

Corporate Social Responsibility Policy

Preamble

IIHFL Sales Limited (hereafter 'IIHFL Sales' or 'Company') is guided by IIFL Group's (hereafter 'IIFL') vision to be the most respected and preferred financial service provider and distributor in India. To realize this vision, IIHFL Sales recognizes the importance of contributing to sustainable social transformation.

The approach to the business focuses on building trust, knowledge and delivering quality service to its customers along with providing timely assistance to its customers. We believe and practice creating a cohesive environment for all our stakeholders by keeping customer first approach, employee satisfaction, and stakeholder fulfillment and responsiveness at the core of our operations, creating an indelible social impact.

The Company is committed to ensure that its activities extend beyond business and include initiatives and endeavors for the benefit and development of the community and society. It strongly believes that Corporate Social Responsibility (CSR) is connected with the principles of sustainable growth and will help to promote inclusive growth and equitable development.

The Corporate Social Responsibility Policy (hereafter referred to as 'Policy') of the Company has been designed in accordance with Section 135 of the Companies Act, 2013 (hereafter referred to as 'Act') read with Companies (Corporate Social Responsibility Policy), Rules, 2014, to lay down the guidelines for undertaking CSR initiatives/programs/projects by IIHFL Sales.

Purpose

The Corporate Social Responsibility Policy ("CSR Policy") of IIHFL Sales has been formulated in line with the CSR Provisions of the act. This policy aims to contribute towards sustainable development of the society and environment to make planet a better place for future generations.

The key purpose of this policy is to:

- Highlight company's responsibilities and commitment to encourage a positive impact through its activities to promote inclusive and sustainable development of the society.
- Define the roles & responsibilities of Board in implementation of CSR norms effectively.
- Define the areas in which the company will work to fulfill its CSR obligations.
- Serve as a guiding document to effectively execute and monitor the CSR projects.
- Explain the criteria for effective utilization of surpluses generated from CSR projects.

Effective Date

The CSR policy shall be effective from the beginning of financial year 2023-24.

Scope of CSR Policy

This Policy applies to all CSR projects undertaken by IIHFL Sales and fulfils all the requirements of Section 135 of the Companies Act, 2013. IIHFL Sales shall ensure all these activities are over and above the normal course of business and are in line with Schedule VII of the Companies Act, 2013.

Definitions

Act means the Companies Act, 2013.

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.

Corporate Social Responsibility (CSR) means the activities undertaken by a company in pursuance of its statutory obligation laid down in section 135 of the Act and Rules made thereunder, but shall not include the following, namely: -

- i. Activities undertaken in pursuance of normal course of business of the Company. Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that-
 - such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;
 - details of such activity shall be disclosed separately in the Annual report on CSR included in the Board's Report;
- ii. any activity undertaken by the company 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 Act;
- iv. activities benefitting 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 services;
- vi. activities carried out for fulfilment of any other statutory obligations under any law in force in India;

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.

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.
- ii. Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act.

Mode of implementation

IIFL has constituted the 'IIFL Foundation' (hereafter Foundation), a public charitable trust to act as the principal arm that undertakes CSR initiatives and to act as the umbrella organization for managing and implementing all CSR projects of IIHFL Sales. The Foundation partners with implementation agencies that best fit the Company's values and priorities.

Alternatively, IIFL HFL may choose to partner with implementing agencies that qualify all mandatory criteria of Section 135 of the Companies Act, 2013.

Responsibilities of the Board of Directors

Whenever necessary, the Board of Directors will be responsible to:

- i. Constitute the CSR Committee as per the provisions of Act read with applicable rules made thereunder.
- ii. Approve the CSR policy after taking into account the recommendations made by the CSR Committee.
- iii. Ensure that the Company fulfills its CSR obligations and the activities stated in CSR policy.
- iv. Ensure that the Company spends, in every financial year, such amount on CSR initiatives as may be prescribed under the Companies Act, 2013 and Rules made thereunder from time to time.
- v. Approve the Annual Action plan in accordance with CSR Policy as recommended by the Committee.

