

MAGMA VENTURES PRIVATE LIMITED
(Formerly, Magma Consumer Finance Private Limited)
CORPORATE SOCIAL RESPONSIBILITY POLICY

1. INTRODUCTION

Corporate Social Responsibility (CSR) builds a dynamic relationship between a company on one hand and the society and environment on the other. CSR is traditionally driven by a moral obligation and philanthropic spirit. Over time it has become an integral part of business.

Magma Ventures Private Limited (Formerly Magma Consumer Finance Private Limited) (hereinafter called “the Company”), anticipates that the net profits of the Company may increase beyond the prescribed threshold limits for the Financial Year 2022-23, due to the pending merger of the Microfirm Capital Private Limited with the Company, which is expected to be approved during FY 23-24 with appointed date of close of business hours of 31st March 2022. Thus, the Company may be required to formulate and adopt a policy for the CSR activities of the Company hereinafter called the Corporate Social and Responsibility (CSR) Policy/ this Policy.

This Policy encompasses the Company’s philosophy for delivering its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large. It has been prepared keeping in mind the Company’s business ethics and compliance with the provisions of Section 135 of the Act read with of the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time (hereinafter referred to as “CSR Rules”).

This Policy shall apply to all CSR initiatives and activities taken up by the Company, for the benefit of different segments of the society, specifically the deprived, under-privileged and differently abled persons.

2. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Company has not constituted a CSR Committee at present, since the amount to be spent by the Company in fulfilment of its CSR obligations is not ascertained and CSR obligation, which may be computed on the basis of Audited Financial Statements for the FY 2022-23. Hence, the functions of such committee shall be discharged by the Board of Directors of the Company.

Further, as and when the requirement of constituting a CSR Committee becomes applicable on the Company, the Company shall constitute a CSR Committee consisting of two or more directors of the Board as members.

Role of Board of Directors:

- a. To formulate a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Act;
- b. To formulate the annual action plan of the Company;

- c. To approve the amount of expenditure to be incurred on the activities referred to in clause (a) in a financial year and the amount to be transferred in case of ongoing projects and unspent amounts;
- d. To review the progress of CSR initiatives undertaken by the Company.
- e. To monitor the implementation of the CSR Policy of the Company from time to time.
- f. To approve the Annual Report on CSR activities to be included in Board's Report and certificate submitted by the Chief Financial Officer.
- g. To review and take note of the impact assessment report obtained by the Company, if applicable, from time to time.
- h. Any other matter/thing as may be considered expedient by the members in furtherance of and to comply with the CSR Policy of the Company.

3. CSR BUDGET

Funding & Allocation

The Board of the Company to ensure that minimum 2% of average net profit of the Company for immediately preceding three financial years ("CSR Expenditure") is spent on CSR activities approved by the Board . The net profit is to be calculated as per the provisions of section 198 of the Act. Also, the net profit so calculated shall not include the following, namely;

- Any profit arising from any overseas branch(es) of the company, whether operated as separate company or otherwise; and
- Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act.

Any surplus arising and/or additional revenue generated out of CSR activities undertaken by the Company shall not form part of the business profit of the Company and same shall be spent for undertaking any CSR activities only.

Where the 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 –

- a. 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 this rule.
- b. the Board of the company shall pass a resolution to that effect.

The CSR amount 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 under sub-rule (2) of rule 4; or
- b. beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or a public authority.

4. ACTIVITIES, PLANNING & IMPLEMENTATION

Areas for CSR Activities

The Company shall identify projects / activities which will fall in any one or more of the following areas /sector for its CSR spending in line with Schedule VII of the Act:

1. Promoting education, including special education and employment enhancing vocation skills especially among children, woman, elderly, and the differently abled and livelihood enhancement projects;
2. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, 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.
3. Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water
4. Such other activities as may be specified under the Act or the CSR Rules from time to time.

The Company shall give preference to undertake projects for spending the amount earmarked for CSR at local areas where the Company operates.

Implementation of CSR activities

The Company may decide to undertake its CSR activities directly or through an implementing agency.

In case of direct implementation, the Company may directly contribute the CSR funds to the beneficiary in accordance with the provisions of the Act.

