

POLICY ON IDFC AMC CORPORATE SOCIAL RESPONSIBILITY (CSR)

Background and Rationale	<p>IDFC AMC's CSR Policy is derived from Section 135 of the Companies Act 2013 on CSR and in accordance with the CSR rules notified by the Ministry of Corporate Affairs, Government of India in 2014.</p> <p>The CSR Policy is required to set the basic guiding principles that will provide a framework for all CSR activities within the Company.</p>																								
Objective	This policy lays down procedures to be followed by IDFC Asset Management Company Limited for all CSR activities undertaken.																								
Scope	<p>The Process document shall cover following:</p> <ul style="list-style-type: none"> • The scope and areas of focus of the Company towards CSR activities. • The framework and governance structure for CSR management within the Company. • The approach towards identification, execution and monitoring of CSR projects including selection of CSR partners by the Company. • The treatment of CSR funds allocated by the Company. 																								
Policy Owner	Swati Singh																								
Periodicity of review	Every 2 years, unless an interim review is deemed necessary.																								
Document Control	<table border="1"> <thead> <tr> <th>Date</th> <th>Author</th> <th>Reviewed by</th> <th>Version</th> <th>Change Reference</th> </tr> </thead> <tbody> <tr> <td>22/01/2015</td> <td>N/A</td> <td>N/A</td> <td>V1</td> <td>Initial Set up</td> </tr> <tr> <td>27/04/2016</td> <td>N/A</td> <td>N/A</td> <td>V2</td> <td>N/A</td> </tr> <tr> <td>19/07/2021</td> <td>Melvin Mathew</td> <td>Swati Singh</td> <td>V3</td> <td>Revision and Updation to get the CSR Policy in line with current rules</td> </tr> </tbody> </table>					Date	Author	Reviewed by	Version	Change Reference	22/01/2015	N/A	N/A	V1	Initial Set up	27/04/2016	N/A	N/A	V2	N/A	19/07/2021	Melvin Mathew	Swati Singh	V3	Revision and Updation to get the CSR Policy in line with current rules
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Last Review Date	July 19, 2021																								

BACKGROUND

PURPOSE

IDFC AMC's CSR policy has been developed in consonance with Section 135 of the Companies Act 2013 (referred to as the 'Act' in this policy) on CSR and in accordance with the CSR rules (hereby referred to as the 'Rules') notified by the Ministry of Corporate Affairs, Government of India in 2014.

The CSR Policy of IDFC Asset Management Company ('IDFC AMC' or the 'Company') sets out to define:

- The scope and areas of focus of the Company towards CSR activities.
- The framework and governance structure for CSR management within the Company.
- The approach towards identification, execution and monitoring of CSR projects including selection of CSR partners by the Company.
- The treatment of CSR funds allocated by the Company.

OUR VISION

IDFC AMC believes that profitability must be complemented with a sense of responsibility towards all stakeholders and enriching the lives of the community at large. Through its CSR initiatives, the Company will strive for material, visible and lasting impact on disadvantaged sections of the society, preferably in locations where the Company operates.

AREAS OF FOCUS

Achieving inclusive and quality education for all is one of the most powerful mechanisms for contributing towards sustainable development. Hence, the primary area of intervention that IDFC AMC focuses on is '**Education**' including, but not limited to

- Support towards primary and secondary education of students from weaker sections of society by improving their ability to attend and stay in schools through financial assistance for students in need, avenues for nutrition supplementation, upgradation of school infrastructure including sports, access to technology (hardware and/ or software) for learning enablement, supplementing the school curriculum through additional learning initiatives etc.
- Support towards primary and secondary education by enhancing teaching skills and involvement of learning enablers like teachers, local government officials and parents to improve the quality of education for students.
- Support towards improving employability of college students from weaker sections of the society through skill development and vocational training.

