

**CORPORATE SOCIAL RESPONSIBILITY POLICY:
FY 2018-19**

IFCI LTD.

INDEX		
SL.NO.	CONTENTS	PAGE NO.
I.	Context	3
II.	CSR Vision Statement and Objectives	3
III.	Financial Resources	4
IV.	Governance Structure	5
V.	Planning and Strategy	8
VI.	Implementation and Monitoring	12
VII.	Reporting and Disclosure	13

I. CONTEXT

1.1 IFCI's vision is to be the leading development institution for industrial and infrastructure sectors across the spectrum and be an influential partner in country's economic growth and development. Guided by this, IFCI Ltd. (IFCI) has been instrumental in social and economic development of the country. Being a socially responsible company, IFCI has always strived to conduct its business holistically and responsibly. Moreover, IFCI has been an early adopter of Corporate Social Responsibility (CSR) initiatives. IFCI has been involved in socially relevant activities ever since its inception in 1948 and continues to work towards social and community development and areas needing focus and attention. At IFCI, along with economic performance, community and social stewardship have been key factors for its holistic business growth.

1.2 Broadly, 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 demonstrates its commitment in this regard by suitable and strategically targeted activities. We believe that socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits, instead, they use CSR to integrate economic, environmental and social objectives with the company's operations and growth. At IFCI, we endeavour to achieve a balance of economic, environmental and social imperatives, through CSR.

1.3 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. The companies on whom the provisions of CSR are applicable are contained in Sub Section 1 of Section 135 of the Companies Act 2013. This CSR Policy of IFCI has been prepared pursuant to Section 135 of the Companies Act, 2013 and the notified CSR Rules, 2014 as amended from time to time. This CSR policy would serve as the referral document for all CSR activities of IFCI. Further, IFCI has established a trust named "IFCI Social Foundation" (ISF) which has been duly registered with effect from 26th September, 2014. ISF is responsible for implementing the CSR agenda of the IFCI Group.

II. CSR VISION AND OBJECTIVES

2.1. Vision Statement

To ensure equality and sustainability through inclusiveness.

2.2. Objectives

The CSR Policy of IFCI is mainly governed with a focus to support programs which aim at creating physical infrastructure/assets (comprising at least upto 70% of its total funds entrusted to ISF), so as to ensure better monitoring and sustainability.

The objective of IFCI’s CSR Policy is to drive measurable change in the communities we work with and strive to create a positive impact through our initiatives on hunger & malnutrition, poverty, health & sanitation, education & skill development, employment & technology incubation, rural development, women empowerment and elderly care.

To pursue the above objectives and to carry out the CSR activities/programs, IFCI will entrust its 100% CSR funds (as stated in para III below), to IFCI Social Foundation.

III. FINANCIAL RESOURCES

3.1 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.

3.2 For the financial year 2018-19, 2% Net Profit calculations, in accordance with Section 135 of the Companies Act and the notified CSR Rules 2014, are provided below:

(In Rs. crore)

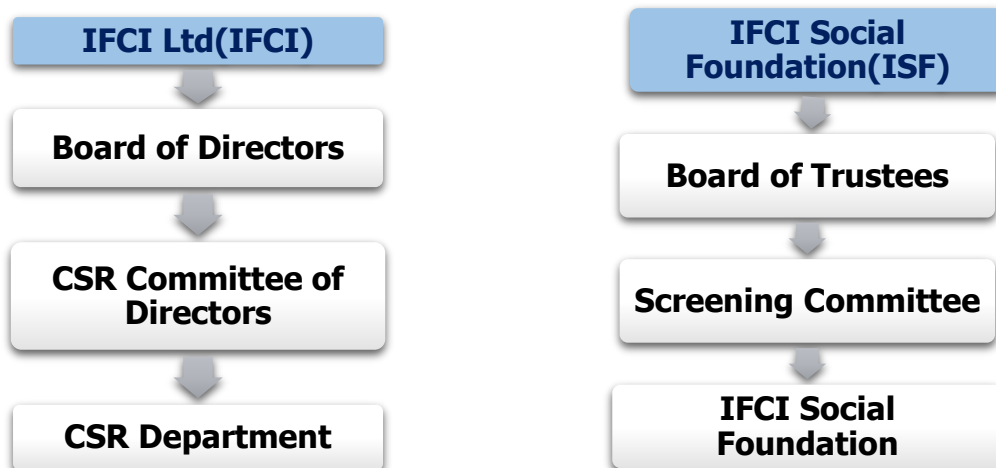
Year	Net Profit	Average of the three years profit	2 % of Net Profit Average
2015-16	633.66	155.99	3.12
2016-17	(95.88)		
2017-18	(69.82)		

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 carried out by 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.