The following may act as an implementing agency for undertaking CSR activities of the Company –

- a) through a Section 8 company, registered public trust, 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, established by the company either singly or along with other company.;
- b) through a Section 8 company, registered public trust, or registered society, established by the Central Government or State Government.;
- c) through a Section 8 company, registered public trust or 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, established by public agencies and having an established track record of at least three years in undertaking similar activities; or
- d) through any entity established under an act of Parliament or a State Legislature.

[Explanation - 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.]

Where the Company decides to undertake its CSR activities through the implementing agencies, the Company shall ensure that the implementing agency is registered with MCA by filing CSR-1.

The Company, if required may collaborate with other companies and pool resources to carry out its CSR Activities from time to time in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programmes for each company.

Appropriate documentation of the Company’s CSR activities, executing partners, and expenditure entailed will be undertaken on a regular basis.

For the purpose of determining the authenticity and genuineness of the implementing agency/ beneficiary, the Company may obtain such documents as may be necessary, which may include the following –

- Charter documents of the beneficiary organization;
- Layout of project plan with estimated cost and time involved;
- Audited financials of the beneficiary organization etc.

CSR initiatives of the Company will be reported in the Annual Report of the Company & the Board’s Report in compliance with Section 135 and rules made thereunder.

5. EXCLUSIONS:

The following activities will not be considered as CSR activities, in accordance with the provisions of the Act and the Rules -

- i. Any CSR projects and programs that are implemented by the Company for benefit of the employees of the Company.
- ii. The CSR activities implemented outside India also fall outside the purview of CSR Rules, except for training of Indian sports personnel representing any State or Union territory at national level or India at international level.
- iii. Any amount contributed, directly or indirectly, to any political party or for any political purpose.
- iv. Activities that are undertaken by the Company in pursuance of its normal course of business.
- v. Activities supported by the Company 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.

6. ONGOING PROJECTS AND UNSPENT AMOUNTS

The amount remaining unspent as at the end of the financial year will be required to be transferred by the Company to the Fund specified under Schedule VII within six months from the end of the financial year and reasons for the amounts remaining unspent shall be required to be disclosed by the Company in the Board Report.

In case the unspent amounts relates to an ongoing project, the same should be transferred to a separate bank account opened by the Company in the name of Unspent CSR account within 30 days from end of the financial year.

7. ADMINISTRATIVE OVERHEADS:

The expenses incurred by the Company in the general management and administration of its CSR activities can be claimed as CSR expenditure, provided that the same does not exceed 5% of the total CSR expenditure for the financial year to which it relates.

The Company may also engage International Organisations for designing, monitoring and evaluation of the CSR Programmes as recommended by the CSR Committee as well as for capacity building of their own personnel for CSR.

8. IMPACT ASSESSMENT

The Company shall be required to conduct impact assessment of the CSR projects undertaken by it if –

- (i) The average target spending in each of the three financial years amounts to Rs. 10 crores or more.
- (ii) The minimum outlay of the project is Rs. 1 crore or more.

The impact assessment shall be done by an independent external agency appointed by the Board.

The report of impact assessment shall be reviewed and recommended by the CSR Committee, post which the same shall be approved and adopted by the Board of the Company.

The expenditure incurred in impact assessment may be booked towards the CSR Expenditure of the Company for that financial year upto the higher of 2% of the total CSR Expenditure for that financial year or Rs. 50 lacs.

9. PENALTY:

If the Company is in default in complying with the provisions of section 135(5) or 135(6) of the Act, the Company shall be liable to a penalty of twice the amount required to be transferred by the Company to the Fund specified in Schedule VII or the Unspent CSR Account, as the case may be, or Rs. 1 crore, whichever is less, and every officer of the Company who is in default shall be liable to a penalty of 1/10th of the amount required to be transferred by the Company to such Fund specified in Schedule VII, or the Unspent CSR Account, as the case may be, or Rs. 2 lakh, whichever is less.

10. GENERAL

In case of any doubt with regard to any provision of this Policy and also in respect of matters not covered herein, a reference is to be made to the Board. In all such matters, the interpretation & decision of the Board shall be final and binding, subject to the same being in compliance with section 135 of the Act read with the rules made thereunder.

Any or all provisions of the CSR Policy would be subject to revision/amendment in accordance with the guidelines on the subject as may be issued from Government, from time to time. Till such time this Policy is revised in line with the amendments, the Policy shall be read in such manner as if the Policy already stands modified in compliance with applicable laws.

The Board reserves the right to modify, add, or amend any of provisions of this Policy, subject to the compliance with applicable laws.