Apart from education, we may also choose to contribute to other areas such as

- Relief support in times of calamities, disasters etc.
- Environmental sustainability
- Women empowerment

CSR BOARD COMMITTEE

At IDFC AMC, the CSR Board Committee will consist of three or more Directors, at least one of which will be an Independent Director.

Role and Functions of the CSR Board Committee (as mandated under Section 135 (3) of the Companies Act, 2013)

- Formulate and recommend to the IDFC AMC Board of Directors, a Corporate Social Responsibility (CSR) Policy which shall indicate the projects/ activities to be undertaken by the Company in one or more areas, as specified in in Schedule VII of the Act.
- Institute a transparent monitoring mechanism for implementation of CSR projects/ activities undertaken by the company.
- Recommend the amount of expenditure to be incurred on CSR projects/ activities undertaken.
- Review the performance of the Company in the areas of CSR.
- Submit an annual report of CSR projects/ activities and contributions made by the Company to the IDFC AMC Board of Directors.
- To ensure that the contents of such a policy and reports are made available on the company's website.
- Monitor and review the CSR Policy from time to time and make recommendation to the Board for amendments, if any.
- To ensure that the company spends, in every financial year, at least 2% of the average net profitsⁱ made during the three immediately preceding financial years, in pursuance, of its CSR Policy.
- Any other requirements mandated under the Act or Rules issued thereunder.
- Recommend social projects which may require the immediate attention of the company in line with the company's CSR policy.

OPERATING FRAMEWORK

IDFC AMC will constitute a CSR Working Committee constituting of 1 or more employees, led by the CSR Head and tasked with implementing CSR activities of the company.

CSR activities can be undertaken:

- Directly by IDFC AMC
- Through external agencies – such as an NGO, Trust or Society – with a track record of a minimum of three years in relevant project/programme.
 - Registered Public Trusts and Registered Societies, 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.

- Through entities that are eligible to implement CSR projects and registered with the MCA by filing the form CSR-1 electronically with the Registrar, with effect from 1st April 2021. This shall not affect CSR projects approved prior to 1st April 2021. Registered entities must have a unique CSR Registration Number.
 - Can engage an International Organization (as notified by the Central Government under section 3 of the United Nations (Privileges and Immunities) Act, 1947) for designing, monitoring and evaluation of their CSR projects as well as for capacity building of their own personnel for CSR.
- Through IDFC Foundation, a Section 8 company under the Company's Act, 2013
 - Through IDFC Institute, a Trust registered under the Indian Trust Act, 1882
 - Company may also collaborate with other companies for undertaking CSR projects in such a manner that the CSR committees of respective companies are in a position to report separately in accordance with the rules.

Activities not considered as CSR

The following activity shall not form part of the CSR activities at IDFC AMC:

- The activities undertaken in pursuance of normal course of business of the company
- Projects/ programs or activities that benefit only the employees of IDFC AMC and their families
- Any contribution directly/ indirectly to political parties or political causes
- Contribution for 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
- Contributions to events such as Marathons, Awards, Fund Raisers, etc.
- Contributions to Advertisements or the Sponsorship of television programs
- Expenses incurred for the fulfilment of any Act/ Statute of Regulation
- Activities deriving marketing benefits will not qualify as CSR
- Monetization of pro-bono service of employees

GOVERNANCE & INTERNAL CONTROL

Funding

- The total amount set aside for CSR spends will be decided and communicated by the CSR Board Committee at the beginning of the financial year.
- The CSR Working Committee will share a projected expenditure with CSR Board Committee at the beginning of the financial year.

- The amounts sanctioned for a CSR project or program may be released in stages or instalments as per progress, or as may be determined from time to time.
- The implementing agency will submit fund utilisation reports and impact reports at regular, mutually agreed intervals. Further release of funds to the agency may be based on submission of satisfactory utilization certificate duly signed by an authorized officer of the implementing agency.
- The CSR Working Committee will present a review of the work done and the impact created on an annual basis to the CSR Board Committee. The CSR Board Committee must recommend an annual action plan to the IDFC AMC Board. This includes details of the projects, mode of implementation, monitoring and impact assessment if any. This plan can be altered by the Board from time to time based on reasonable justification.

