

Hero FinCorp Limited

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Corporate Social Responsibility Policy

1. Introduction

The Board of Directors (the “Board”) of Hero FinCorp Limited (the “Company”) has adopted the following policy and procedures with regard to Corporate Social Responsibility.

2. Policy Objective & Philosophy

It is pertinent that business enterprises are economic organs of society and draw on societal resources, we at the company believe that a company's performance must be measured by its Triple Bottom Line contribution to building economic, social and environmental capital towards enhancing societal sustainability. HFCL believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity. In line with this belief, the Company will continue crafting unique models to generate livelihoods and create a better society. Such Corporate Social Responsibility (“CSR”) projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and working for a cause of humanity, Unleash the power of entrepreneurial vitality, innovation and creativity, Strive to generate livelihoods and create a better society.

3. Definitions

“**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 of Director**” or “Board” means the Board of Directors of the Company, as constituted from time to time.

“**Company**” means a company incorporated under the Companies Act, 2013 or under any previous company law.

“**CSR Programmes**” means Programmes, projects and activities carried out in this regard are the subject matter of this Policy.

“**Corporate Social Responsibility Committee or Committee**” means CSR Committee constituted by the Board of Directors of the Company, from time to time.

“**Independent Director**” means a Director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013.

“**Policy**” means Corporate Social Responsibility Policy.

“**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.

“Rules” means The Companies (Corporate Social Responsibility Policy) Rules, 2014 (as amended from time to time)

“Unspent CSR Account” means a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable rules and regulations.

4.Guiding principles for selection of CSR projects/activities

A two-tier structure, comprising of the Board & CSR Committee (Board level committee) of 3 or more Directors including independent director shall oversee the CSR agenda of HFCL.

The CSR Committee shall recommend to the Board, the activities to be undertaken by the HFCL.

The power to approve CSR activities shall vest with the Board of Directors of the Company as per Companies Act 2013 & CSR Policy Rules 2014 as amended from time to time.

Any activity undertaken by the delegated Authority shall have to be ratified by the Board of Directors.

CSR activities, in general, will be guided by the following:

- a) Baseline Survey Report on the need assessment / Secondary Data.
- b) Assessment of Needs through Stake-holder Consultation
- c) Preference will be given to the local area and areas around its operations
- d) Priority shall be accorded to the stakeholders located in the periphery of the operations of the HFCL & directly impacted by it.
- e) CSR Projects or programs or activities undertaken in India only shall be accounted as CSR Expenditure.
- f) In the selection or choice of CSR projects, HFCL shall avoid taking up ad-hoc, philanthropic activity, which does not contribute in any way to social value creation, environment protection or sustainable development.
- g) Contribution of any amount, directly or indirectly, to any political party under section 182 of the Act shall not be covered under the CSR expenditure.
- h) Activities benefiting employees of the company as defined in section 2(k) of the Code on Wages, 2019 shall not be a part of CSR activities.
- i) Sponsorship activities for deriving marketing benefits for products/ services;
- j) Activities for statutory obligations under any law in force in India
- k) Activities as specified in Schedule VII (including amendment from time to time) of the Companies Act 2013 may be included in CSR activities.

List of CSR activities specified in Schedule VII of Companies Act 2013 and CSR projects is given as Annexures I.

5. Guiding Principles for formulation of CSR annual action plan (CAAP)

Annual Plan shall be recommended by the CSR Committee and approved by the Board. While formulating the Annual plan in pursuance of its CSR policy the following points shall be included namely :-

- (a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- (b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4;
- (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- (d) monitoring and reporting mechanism for the projects or programmes; and
- (e) details of need and impact assessment, if any, for the projects undertaken by the company:

The Board of Directors may approve the CAAP with such further conditions as it deems fit and further alter CAAP at any time during the financial year, as per the recommendation of the CSR Committee, based on the reasonable justification to that effect.

6. Implementation

CSR project will be implemented through Company personnel or through:

- (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, 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, 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 in accordance with their objects and administrative and accounting processes laid down in the respective Trust Deeds/Memorandum and Articles of Association.

ENGAGEMENT OF INTERNATIONAL ORGANISATIONS

The Company may engage international organisation(s) for designing, monitoring and evaluation of the CSR projects or programmes as well as for capacity building of its personnel for CSR.

7. Duties & Functions of CSR Committee

- Review past and current CSR activities of the Company, examine their alignment with schedule VII
- Researching on national and local development priorities and setting up relevant CSR activities of the Company.
- Formulate and recommend to the Board, a CSR Policy listing the activities to be undertaken by the Company and to lay down what those policies would imply in terms of the Company's vision mission and its core business area.
- Recommend the amount of expenditure to be incurred.
- Determine the mechanism for implementation.
- Monitor and supervise the implementation of CSR projects recommended.
- Monitor the CSR policy of the Company from time to time.
- Formulation of CSR annual action plan (which shall contain the points specified in point 5 above).

Any other responsibilities/functions as may be prescribed by the CSR Rules from time to time.

8. Board Approval

- Confirmation by the Board with respect to utilization of the CSR expenditure;
- Placing of certificate of CFO/ person responsible for financial management about utilisation of CSR fund.
- Impact assessment shall be placed the Board, if any.
- 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.
- Approval of CSR Policy or any modification thereof only after considering the recommendation of CSR Committee
- Ensure that the administrative overheads are not more than 5% of the total CSR Expenditure.
- Ensure that the funds so disbursed have been utilized for the purposes and in the manner as approved by Board / CSR Committee and the Chief Financial Officer shall certify to the effect.
- Approve transfer of unspent CSR Amount in accordance with the law. The Accounts and Finance Team of HFCL shall prepare the statement of spent and unspent CSR amounts and shall assist and facilitate for transfer of the same.

