

**ANNEXURE – A**



**CORPORATE SOCIAL RESPONSIBILITY (CSR) AND  
SUSTAINABILITY POLICY  
OF  
J&K DEVELOPMENT FINANCE CORPORATION LIMITED**

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## **1. INTRODUCTION**

### **1.1 Philosophy**

At Jammu & Kashmir Development Finance Corporation (JKDFC), we are committed to creating long-term value for society and the environment while conducting business responsibly, ethically, and sustainably. Our Corporate Social Responsibility (CSR) philosophy is guided by principles of inclusivity, transparency, accountability.

### **1.2 Vision**

To contribute meaningfully to the socio-economic development of the Nation, with emphasis on inclusive growth and sustainability.

### **1.3 Mission**

To bring a visible and positive change and make an efficient and effective impact the lives of people in a more responsible manner.

## **2. OBJECTIVE, SCOPE & COVERAGE**

### **2.1 Objective**

The main objectives of the policy are:

- I. To define guiding principles for selection, implementation and monitoring of CSR activities and formulation of annual action plan for CSR in conformance with extant requirements under the Companies Act 2013, the Companies (CSR Policy) Rules, 2014, as amended from time to time.
- II. To align CSR Initiatives with Schedule VII, Section 135 of Companies Act, 2013, DPE Guidelines and SDGs.

### **2.2 Scope & Coverage**

The CSR activities of the Company shall include but shall be limited to any or all of the sectors/activities as may be prescribed by Schedule VII of the Companies Act, 2013 and DPE guidelines, as amended from time to time. Further, the Company shall review the sectors/activities with reference to Schedule VII from time to time and make additions/ deletions/ clarifications to the above sectors/activities of the Company's CSR Policy.

This Policy covers the CSR activities to be undertaken by the Company and ensuring that they are in line with Schedule VII of the Act as amended from time to time as detailed under. It covers the strategy that defines plans for future CSR activities.

### **2.3 SCHEDULE VII of the Companies Act, 2013**

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:

- i. Eradicating hunger, poverty and malnutrition, promoting health care includes 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. Promotion of 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, 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.
- 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 Paramilitary 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. Contribution to:
  - a. 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. 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 Organization (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. Eural development projects.
- xi. Slum area development.
- xii. Disaster management, including relief, rehabilitation and reconstruction activities.

**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.

The CSR projects or programs or activities that benefit the employees of the company and their families shall not be considered as CSR activities.

#### **2.4 Local Area Preference**

- i. In line with Section 135 of the Companies Act and DPE guidelines, JKDFC shall give priority to CSR activities in the local areas where it operates – primarily Jammu & Kashmir and Ladakh – while also undertaking projects in other parts of India.
- ii. Hence, CSR activities may be taken up at any location within the above-mentioned areas.
- iii. JKDFC may also undertake CSR activity anywhere in the Country. The Board of Directors may also decide on a ratio of CSR Spend on Local Area or outside area.
- iv. In alignment with the guidelines for CSR expenditure of CPSEs issued by the Department of Public Enterprises no. CSR-08/0002/2018-Dir (CSR) dated December 10, 2018, the corporation while undertaking CSR Activities may give preference to aspirational districts (as notified by NITI Aayog).

### **3. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE**

#### **3.1 Constitution**

Pursuant to the provisions of Section 135 of the Act, the Board of Directors shall constitute the Corporate Social Responsibility (CSR) Committee. The Members of CSR shall be appointed by the Board of Directors of the Company which must consist of at least three or more Directors out of which at least one director shall be an independent director. Accordingly, the constitution of CSR Committee formed by Jammu & Kashmir Development Finance Corporation Limited is as follows:

<b>S. No</b>	<b>Name of the member</b>	<b>Designation in the committee</b>
1	Managing Director and CEO, JKDFC.	Chairperson
2	Nominee Director of LIC/ J&K Bank (as per availability).	Member
3	Independent Director.	Member

Any other member(s) representing relevant sector related to the projects under consideration may be nominated by the Chairperson as special invitee(s).