Accounts & Audit

- A separate accounting for CSR related expenses and receipts shall be maintained.
- In case specified projects or programmes are to be undertaken through third party agencies, the Company would need to specify the manner of accounting and tracking the expenditure incurred through third party agencies.
- The amount spent on CSR by the Company will be subject to audit at such intervals, as may be required, from time to time.
- While responsibility for CSR compliance always rested with the Board, the amendments further clarify that the Board of a company must satisfy itself that the funds have been utilized as approved by it and the CFO or the person responsible for financial management shall certify this as well.
- Excess spends in any year can be set off against the requirement to spend in the immediate succeeding three financial years. This does not include surplus generated from the programmes, if any. The Board must pass a resolution if the company intends to do this.
- Companies can spend on creating or acquiring capital assets for their CSR projects. These assets must be held by a Trust/Society/Section 8 company having charitable objects and CSR Registration Number. They can also be held by beneficiaries of the CSR project, such as a self-help group, or a public authority.

Treatment of Unspent Amount

- Any unspent amount will not be added back to normal business profits.
- Any surplus from CSR activities must be ploughed back into the same project *OR* transferred to the Unspent CSR Account and spent in pursuance of CSR policy *OR* transferred to a Fund specified in Schedule VII; any of these choices will need to be executed within a period of six months of the expiry of the financial year.

Tax Treatment

- Tax treatment of CSR spends will be in accordance with Income Tax Act, 1961, as amended from time to time and other applicable rules or circulars issued by the Central Board of Direct Taxes.

Monitoring Process

- The CSR Board Committee and CSR Working Committee will review the implementation of CSR on Annual basis. Signed audited statements will be prepared annually and will be made available on request: balance sheet, income and expenditure statement, receipts and payments account, schedules to these, notes on accounts and the statutory auditor's report.
- The annual report containing a description of the main activities, a review of the progress and results achieved in the year and information on board member names, positions, remuneration or reimbursement as well as brief financial details.

Other important points

- The company cannot spend more than 5% of its total CSR expenditure on administrative overheads. Administrative overhead refers to the expenses incurred 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.
- Ongoing projects that have been defined as multi-year CSR projects must be with timelines, not exceeding 3 years, excluding the financial year in which they are commenced. This means projects cannot exceed the 4-year mark.
- "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.
- The company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.
- Companies having CSR obligation of INR 10 crore or more must undertake impact assessment through an independent agency for their CSR projects with outlays of INR 1 crore or more, and which have been completed not less than a year before undertaking the study. The impact assessment report will form part of their annual report on CSR. Expense on the impact assessment may be booked under CSR for that financial year and cannot exceed 5% of the total CSR spend for that year, or INR 50 lakh, whichever is less.

DISSEMINATION OF INFORMATION

- The CSR policy of the Company will be displayed on its corporate website - www.idfcamc.com
- A detailed status report on the CSR activities carried out by IDFC AMC will be disclosed every year as part of the Board's report in the Annual Report. The Board shall specify in its report, the reasons for not spending the requisite amount, if the company fails to spend such amount.
- The CSR Board Committee will make a Responsibility statement highlighting that the CSR Policy implementation and monitoring thereof is in letter and in spirit, in compliance with the CSR Objective of IDFC AMC

- The company must disclose the composition of its CSR Committee, CSR policy and approved projects on its website, if any, for public access

AMENDMENTS TO THE CSR POLICY

- This policy may be amended from time to time by the CSR Working Committee.
- All amendments need to have the CSR Board Committee approval.

ⁱ "Net profit" means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:

- (i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
- (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act: Provided that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381, read with section 198 of the Act.