CSR Policy would be to:

1. Support activities aimed at development of human capital and rural areas thereby also enhancing the quality of life and well-being of the people.
2. Support activities which help create a cleaner, greener and healthier environment and thereby also enhance IFCI's perception as a socially responsible entity.

To pursue the above objectives, IFCI's funded institutions, eligible to carry out the CSR activities/programs, should be given priority for implementation of IFCI's CSR mandate.



3. Financial Resources

Every year, IFCI shall, with the approval of its Board of Directors, make a budgetary allocation for CSR and Sustainability activities / projects for the year. The budgetary allocation will be at least two percent of the average net profits of the company made during the three immediately preceding financial years. For the purposes of this section "average net profit" shall be calculated in accordance with the provisions of section 198 of Companies Act, 2013.

Net Profit shall not include the following:

- a) any profit arising from any overseas branch or branches of the company whether operated as a separate company or otherwise;
- b) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Companies Act, 2013;

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956, shall not be required to be re-calculated in accordance with the provisions of the Act.

For the financial year 2015-16, provisional 2% Net Profit calculations, in accordance with Section 135 of the Companies Act and the notified CSR Rules, 2014, are provided below:

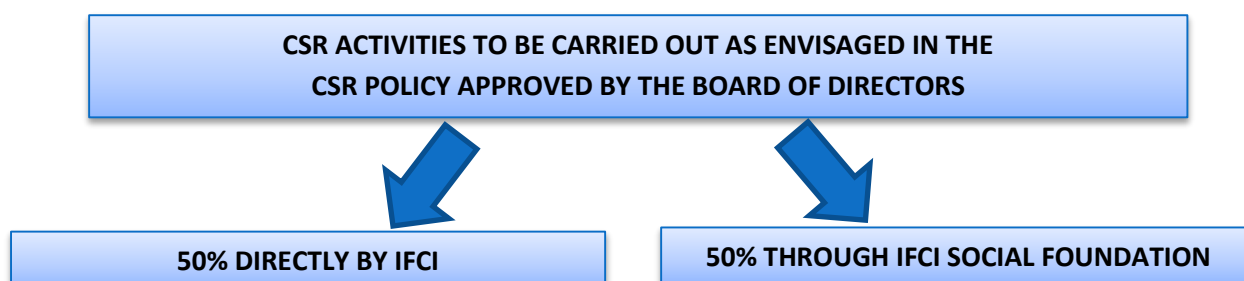
| Year | Net Profit (Rs. crore) * | Average of the three years (Rs. Crore) * | 2% of Net Profit average (Rs. crore) * |
|---------|--------------------------|--|--|
| 2012-13 | 329.70 | 379.12 | 7.58 |
| 2013-14 | 469.99 | | |
| 2014-15 | 337.68 | | |

* The figures provided above may change, subject to certification by the Statutory Auditors

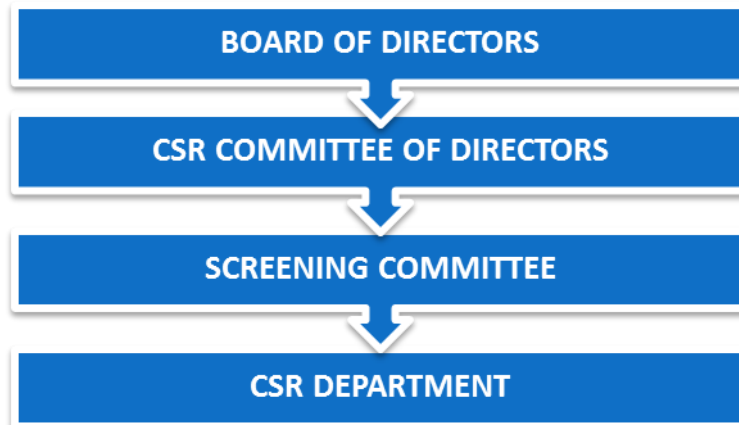
The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of IFCI Limited. CSR expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities approved by the Board of Directors on the recommendation of its CSR Committee or carried out by the IFCI Social Foundation, but does 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 Companies Act, 2013.