### **3.2 Functions of Committee**

- i. The Corporate Social Responsibility Committee of the Board ('the CSR Committee') shall recommend the amount of expenditure to be incurred under CSR and shall formulate an annual action plan which shall include a list of the projects/programs approved, manner of execution, modalities of utilization of funds and implementation schedules, monitoring and reporting mechanism and details of need and impact assessment. Further CSR Committee shall have the roles and responsibilities as mentioned Section 135 of the Companies Act 2013 read with the rules made thereunder.
- ii. According to the Section 135(9) of the Companies At, 2013, where the amount to be spent by a company under its CSR Obligation does not exceed fifty lakhs, the requirement of constitution of CSR Committee shall not be applicable and all the functions such committee in such cases shall be discharged by the Board of Directors of the company.
- iii. In addition to the above functions of the CSR Committee as provided under sub section (3) of section 135 of the Companies Act, 2013, the CSR committee shall perform additional function(s) as directed by the Board of Directors of the Company in order to carry out the CSR objectives of the company smoothly.
- iv. The organizational structure for selection, proper planning, implementation, monitoring and reporting of CSR project/proposals shall be decided by the Managing Director of JKDFC as case-to-case basis.

### **3.3 Meetings of the Committee**

- i. For smooth functioning of the Committee, the members shall meet as and when necessary/as prescribed by the policy/directions of the Board in order to discuss matters and to take such decisions as may be necessary.

- ii. The Members of the Committee may participate in the meeting either in person or through video conferencing or other audio-visual means as may be convenient.

#### **4. CSR PLANNING & INSTITUTIONAL SETUP**

##### **4.1 CSR Planning**

- i. Pursuant to Rule 5(2) of Companies (Corporate Social Responsibility Policy) Amendment Rules, 2014, read with Section 135 of Companies Act 2013 JKDFC shall prepare an annual action plan for each year within the budgetary provisions, which will be placed before the Board of Directors (BoD), JKDFC, for approval, as the case may be, which shall include:
  - a. List of CSR Projects or programs that are approved to be undertaken in area or subjects specified in schedule VII to the Act.
  - b. The manner of execution of such projects or programmes as specified in Rule 4(1) of CSR Rules.
  - c. The modalities of utilization 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.
- ii. The Board may alter the annual action plan, as per the recommendation of the CSR Committee/ Managing Director based on reasonable justification to that effect.
- iii. As per Section 135 of companies act, 2013 a total annual budget allocation for CSR of at least 2% of average net profits of preceding three financial years calculated in accordance with Section 198 of the Companies Act 2013 and as approved by the Board shall be earmarked every year for implementation of CSR programmes.
- iv. JKDFC shall ensure compliance with section 135 of the Companies Act 2013, Companies (Corporate Social Responsibility Policy) Rules 2014.

##### **4.2 Need Assessment**

- i. The Company shall undertake a need assessment exercise, directly or through implementing agencies, to identify and prioritize areas of intervention in line with the provisions of Schedule VII of the Companies Act, 2013. The assessment may include baseline surveys, stakeholder consultations, field visits, and analysis of socio-economic indicators to understand the genuine needs of the community.

- ii. Based on the findings, CSR projects shall be planned and implemented to ensure alignment with community requirements, sustainable development goals, and the Company's CSR objectives. The need assessment process shall also guide resource allocation, monitoring, and evaluation of CSR initiatives to ensure maximum impact and effectiveness.

#### **4.3 Implementation**

- i. As provided in Rule 4 of Companies (Corporate Social Responsibility Policy) Amendment Rules, 2014, the Board of JKDFC shall ensure that the CSR activities are undertaken by the corporation itself 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.
  - 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.
- ii. All the above shall submit its CSR Registration Certificate containing the unique CSR Registration number generated after submission of CSR 1. However, for activities approved prior to the 1st day of April 2021, non-submission of CSR 1 form shall not be mandatory.
- iii. **While finalizing the Implementing Agency, the following points may be kept in mind**
  - i. The Implementing Agency should have a well-established track record of 3 years or more.
  - ii. The Implementing Agency should not have any association with any political party- directly or indirectly.
  - iii. The Implementing Agency should not have any conflict of interest with the employees of the company.
  - iv. Due diligence is being complied with by the Implementing Agency.
  - v. The Implementing Agency should have registration under section 12A and Section 80G of the Income Tax Act and should be registered on MCA for undertaking CSR activities.