IV. GOVERNANCE STRUCTURE

4.1 The Board of Directors, in FY 2014-15, had approved the formation of a Trust in the name of IFCI Social Foundation (ISF), to contribute funds for undertaking sustainable projects under the purview of the approved CSR Policy of IFCI. Accordingly, funds have been entrusted, in part or in entirety, to ISF over the preceding 4 years to implement the CSR mandate of IFCI. In line with the previous FY 2017-18, in FY 2018-19, the entire budgetary allocation for CSR activities will be entrusted to IFCI Social Foundation to spend on CSR Projects, after thorough evaluation and due diligence of eligible projects and in accordance with the objectives laid down in this policy. The amount of required spending by IFCI may be released to ISF in four equal quarterly tranches, at the beginning of each quarter.

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



Now, with the entire CSR funds being entrusted to ISF, the Screening Committee, which existed in the Governance Structure of IFCI Ltd until last year, is proposed to be dissolved.

4.2 Role of the Board of Directors

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

- 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 a manner as may be prescribed.
- Ensure that the activities as are included in Corporate Social Responsibility Policy of the IFCI are undertaken by the Company.
- 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.

4.3 Role of the CSR Committee of Directors

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) Dr. Emandi Sankara Rao, MD & CEO – Chairman of the Committee
- ii) Shri Anshuman Sharma, Government Director
- iii) Smt Kiran Sahdev
- iv) Prof N Balakrishnan

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.
- d) Review the status of the CSR projects/programmes supported by IFCI through ISF with half-yearly report to the Board of Directors of IFCI.

4.4 Role of the Board of Trustees of ISF

As per provisions of the Trust Deed, the affairs of ISF will be managed by Board of Trustees consisting of the following Trustees:

- i) Dr Emandi Sankara Rao, Chairman, ISF and MD & CEO, IFCI
- ii) Shri B.N Nayak, Vice Chairman, ISF and ED, IFCI (superannuating on June 30, 2018)
- iii) Smt Kiran Sahadev
- iv) Dr Bhaskar Chatterjee
- v) Smt Savita Mahajan
- vi) Smt Pooja S Mahajan, Chief Executive Officer, ISF and GM, IFCI

The Board of Trustees of ISF shall:

- a) Raise funds for the Trust by way of gift, donation or otherwise apart from undertaking all tasks as laid down in the Trust Deed
- b) Sanction/approve eligible CSR projects/programmes supported/executed by ISF (on recommendations of the Screening Committee) with quarterly report to the CSR Committee of Directors and half-yearly reporting to the Board of Directors of IFCI.

c) Manage conducting all other activities as mentioned in the Trust Deed of ISF as amended from time to time.

4.5 Role of the Screening Committee

A Screening Committee has been constituted to in-principle evaluate and recommend to the Board of Trustees of ISF, support-worthy projects falling under the ambit of IFCI's CSR's Policy as under :

- a) Executive Director (HR, Legal), Chairman
- b) Executive Director (CSR), Member
- c) Managing Director, IVCF, Member
- d) Managing Director, IIDL, Member
- e) Secretary, ISF, Member Secretary

4.6 Role of the CSR Department /ISF

a) Role of the CSR Department

No new funding is proposed to be done by CSR department of IFCI from FY 2017-18. However, the CSR department will continue to monitor the existing funded cases and its operations will reduce over time and the Department will be wound up in due course.

The CSR Department will submit quarterly reports regarding the progress in the implementation of CSR and sustainability activities as undertaken by ISF to the CSR Committee of Directors. 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, conduct its operations in consultation with Accounts, Legal, Subsidiaries and Associates and Company Secretary and other Departments in IFCI.

b) Role of ISF

The role of ISF will be governed by its Trust Deed, as amended from time to time. ISF officers will assist and support the ISF Board of Trustees and Screening Committee. As approved by the Board of Trustees, ISF is now headed by a CEO, a GM on deputation from IFCI. The CEO has a team of officials to assist in co-ordination work, which will in no way detract from the importance of CSR and Sustainability work. The team shall help in creating institutional mechanisms to align the accounting, finance, administration, HR, Legal and IT systems with CSR activities.

ISF will submit quarterly reports regarding the progress in the implementation of CSR and sustainability activities to the CSR Committee of Directors. 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, ISF may wherever necessary, take assistance of Accounts, Legal, Subsidiaries and Associates and Company Secretary/other Departments and Offices of IFCI.

The Board of Trustees of ISF and ISF/CSR Dept. officials will constitute the two-tier organisational structure to steer the CSR and sustainability agenda of IFCI. It is proposed that ISF would gradually be strengthened in terms of appropriate professional staff and

widening of Board of Trustees by inducting experienced/qualified professionals for efficient and effective working with better governance of ISF.

Further, a Sub Committee has been constituted with the approval of the Board of Trustees of ISF to look into the any changes in projects terms and conditions, location and other miscellaneous issues which come across after the sanction of projects by Board of Trustees. The Competent Authority to approve said changes is the Vice Chairman of ISF on recommendations of Sub Committee.