4. Governance Structure

The Board of Directors, in Financial Year 2014-15, had approved the formation of a Trust in the name of IFCI Social Foundation, to contribute funds for undertaking sustainable projects under the purview of the approved CSR Policy of IFCI. At the time of formation, it was envisaged that 85% of the budgeted allocation was to be entrusted to the Trust and 15% was to be spent on eligible projects approved by the Board of Directors upon recommendation of the CSR Committee. However, on account of projects sanctioned in FY 2014-15, which entail commitments out of the budgetary allocation of the current financial year (FY2015-16), it is proposed that 50% of the budgeted allocation for FY 2015-16 be entrusted to the Trust and balance 50% be spent on eligible projects approved by the Board of Directors, upon recommendation of the CSR Committee.



The Governance Structure for undertaking IFCI's CSR activities is as depicted and explained below:



4.1. Role of the Board

In pursuance of the section 135 of the Companies Act, 2013, the Board of IFCI shall:

- a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for IFCI and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed;
- b) ensure that the activities as are included in Corporate Social Responsibility Policy of the IFCI are undertaken by the company
- c) The Board of IFCI shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy, provided 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 activities.
- d) If the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134 of Companies Act 2013, specify the reasons for not spending the amount.

4.2. Role of the CSR Committee

In pursuance to Section 135 of the Companies Act 2013, IFCI has constituted a Corporate Social Responsibility Committee of the Board consisting of the following directors:

- i) Smt. Savita Mahajan, Chairperson of the Committee (Independent Director)
- ii) Shri Malay Mukherjee – CEO & MD
- iii) Prof. N Balakrishnan, Director
- iv) Shri K. Sreenivasan (Independent Director)
- v) Shri Achal Kumar Gupta – DMD
- vi) Shri Rajesh Aggarwal, Director

The Corporate Social Responsibility Committee shall:

- 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 of Companies Act, 2013;
- b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a) above; and
- c) monitor the Corporate Social Responsibility Policy of the company from time to time.

4.3. Role of the Screening Committee

A Screening Committee has been constituted comprising one Executive Director, two Chief General Managers and one General Manager to in-principle evaluate and recommend to the CSR Committee, support-worthy projects falling under the ambit of IFCI's CSR's Policy.

4.4 Role of the CSR Department

CSR Department will assist and support the CSR Committee and Screening Committee. CSR Department shall be headed by an Executive Director (ED). The ED will have a team of officials to assist him / her in co-ordination work, which will in no way detract from the importance of CSR and Sustainability work in which all the supervisory staff in all departments may be continuously engaged in. The team shall help in creating institutional mechanisms to align the accounting, finance, administration, HR and IT systems with CSR activities. A team consisting of a Chief General Manager, General Manager and preferably 2 Officers on a full time basis to assist him/her in the execution of his/her responsibilities will assist the ED.

The CSR Department will submit quarterly reports regarding the progress in the implementation of CSR and Sustainability activities of IFCI and those undertaken by the Trust to the CSR Committee. The Committee will in turn, submit the reports to the Board of Directors for their information, consideration and necessary directions, on a half-yearly basis. For effective compliance, execution, supervision and reporting, the CSR Department shall wherever necessary, will conduct its operations in consultation with the Accounts, Legal, Subsidiaries and Associates and Company Secretary Departments in IFCI.

The CSR Committee and CSR Department together will constitute the two-tier organisational structure to steer the CSR & Sustainability agenda of IFCI.

5. Planning and Strategy

The Company shall endeavor to integrate its CSR and Sustainability plans with the business plans and strategies. For easy implementation, any long-term CSR and Sustainability plans may be broken down into medium-term and short-term plans. Each plan must specify the CSR and Sustainability activities planned to be undertaken for each year, define the responsibilities of the designated authorities to be engaged in this task, and also may

Corporate Social Responsibility Policy 2015-16

prescribe the measurable and the expected outcome and social / environmental impact of such activities.

The planning and execution of the IFCI CSR policy may be broken down into the following key activities as depicted in the diagram below:



5.1. CSR activity areas

The CSR activities shall be undertaken by IFCI, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding the activities undertaken in pursuance of its normal course of business.

CSR activities can be undertaken by IFCI either through its eligible subsidiaries or by associating with external entities. The Board of Directors of IFCI may decide to undertake its CSR activities, approved by the CSR committee, through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise. Provided that-

- a) if such trust, society or company is not established by the company or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar programs or projects;
- b) the company has specified the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.