Responsibilities of CSR Committee

The CSR Committee, if constituted as per the Act shall be responsible for the following functions:

- i. To formulate and recommend a CSR Policy indicating the activities to be undertaken by the company in areas or subject specified in Schedule VII to the Act;
- ii. To recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
- iii. To formulate and recommend an annual action plan in pursuance of CSR Policy covering the following aspects:
 - the list of approved CSR projects or programs to be undertaken in areas or subjects specified in Schedule VII to the Act;
 - the manner of execution of such projects or programs as specified in rule 4(1) of CSR Rules;
 - the modalities of utilisation of funds and implementation schedules for the projects

- or programs;
 - monitoring and reporting mechanism for the projects or programs; and
 - details of need and impact assessment, if any, for the projects undertaken by the company;
- iv. Recommend changes to the Board, if any, needed in the annual action plan with reasonable justification to that effect.
- v. To monitor the CSR Policy as approved by the Board from time to time.
- vi. To periodically meet at least once a year to review the progress made.
- vii. Such other functions as may be entrusted to it by the Board of Directors, from time to time.

The CSR Committee, when constituted should recommend the approach and direction of CSR activities to be undertaken by the company and also provide Guiding principles for:

- Selection of CSR projects / programmes / activities
- Implementation of CSR projects / programmes / activities
- Monitoring of CSR projects / programmes / activities
- Formulation of the annual action plan

Key focus areas

The CSR projects at IIHFL Sales focus on the following areas of intervention that are aligned with the items listed in Schedule VII of the Companies Act, 2013.

Education

Education is a basic human right that works to raise men and women out of poverty, level inequalities and ensure sustainable development. For IIHFL Sales, education is one of the key focus areas for CSR which shall promote education, setting up and upgrading educational facilities and supporting institutes of higher education.

Healthcare

No one should get sick and die just because they are poor, or because they cannot access the health services they need. The objective is to enhance healthcare access, especially to the disadvantaged and underprivileged sections.

Employment

The lack of employment opportunities is considered as a "very big problem" in the country. To address this issue projects that fall under this category focus on enhancing employment potential of unskilled or under-skilled populations.

Rural development

Rural areas are still facing issues like poverty, low literacy rates, and lack of basic infrastructures like schools and hospitals. With the objective of contributing towards the improvement of the economic and social well-being of people in rural areas, IIHFL Sales will undertake projects to Improve the availability of jobs in rural areas, improving rural productivity and wages, raising the living standards

of the underprivileged and fulfilling the basic needs: elementary education, healthcare, clean drinking water, rural roads, etc.

Promote Sustainable Development Goals

Aspects such as environmental conservation, investment in renewable energies, saving water, supporting sustainable mobility, and innovation in sustainable construction and architecture, contribute to achieving this environmental sustainability on several fronts. IIHFL Sales will undertake the projects to achieve sustainable development goals.

Annual Action Plan

The CSR Committee when constituted shall formulate and recommend to the Board, an annual action plan which shall include the following:

- i. List of CSR projects or programmes that are approved and to be undertaken by the company.
- ii. Manner of execution of such projects or programmes
- iii. Modalities of utilisation of funds and implementation schedules for the projects or programmes;
- iv. Monitoring and reporting mechanism for the projects or programmes; and
- v. Details of need and impact assessment, if any, for the projects undertaken by the company.

The Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification for such change.

CSR Expenditure

- i. The company shall endeavor to achieve the objectives of CSR Policy and allocate every year, minimum 2% of its average net profits made during the three immediately preceding financial years.
- ii. 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.

Any amount remaining unspent pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by the Company shall be transferred 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 CSR 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 as may be specified in this regard, within a period of thirty days from the date of completion of the third financial year.

Unless, the unspent amount relates to any ongoing project, the Company shall transfer such unspent amount to a Fund as may be specified in this regard, within a period of six months of the expiry of the financial year.

- iii. The board shall ensure that the administrative overheads shall not exceed five percent of total

CSR expenditure of the company for the financial year.

- iv. Where a company spends an amount in excess of requirement provided under sub-section (5) of section 135, 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 –
 - The excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of The Companies (Corporate Social Responsibility Policy) Rules, 2014.
 - The Board of the company shall pass a resolution to that effect.
- v. The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by-
 - 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
 - Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
 - A public authority

Need and Impact Assessment

CSR allows a business to integrate social and environmental concerns into its business operations. CSR activities undertaken should be in the interest of the society and the local population where the company operates.

- i. Every 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.
- ii. The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- iii. A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed 2% of the total CSR expenditure for that financial year or Rs. 50 Lakhs [whichever is higher] can be incurred separately for impact assessment.

Information dissemination

CSR Policy and activities undertaken shall be disseminated on website for public access and shall be published in the Annual Report of the company in the format prescribed under the Act and CSR Rules.

Policy Review

CSR Policy shall be reviewed annually and updated as and when required. Any subsequent amendment/modification in the provisions of the Companies Act, 2013, and Rules made there under, or any other applicable laws in this regard shall automatically apply to this Policy.