V. PLANNING AND STRATEGY

IFCI shall endeavour to integrate its CSR and sustainability plans with the business plans and strategies. The CSR plan specifies below the CSR and sustainability activities planned to be undertaken in FY 2018-19. The planning and execution of the IFCI's CSR policy may be broken down into the following key activities:

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 entirely through the IFCI Social Foundation, which in turn may partner with other community development organisations, NGOs etc. to implement the CSR mandate of IFCI.

IFCI, through ISF, 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 and as amended from time to time.

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

IFCI may also 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(5%) 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 are 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 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 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. IFCI's Focus Areas & Priority Programs, Geographic Areas and Implementation Schedule

a). Focus Areas & Priority Programs

Efforts shall be made to take up high impact projects from the budget allocated for CSR and sustainability activities by creating physical infrastructure/asset for the benefit of society at large, However, while planning for any long term projects the estimated total cost of each project may be assessed and funds will be 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, Swachhta Kosh 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.

The proposal should normally be verified / guided by some Government Organisation / Department / Agency or given only to very reputed NGO's having good standing.

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, 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 2018-19 may be considered as provided in the table below:

IFCI Vision Element	Priority program/projects for 2018-19	% Funds committed	Schedule VII area
FOCUS AREAS		Upto 80%	
Promote development of Human Capital	Promoting education among children, employment enhancing vocational skills, skill development and livelihood enhancement projects etc.		(ii)
	Contributions or funds to technology incubators located in academic institutions which are approved by the Central Government.		(ix)
Hunger, Malnutrition, Health and Sanitation	Promoting midday meal programs in schools, may set-up kitchens, meal vending vehicles etc. Support and work on medical, health-related and sanitation projects etc		(i)
Water Conservation	Projects of rain water harvesting, protecting groundwater resources, sustainable methods of using groundwater resources, education outreach for same, waterless urinals etc		(i), (iv)
Old age	Setting up of old age homes, health care centres etc and related activities		(iii)
Girl Child	Setting up of adoption centres, homes for girl child, health care centres for girl child, vocational/higher education for girl child etc and related activities		(iii)
OTHER THEME AREAS		Upto 15% of the total fund	
Promote development of rural areas & sustainable development activities	Rural development projects with focus on renewable energy projects and rural digital services etc		(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)
Promotion of Sports	Training to promote rural sports, nationally recognised sports, paralympic sports & Olympic sports		(vii)
Other welfare elements	Any other areas under Schedule VII of Section 135 of Companies Act, 2013		
Capacity Building	As per Companies (CSR Policy) Rules 2014	Upto 5% of total fund	

The priority programs/projects (including assigned budgets) may be changed during the financial year, subject to compliance requirements, by the Board of Trustees of ISF, by way of inclusion in the quarterly report to the CSR Committee of Directors/Board of Directors.

b) Geographic Areas

Companies Act specifies that company should give preference to the local area in selection of CSR activities. However, DPE Guidelines, inter alia state "CPSE which by the very nature of their business have no specific geographical area of commercial operations, may take up CSR activities/projects at any location of their choice in the country. IFCI has no defined geographic concentration areas, since entities assisted have operations widely distributed all over India. Hence, IFCI may take up CSR activities/Projects anywhere in India at its own choice. However, priority may be given to areas where IFCI has a presence by virtue of its offices for better monitoring and implementation purpose, but not necessarily.

c) Implementation Schedule

The implementation schedule for the identified programs during the FY 2018-19 may be considered as below:

Sl. 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	<6 months
3	Phase III: Execution of all requisite implementation and monitoring agreements with implementation partners, if any and disbursement of funds	<1 months
4	Phase IV: Commencement of project/program execution as proposed	Depending upon the gestation of respective projects

5.3 Modalities of Execution

a) 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 factors

- 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 supported / executed under CSR shall be approved by the Board of Trustees of the IFCI Social Foundation.

b) Due diligence of implementation agencies

While engaging or partnering with external agencies, care will 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 will be verified. Funding to agencies with tax exemption may be preferred.

Implementation agencies, if any, would be approved by the 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. Monitoring mechanisms will also provide periodic feedbacks with recourse to mid-course correction in implementation, whenever required.

The Regional offices of IFCI are also to be involved, to help ISF in facilitating the verification and monitoring of IFCI's CSR activities, wherever required.

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

a) Evaluation and Impact Assessment

Evaluation may be assigned to an independent external agency or may be undertaken by IFCI/ISF. The ultimate test of the success of any CSR and sustainability 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 /ISF may try to get an assessment done of the social/economic/environmental impact of their CSR and sustainability activities after the same are completed.

7. REPORTING AND DISCLOSURE

7.1 Annual Reporting

The Board's Report of IFCI Ltd. for every financial year shall include an annual report on CSR activities.

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.