IFCI may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programs in accordance with the notified CSR Rules 2014.

CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure. The CSR projects or programs or activities that benefit only the employees of

Corporate Social Responsibility Policy 2015-16

the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.

IFCI may build CSR capacities of their own personnel as well as those of their 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.

Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.

As per the Schedule VII under section 135 of the Companies Act, 2013, the following activities would be allowed as a part of CSR activities by IFCI Limited:

- i. eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to 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 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, paralympic 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.

5.2. Priority Programs, Geographic Areas and Implementation Schedule

5.2.1. Priority Programs

Efforts shall be made to take up long gestation, high impact projects from the budget allocated for CSR and Sustainability activities. The period of implementation of these long term projects may extend over several years depending upon the expected outcomes and impact thereof. While planning for any long term projects the estimated total cost of each project may be assessed and funds committed till the completion of the project in a phase wise manner as per milestones achieved. The performance of the CSR activities would be adjudged on the basis of their achievement of annual targets and the utilization of their annual budgets for the activities planned and the targets set for each year.

In the selection or choice of CSR and Sustainability projects, IFCI shall avoid taking up ad hoc, one time, philanthropic activities. However, 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 would be considered a valid CSR activity.

IFCI may refrain from taking up activities which are clearly mandated to be performed by the Government and / or for which Central / State Government's schemes have been sanctioned, as it could result in unnecessary duplication. However, the IFCI may supplement the efforts of the Government in deficit funding for achieving the targets / goals. In case, the earmarked funds for CSR are not utilised as per the envisaged plans for a particular financial year, CSR Committee, with the approval of the Board of Directors, can contribute the unutilized funds to the Prime Minister's National Relief Fund.

The priority areas for the year 2015-16 may be considered as provided in the table below:

| IFCI Vision Element | Priority program/projects for 2015-16 | % Funds committed | Schedule VII area |
|--|---|-------------------|-------------------|
| Promote development of Human Capital | Promoting education among children, Employment enhancing vocational skills and livelihood enhancement projects | Upto 60% | (ii) |
| | Contributions or funds to technology incubators located in academic institutions which are approved by the Central Government | | (ix) |
| Promote development of rural areas & sustainable developmental activities | Rural development projects, | Upto 20% | (x) |
| | 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 | | (iv) |
| Other welfare elements | Any other areas under Schedule VII of Section 135 of Companies Act, 2013 | Upto 15% | |

Corporate Social Responsibility Policy 2015-16

In addition to the priority programs/projects identified above, 5% of the funds committed during the year 2015-16 may be used for building CSR capacities of IFCI personnel as well as those of implementing agencies through institutions with established track record of at least three financial years.

The priority programs/projects (including assigned budgets) may be changed during the financial year, subject to compliance requirements, by the CSR Committee, to be approved by the Board of Directors.

5.2.2. Geographic Areas

IFCI, primarily being in the BFSI space, has no defined geographic concentration areas, since entities assisted have operations widely distributed all over India. However, priority may be given to areas where IFCI has a presence by virtue of its offices.

5.2.3. Implementation Schedule

The implementation schedule for the identified programs during the year 2015-16 may be considered as below:

| S.No. | Implementation Phase | Time committed |
|-------|---|---|
| 1 | Phase I: Putting institutional implementation and monitoring mechanisms in place | <2 months |
| 2 | Phase II: Identifying project/program implementation partners, soliciting and evaluating proposals, finalising budget and requisite internal approvals | <4 months |
| 3 | Phase III: Execution of all requisite implementation and monitoring agreements with implementation partners, if any and disbursement of funds | <1 month |
| 4 | Phase IV: Commencement of project/program execution as proposed | Depending upon the gestation of respective projects |

5.3. Modalities of Execution

5.3.1. Initial assessment

Before taking any final decision on the selection of any CSR and Sustainability project, a study may be done to assess the needs of the intended beneficiaries for a realistic assessment of the resource inputs required for the expected level of social/economic/ environmental impact. The data and information collected through this study before the commencement of the project may be used in impact assessment after the completion of the project.

Such a study can include a baseline survey, though not mandatory. A need assessment study may either be conducted through in-house expertise or can be conducted through an independent agency.