9. Major Ongoing CSR Programmes

Presently, HFCL is running various CSR programmes under different focus areas.

All the ongoing CSR programme shall be monitored/evaluated. Based on the evaluation, the CSR & Sustainability Committee shall recommend continuance or otherwise.

10. Focus Areas

- To direct Hero FinCorp Limited's (HFCL) CSR Programmes, inter alia, towards achieving one or more of the following - enhancing environmental and natural capital; supporting rural development; promoting education including skill development; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India and preserving and promoting sports.;
- To develop the required capability and self-reliance of beneficiaries at the grass roots, in the belief that these are prerequisites for social and economic development;
- To engage in affirmative action/interventions such as skill building and vocational training, to enhance employability and generate livelihoods for persons including from disadvantaged sections of society;
- To pursue CSR Programmes primarily in areas that fall within the economic vicinity of the Company's operations to enable close supervision and ensure maximum development impact;
- To carry out CSR Programmes in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies and to spend such monies through such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;
- To carry out activities at the time of natural calamity or engage in Disaster Management system;

- To promote sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII), PHD, FICCI, etc. in order to have a multiplier impact.
- To empower women and creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India
- 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.

11. Governance

Every year, the CSR Committee will review a CSR Plan delineating the CSR Programmes to be carried out during the financial year and the specified budgets thereof.

The CSR Committee will assign the task of implementation of the CSR Plan within specified budgets and timeframes to such persons or bodies as it may deem fit.

The persons/bodies to which the implementation is assigned will carry out such CSR Programmes as determined by the CSR Committee within the specified budgets and timeframes and report back to the CSR Committee on the progress thereon at such frequency as the CSR Committee may direct.

The CSR Committee shall review the implementation of the CSR Programmes periodically and issue necessary directions from time to time to ensure orderly and efficient execution of the CSR Programmes in accordance with this Policy.

Finally, at the end of every financial year, the CSR Committee will submit its report to the Board.

12. CSR Expenditure

- (1) The Budget provision towards CSR initiatives shall be at least 2% (two percent) of the average net profit of the Company (PBT) made during the immediately three preceding financial years calculated in terms of Section 198 of the Companies Act 2013. The CSR expenditure shall be recommended by the CSR Committee and subsequently to be approved by the Board of Directors.
- (2) The board shall ensure that the administrative overheads shall not exceed *five percent* of total CSR expenditure of the company for the financial year.
- (3) CSR expenditure will include all expenditure as may be permitted under the applicable laws, including contribution to corpus for CSR Programmes approved by CSR Committee, but does not include any expenditure on an item not in conformity or not inline with activities which fall within the purview of Schedule VII of the Act.
- (4) The surplus arising out of CSR shall not form part of business profit.
- (5) Any surplus arising out of the CSR activities shall not form 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.
- (6) Where a Company spends an amount in excess of requirement provided under Section 135(5) of the Companies Act, 2013, such excess amount may be set off against the requirement to

spend 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, in pursuance of Rule 7(2) of CSR Rules.

(ii) the Board of the company shall pass a resolution to that effect.

(7) 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; or

(b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or

(c) a public authority:

(8) Surplus of CSR Projects

The surplus, if any, arising out of the CSR projects or programmes or activities shall not form a part of the business profit of the Company and will be ploughed back into the CSR activities 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.

(9) Transfer of unspent CSR amount

If HFCL failed to spend the amount as decided, the Board shall, in its report specify 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. Any amount remaining unspent, pursuant to any ongoing project, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be:

- transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the **Unspent Corporate Social Responsibility Account**, 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 thirty days from the date of completion of the third financial year.

Until a fund is specified in Schedule VII for the purposes of section 135(5) & (6) of the Act, the unspent CSR amount, if any, shall be transferred by the company to any fund included in schedule VII of the Act (i.e. PM National Relief Fund, PM CARES Fund etc.)

13. Reporting

HFCL having average CSR obligation of Rs. 10 crore or more, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of Rs. one crore or more, and which have been completed not less than one year before undertaking the impact study.

The impact assessment reports shall be placed before the Board and shall be annexed to the Annual Report on CSR.

The Board's Report of the Company to include an annual report on CSR containing particulars specified in the annexures to the rule (as amended from time to time) pertaining to a financial year commencing from April 1, 2014 and place the details on the website.

14. Disclosures

The composition of CSR Policy, projects approved by the Board and the contents of the approved CSR Policy shall be displayed on the Company's website, if any.

The Company shall also disclose the CSR policy in the Board's Report.

15. Review

The Board may amend, abrogate, modify or revise any or all clauses of this Policy, on recommendation of the CSR Committee and in accordance with the guidelines issued by the Government from time to time in respect to the Act and the CSR Rules.

The Committee shall annually review its CSR policy from time to time and make suitable changes as may be required and submit the same for the approval of the Board.

During the currency of this policy, in case of any perceived conflict between the CSR Rules 2014 & the policy, due to any amendments to the CSR Rules, the former shall prevail in all circumstances.

Schedule – VII of Companies Act, 2013

- (i) 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;
- (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;
- (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.;

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.

