

CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY POLICY OF THE NATIONAL SMALL INDUSTRIES CORPORATION LIMITED

1. INTRODUCTION

The Corporate Social Responsibility Policy of the National Small Industries Corporation Limited (NSIC) is aligned with its overall commitment to maintaining the highest standards of business performance.

The CSR commitment of NSIC positions its social and environmental consciousness as an integral part of its business plan and its commitment to all its stakeholders including the society at large.

2. CSR –VISION AND OBJECTIVES

Vision:

NSIC through its CSR initiatives be always strive to demonstrate its commitment to sustainable development of the various constituents of the society at large.

Objectives:

The broad objectives of NSIC-Corporate Social Responsibility & Sustainable Policy would be as follows:

- Corporate Social Responsibility is a company's commitment to its stakeholders to conduct business in an economically, socially, and environmentally sustainable manner that is transparent and ethical;
- Social Responsibility initiatives would be used for social value creation and adoption of "Shared Value Approach";
- The emphasis would be placed on the scalability of the projects in terms of their size and impact, rather than on their numbers.
- Activities which are selected under CSR as far as possible, will be implemented in a project mode;
- The emphasis would be on capacity building, empowerment of communities, inclusive socio-economic growth, environment protection, promotion of green and energy efficient technologies, development of backward regions, and upliftment of the marginalized and under-privileged sections of the society;
- Provide training - vocational education and skill development training with a focus on the under privileged and physically challenged persons ;
- Comprehensive and integrated community development;
- Medical facilities to the underprivileged / poor families.

3. CSR ACTIVITIES

- 3.1 The activities that will be undertaken will primarily focus on achievement of objectives as outlined above. NSIC shall ensure carrying out CSR projects / programs in line with activities prescribed under Schedule VII of the Companies Act 2013. While activities undertaken must be relatable to Schedule VII of the Companies Act 2013. Activities prescribed under Schedule VII of the Companies Act 2013 are as under:

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- (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swacch 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 recognized 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;
- (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

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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.

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.

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

Note: If necessity is felt of taking up new CSR activities / projects (if covered in line with Schedule VII of the Companies Act, 2013 and DPE guidelines, as amended/issued from time to time) during the course a year, which are in addition to the aforesaid CSR activities, the same may be also be covered.

3.2 Excluded Activities:

The following activities shall not be included in CSR activities of the Company:

(i) Activities undertaken in pursuance of normal course of business of the company;

(ii) Activities undertaken 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 Companies Act 2013.

(iv) Activities that benefit only the 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 the companies on sponsorship basis for deriving marketing benefits for its products or service.

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

3.3 Composition of CSR Committee of the Board

The composition of the Corporate Social Responsibility Committee of the Board shall be notified from time to time, in terms of the provisions of Sub – section (1) of Section 135 of the Companies Act, 2013.

The present composition of the CSR Committee is - CMD as Chairman of the Committee with Director (P&M), Director (Finance) and at least one independent director as a member.

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4. BUDGET ALLOCATION

4.1 As per the provisions of section 135(5), the Board of the company shall ensure that the company spends, in every financial year, at least two percent of the standalone average net profits of the company made during the three immediately preceding financial years, in pursuance of its Policy. NSIC shall ensure compliance with section 135 of the Companies Act 2013, Companies (Corporate Social Responsibility Policy) Rules 2014 and DPE guidelines.

4.2 Indicative Ratio of CSR spending between the local area and outside area

The company shall give preference to the local area and the areas around it where it operates, for spending the amount embarked for CSR activities. CSR activities may be taken up by the company within the country shall make conscious efforts to make equitable contribution to all geographical locations with emphasis on backward areas / Aspirational Districts, as notified by Niti Ayog to the extent possible.

The spirit of the CSR is to ensure that CSR initiatives are aligned with the national priorities and enhance engagement of the corporate sector towards achieving Sustainable Development Goals (SDGs). However preference to local area in the Act is only directory and not mandatory in nature and companies need to balance local area preference with national priorities.

4.3 The reasons for not spending the earmarked amount for CSR activities during a particular financial year will be specified in the Annual Report and fully committed unspent amount in case of on-going projects will be transferred to a special account to be opened by the company in that behalf for that financial year in any scheduled bank called 'unspent CSR account' within a period of 30 days from the end of financial year, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of 30 days from the date of completion of the third financial year.

4.4 In case there is no on-going project, such unspent amount will be transferred to any of the funds mentioned in Schedule VII to the Act, within 6 months of the expiry of the financial year.

4.5 "Ongoing Project" means a multi-year project undertaken by the 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.

4.6 Administrative overheads shall not exceed five percent of total CSR expenditure including Capacity Building for the financial year.

Administrative overheads means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the

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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.

Administrative overheads generally comprise of items such as employee costs, utilities, office supplies, legal expenses, etc. However, expenses which are attributed to the project implementation shall be included in project cost only.

5. CSR EXPENDITURE

5.1 Any surplus arising out of the CSR projects or programs or activities shall not form part of the Business profit of the 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.

5.2 If Company spends an amount in excess of requirement i.e. 2% of profits as stipulated in the Act and the CSR Rules, 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 that-

- (i) The excess amount available for set off shall not include the surplus arising out of the CSR activities, if any.
- (ii) The Board shall pass a resolution to that effect.