An illustrative list of details to be contained in evaluated projects is as under:

- a project context including the roles of other development actors
- key needs of the target beneficiaries
- project goals
- Key Performance Indicators (KPI's)
- project milestones for progress
- monitoring purposes
- activities and timelines to achieve the stated project goals
- budgets along with the basis for estimation
- progress reporting: content, frequency

All projects/proposals to be sanctioned shall have to be approved by the CSR Committee or the Board of Trustees of the IFCI Social Foundation, as the case may be.

5.3.2. Due diligence of implementation agencies

While engaging or partnering with external agencies, care should be exercised in selecting only those specialized agencies which have the necessary capabilities and expertise to implement the CSR projects. The credentials of reliability, integrity and professional competence of such agencies should also be verified. Funding to agencies with tax exemption may be preferred. An evaluation matrix may be devised to assess the suitability of implementation partners.

Implementation agencies, if any, would be approved by the CSR Committee/Board of Trustees of the IFCI Social Foundation, before disbursement of funds. Any implementation partners being owned (partially or completely), managed by any IFCI employee or their immediate family members or any of the Directors, shall not be eligible for any funds.

6. Implementation and Monitoring

Activities which are selected under CSR and Sustainability agenda, as far as possible, shall be implemented in a project mode, which entails charting the stages of execution in advance through planned processes, with mobilisation of pre-estimated quantum of resources, and within the allocated budgets and prescribed timelines. It shall also assign clear responsibility and accountability of the designated officials / agencies who are entrusted with the task of implementation. Monitoring shall be done periodically with the help of identified key performance indicators; the periodicity being determined largely by the nature of performance indicators. Monitoring mechanisms should have periodic feedbacks with recourse to mid-course correction in implementation, whenever required.

Actual disbursements shall be linked to the progress on the ground.

6.1. Evaluation and Impact Assessment

Evaluation may be assigned to an independent external agency or may be undertaken by IFCI/IFCI Social Foundation. The ultimate test of the success of any CSR and Sustainability

Corporate Social Responsibility Policy 2015-16

activity / project is the social, economic or environmental impact thereof. Every CSR activity is planned and implemented with some anticipated impact on society or environment. It is against such perception and expectation of impact that the completed activity / project should be measured to ascertain the degree of its success, or failure. In fact, it is at the time of impact assessment that a well-documented and detailed baseline survey or need assessment study done at the commencement of the activity, comes in handy for comparison of data.

Impact assessment can be understood to be associated with accomplishment of set targets and goals at various stages of progress in implementation. While achievement of targets and expected outcomes can be a source of satisfaction, IFCI may try to get an assessment done of the social/economic/environmental impact of their CSR and Sustainability activities after the same are completed.

A sample evaluation matrix is provided below:

| IFCI Vision Element | Priority program/projects undertaken | Target KPI's | Achieved KPI's |
|---|--|--------------|----------------|
| Promote development of Human Capital | Promoting education among children, Employment enhancing vocational skills and livelihood enhancement projects | | |
| | Contributions or funds to technology incubators located in academic institutions which are approved by the Central Government | | |
| Promote development of rural areas | Rural development projects | | |
| Promote sustainable developmental activities | 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; | | |
| Other welfare elements | Any other areas under Schedule VII of Section 135 of Companies Act, 2013 | | |

7. Reporting and Disclosure

7.1. Annual Reporting

The Board's Report of IFCI Limited for the financial year commencing from 1st day of April, 2015 shall include an annual report on CSR activities containing particulars as specified in the Annexure.

7.2. Company Website

The Board of Directors of the IFCI shall, after taking into account the recommendations of the CSR Committee, approve the CSR Policy for the company and disclose contents of such policy

in its report and the same shall be displayed on the company's website, if any, as per the particulars specified in the Annexure.

8. Annexures

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN 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) |
|------|-------------------------------------|---|--|---|--|--|---|
| S.No | CSR project or activity identified. | Sector in which the Project is covered. | Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken. | Amount outlay (budget) project or programs wise | Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs. (2) Overheads: | Cumulative expenditure upto to the reporting period. | Amount spent: Direct or through implementing agency |
| 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.

| | | |
|--|----------------------------------|---|
| Sd/- (Chief Executive Officer or Managing Director or Director) | Sd/- (Chairman CSR Committee) | Sd/- [Person specified under clause (d) of sub-section (1) of section 380 of the Act] (wherever applicable) |
|--|----------------------------------|---|