- vi. The antecedents of the Implementing Agency, its past reputation, and the reputation of the people associated with the same should also be subjected to scrutiny before selection.
- vii. Any other requirement as may be prescribed by Government/Regulatory Authority's being followed by the Implementing Agency
- viii. Agencies/ NGOs seeking funds under CSR Initiative, shall have to get "NGO/ VO Grading" conducting by any of the Grading agencies i.e. CRISIL/ CARE/ IRR. Therefore, all NGOs seeking JKDFC CSR funds are required to submit NGO/VO grading certificate and report only to these three agencies.
  - In respect to grading obtained from CRISIL, the top three notches will be considered as VO 1A, VO 1B & VO 2A, only.
  - In respect to grading obtained from CARE, the top three notches will be considered as NGO 1A, NGO 1B & NGO 2A, only.
  - In respect to grading obtained from IRR (Fitch Solutions), the top three notch will be considered as IRR1, IRR2, IRR3, only.
- iv. JKDFC may collaborate with other companies for undertaking projects or programs for CSR activities so as to have the benefits of synergies in such a manner that the concerned Committee of respective companies are in a position to report separately on such projects or programs in accordance with this policy.

#### **4.4 Modes of Implementation of CSR Activities**

##### **i. Project/ Implementing Agency Mode**

CSR activities identified for external stakeholders may be implemented in a project mode, which shall entail charting the stages of execution in advance through planned processes, with mobilization of pre-estimated quantum of resources, and within the allocated budgets and prescribed timelines. It shall also involve assigning clear responsibility and accountability of the designated officials / external specialized agencies which are entrusted with the task of implementation.

##### **ii. Direct Mode**

JKDFC may take up the implementation of CSR activity with its manpower and resources or may engage external specialized agency to execute such projects and monitoring may be done by internal manpower and/or by external agency.

##### **iii. Collaboration**

JKDFC may join hands and pool their resources for undertaking projects jointly with other CPSEs / Government agencies for long-term mega projects for greater social impact for scaling up the projects in terms of their size and socio-economic impact, with optimal utilization

of resources of each participating entity, and also accelerate the pace of development, including in the backward regions.

#### **4.5 Monitoring**

- i. Monitoring of JKDFC funded CSR projects may be carried out on Weekly/ Monthly/ Quarterly/ Yearly basis depending on nature and size of the size of the project by one or more of the following:
  - a. Officials of JKDFC Corporate Office/ Registered Office/ Branch Office located in different Union Territories for the projects located in areas falling under their respective jurisdictions, or/and,
  - b. Members of the Committee(s) as notified by Managing Director from case to case basis for implementation progress/ monitoring of the concerned project, comprising of representatives of JKDFC, or/and,
  - c. A Project Management/Monitoring Agency (PMA) may be appointed by JKDFC specifically for select project(s) on behalf of JKDFC, which may or may not have representatives from JKDFC.
- ii. The agency implementing the CSR Projects shall ensure to submit the project progress at various stages of implementation. Further Board shall monitor the implementation of the ongoing project with reference to the approved timelines and year wise allocation and shall be competent to make modifications for smooth implementation within overall permissible time limit.

#### **4.6 Feedback Mechanism**

Feedback will be collected from beneficiaries, local communities, implementing agencies, and other stakeholders through surveys, meetings, or consultations. The feedback received shall be reviewed periodically by the CSR Committee/Management to assess the impact of ongoing projects, identify areas of improvement, and incorporate learnings into future CSR planning and implementation.

#### **4.7 Impact Assessment**

- i. JKDFC shall undertake an impact assessment through an independent agency if its average CSR obligation in the three immediately preceding financial years is ₹10 crore or more, and the outlay for a specific CSR project is ₹1 crore or more. Such projects must have been completed at least one year prior to the impact assessment. The impact assessment reports shall be placed before the Board and annexed to the annual report on CSR.
- ii. JKDFC may book expenditure on Impact Assessment towards Corporate Social Responsibility for that financial year, which shall not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.