5.3 CSR funds may be spent by the 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; 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 the company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of 180 days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than 90 days with the approval of the Board based on reasonable justification.

6. ORGANISATIONAL / IMPLEMENTATION MECHANISM

6.1 The Board shall ensure that the CSR activities are undertaken by NSIC itself or through:

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(a) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or

(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; or

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

(d) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

Explanation.- For the purpose of clause (c), the term "entity" shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.'

6.2 Every entity mentioned as above in (6.1), who intends to undertake any CSR activity, must submit its CSR Registration Certificate containing unique CSR Registration number generated after submission of CSR 1. However for activities approved prior to the 1st day of April 2021, submission of CSR 1 form shall not be mandatory.

6.3 Generally, all activities under the Corporate Social Responsibility function shall be carried out by the Company with the support of implementing agencies, as specified in clause 6.1

Eligible agencies as specified in clause 6.1 desirous of seeking funding for CSR projects may submit their detailed proposal as per the Empanelment Form (provided by NSIC to the Implementing Agencies) along with all enclosures mentioned at point no. 19 of the same form to the nearest field office of NSIC addressed to Branch Head / NTSC Head, NSIC.

Once NSIC field office has verified all the documentation and other formalities of the submitted project, they will approve and forward the same project to the NSIC Head Office for the further process i.e. for the approval of CSR Committee. At Head Office, the project will be first approved by CSR Internal Committee i.e. CSR Below Board Level Committee and after getting approval the same would be put up to the CSR Board Sub-Committee for the final approval of the Board. After the approval of the project, an agreement will be signed between the Implementing agency and respective NSIC field office.

6.4 NSIC may also collaborate with other companies for undertaking CSR projects or programs in such a manner that the CSR Committee of respective companies are in a position to report separately on such projects or programs in accordance with CSR rules.

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- 6.5** Modalities of Execution and Implementation Schedules of CSR activities or programmes or projects vary from project to project and the same are incorporated in agreement of NSIC with implementing agencies as specified in clause 5.1. The Implementation Schedule is decided as per the requirement of the proposal and CSR Board's approval.
- 6.6** NSIC shall also engage in persistent social dialogue responding to the society's needs through inputs from field offices.
- 6.7** The maximum exposure to a single NGO / Implementing Agency should not be more than 10% of the total CSR budget for the year or Rs. 20 lakh whichever is lower.

7. MONITORING, EVALUATION & IMPACT ASSESSMENT

- 7.1** The impact of the Corporate Social Responsibility activities will be measured with the baseline survey done at the time of commencement of the activity.
- 7.2** The Corporate Social Responsibility activities undertaken by NSIC field offices will be monitored on regular basis in the prescribed format (Annexure- A) which will be submitted to the Board of Directors.

The implementing agencies and the supervising agencies contracted by the NSIC, if any for CSR activities will submit progress reports on regular basis to the Company. At the end of the contract period, each organization would be required to submit a full project completion report, statement of accounts and utilization certificate within three months from the date of completion of the project duly certified by the auditors of NGOs or any firm of Chartered Accountants.

- 7.3** The Board of company shall 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 or the person responsible for financial management shall certify to the effect.
- 7.4** In case of ongoing project, the Board of a 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.
- 7.5** The company having average CSR obligation of ten crore rupees or more in pursuance of subsection (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 the impact study.
- 7.6** The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- 7.7** Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed **two percent** of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher".

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8. REVIEW AND REPORTING

- 8.1** The Board's Report pertaining to a financial year commencing on or after the 1st day of April, 2020 shall include an annual report on CSR containing particulars specified in Annexure II of Companies (Corporate Social Responsibility Policy) Rules 2014 (as amended from time to time).

9. DISPLAY OF CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, CSR Policy and Projects approved by the Board on NSIC's website, if any, for public access.

10. VALIDITY

CSR policy of the company may be reviewed from time to time. Any changes or modifications in the policy shall be approved by the Board based on the recommendation of the CSR Committee of NSIC.

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Annexure- "A"

NSIC- CSR INITIATIVES

Project Progress Report for the month _____

Name of NSIC Field Office: -----

Name of Implementing Agency: -----

| <u>S. No</u> | <u>PARTICULARS</u> | |
|---------------------|---|--|
| 1 | Nature of CSR Project /Project Title | |
| 2 | NSIC Agreement Letter Ref No.& Date | |
| 3 | Total Amount Allocated (in Rs.) | |
| 4 | Commencement date of the project | |
| 5 | Completion date (Exact/Expected) of the project | |
| 6 | No. of Beneficiaries benefitted by the Project | |
| 7 | Project Area | |
| 8 | Project Target -Group | |

| Physical Progress of the project during the Month | Financial Progress / Expenditure Booked in the Books of A/cs. during the Month | Commutative Financially Progress during the Month | Percentage of Completion of Project by the month-end to Total Project Cost | Inspection / Visit during the month (if any) (Date of Inspection) | Remark (If any) |
|--|---|--|---|--|------------------------|
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| | | | | | |
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(CSR Executive Officer / Finance Head)

(Branch / NTSC Head)

Zonal Head of NSIC Branch office/ NSSHO /NTSCs