### **5. CSR INITIATIVES**

- i. Pursuant to schedule VII of the act, the company shall undertake CSR Activities as recommended by the CSR Committee (if validly

constituted under section 135 of the Companies Act, 2013) for each year.

- ii. In case the CSR Committee is not constituted or in place as per section 135 of the Companies Act, 2013, the CSR expenditure shall be made as approved by the Board of Directors of the Company.
- iii. The Board of Directors shall decide Sector for CSR expenditure for each financial year.
- iv. CSR initiatives include amendments made in Schedule VII of the Act and CSR Rules from time to time. For Example, CSR initiatives include Har Ghar Tiranga added under item no. (ii) of schedule VII of the Companies Act, 2013 pertaining to promotion of education relating to culture which was added vide General Circular No. 08/2022 issued by the Ministry of Corporate Affairs dated July 26, 2022.
- v. In case any further amendments are made in Schedule VII of the Act and CSR Rules, the Managing Director shall make an amendment in CSR Initiative vide an addendum issued for the policy which would be placed for approval/ post-facto approval of CSR Committee (if validly constituted under section 135 of the Companies Act, 2013) & Board of Directors of the company. Any addendum once made and approved by the Board of Directors of the Company from time to time shall form a part of the CSR Initiative of the CSR Policy of the company.
- vi. As per the guidelines for CSR expenditure of CPSEs issued by the Department of Public Enterprises (DPE) no. CSR-08/0002/2018-Dir (CSR) dated December 10, 2018, JKDFC CSR expenditure may be in line with a "Common Theme" for CSR expenditure may be identified by the DPE each year for implementation by CPSEs and around 60% of the corporation's CSR expenditure be allocated to activities related to the identified common theme for the year.

## **6. REPORTING AND DISCLOSURE**

- i. The Board's Report pertaining to a financial year commencing on or after the 1st day of April 2020 shall include an annual report on CSR containing particulars specified in Annexure II of Companies (Corporate Social Responsibility Policy) Rules 2014.
- ii. The board shall disclose the composition of CSR Committee, CSR policy and Projects approved by it on website for public access. Impact Assessment Report duly placed before the Board shall be annexed to the Annual Report on CSR. CSR initiatives shall be communicated to stakeholders through Company's Annual Report including Director's Report.
- iii. CSR initiatives by JKDFC are communicated through its website <https://www.jkdfc.org>.

## **7. FAILURE TO SPEND THE CSR MONEY**

- i. If the Company fails to spend the required amount in a particular financial year, it is the duty of the Committee to submit a report in writing to the Board of Directors specifying the reasons for not spending the amount, which in turn shall be reported by the Board of Directors in their Annual Report pertaining to that particular Financial Year and unless unspent amount relates to any ongoing project referred to its sub-section (6) of Section 135 of the Act transfer such unspent amount to a Fund specified in Schedule VII within a period of six months of the expiry of the Financial Year in accordance with the provisions of Sub-section (5) of Section 135 of the Act.
- ii. Unspent amounts relating to ongoing projects shall be transferred to a special Unspent CSR Account within 30 days from year-end and spent within 3 years.

## **8. UPKEEP AND MAINTENANCE OF ASSETS CREATED**

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 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
- c. A public authority.

The Companies should ensure that while creating or donating capital assets under CSR it must ensure that appropriate documentation — including declarations confirming asset ownership in the name of the public authority — is readily available. This promotes transparency, accountability, and effective auditability of CSR initiatives.

## **9. REVIEW & AMENDMENTS**

- i. The CSR Policy will be reviewed annually or whenever amendments are made to the Companies Act, CSR Rules, or DPE guidelines.
- ii. The Board may approve addendums to include newly notified activities under Schedule VII.
- iii. Effective Date: This revised CSR Policy shall come into effect from the date of approval by the Board of Directors and will remain in force until further modification.