

CORPORATE SOCIAL RESPONSIBILITY POLICY

OF

SMC GLOBAL SECURITIES LIMITED

(Framed under section 135(3)(a) of the Companies Act, 2013)

We at SMC, believe in growing together

(Originally adopted by the Board of Directors on 26th May, 2014 and amended on 9th June, 2020)

(Version 2021: Adopted by the Board of Directors on 7th June, 2020)

Preamble

Corporate Social Responsibility at SMC Global Securities Limited ('Company') goes beyond business and extends to the implementation of socially relevant activities for the benefit of the society at large. The Company's focus has always been to contribute to the sustainable development of the society and environment.

In terms of the provisions of section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules) including any statutory amendments or enactment thereof, the Company has formulated and adopted this Corporate Social Responsibility Policy (CSR Policy). This policy aims to serve as a guiding document to identify, execute and monitor CSR projects in keeping with the spirit of the law.

Vision

We at SMC believe that business enterprises are economic organs of society and draw on social resources. Accordingly, the Company believes in taking part in business operations in a socially responsible manner to meet the expectations of stakeholders. Apart from being socially responsible, the Company follows 'Triple Bottom Line' approach to build economic, social and environmental capital towards enhancing social environment sustainability. Based on this thought process, our focus has always been advancement of society and environment for present and future generations.

Definitions and Interpretations

For the purposes of this Policy references to the following shall be construed as:

1. **"Corporate Social Responsibility"** or **"CSR"** shall mean the activities intended to be undertaken by the Company in pursuance to the provisions of Companies Act, 2013.
2. **"Corporate Social Responsibility Committee"** or **"CSR Committee"** shall mean a committee of Board of Directors constituted as per the provisions of section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

3. **“Net Profits”** shall mean net profit of the Company as per the financial statements prepared in accordance with the applicable provisions of the Companies Act, 2013 but shall not include the following, namely:
 - a. Any profit arising from any overseas branch or branches of the Company, whether operated as a separate company or otherwise; and
 - 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.
4. **“Priority Projects”** shall mean such CSR projects which are selected by the CSR committee to be pursued by the Company in India.
5. **“Administrative Overheads”** means the expenses incurred by the Company for general management and administration of CSR functions but does not include expenses directly incurred for designing, implementation, monitoring, and evaluation of CSR projects/programmes.
6. **“Ongoing Projects”** shall refer to following:
 - a. Multi-year CSR projects or programmes undertaken by the Company not exceeding 3 years and excluding the year of initiation; and
 - b. Project which was not approved as a multi-year project but the duration of which has exceeded beyond one year.
7. **“Non-ongoing Projects”** shall refer to projects or programmes which are expected to be completed in same financial year of initiation.

Scope

This policy will apply to all projects/programs undertaken by the Company as CSR activities and will be developed, reviewed and updated by reference to the provisions of Companies Act, 2013 and CSR Rules including any statutory modification(s), amendments or re-enactments thereof.

Location for CSR efforts

The CSR committee shall determine the locations where the CSR spending must be disbursed. However, the same shall in all circumstances be within the Country.

CSR Committee

Company will institute a CSR committee of Board consisting of three or more directors, including one independent director and shall meet at least once in every financial year. The constitution or reconstitution of the committee shall be reviewed by the Board of Directors. The following shall be the terms of reference of the committee:

- a) To formulate and recommend to the Board of Directors, the CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act and the applicable Rules;
- b) To formulate/amend/alter the annual action plan in pursuance of the CSR policy of the Company;
- c) To ensure that before selecting any CSR project or programme for execution, the committee shall determine whether the Company intends to spend for an ongoing project or a non-ongoing project and recommend the same to the Board of Directors for their approval.
- d) To determine the CSR projects to be undertaken by the Company and determine the mode of execution i.e. either itself or through any implementing agency or any in collaboration with any other company;
- e) To formulate the CSR budget based on the CSR activities planned for the year;
- f) Ensure unspent funds, if any, are transferred to specified accounts/funds within the time stipulated in law;
- g) Ensure that any profit incurred from CSR activities are not treated as business profits and are either ploughed back in the same project or transferred to specified account/funds;
- h) To determine whether surplus expenditure of any financial year has to be set off with the CSR obligation of upcoming years;
- i) To obtain utilization certificates from the Chief Financial Officer of the Company and/or the implementing/external agencies executing CSR activities on behalf of the Company;
- j) To create an effective due diligence and monitoring mechanism for implementation of the approved CSR activities;
- k) To submit monitoring reports to the Board of Directors in respect of the CSR activities undertaken;
- l) Any other activity as may be required for executing CSR obligation in the Company or as may be required by law.

CSR Budget and Action Plan

The overall amount to be committed to CSR will be approved by the Board, however, the same should be at least 2% of the average net profits of immediately three preceding financial year. Within the budgeted amount, specific CSR projects will be allocated a specific amount which shall be approved by the CSR committee of the Board. Along with the budget, the CSR committee shall annually formulate an annual action plan in pursuance to the policy of the Company. The annual action plan shall also be recommended to the Board of Directors along with the CSR budget for their approval.

Priority projects

The Company has currently identified the following priority projects to be undertaken by the Company as CSR activities:

- a) Promoting education including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled.

- b) Protection and preservation of National Heritage, Art and Culture including restoration of buildings and sites of historical importance and works of art.
- c) Disaster Management
- d) Promoting health care including preventive health care and sanitation
- e) Rural development projects
- f) Contribution to Clean Ganga Fund set up by Central Government for rejuvenation of river Ganga.

Notwithstanding the listing of the priority projects, the CSR committee may accept CSR projects falling within the activities mentioned in Annexure 1, at its own discretion.

Process for undertaking CSR activities/projects

1. The CSR committee of the Company shall identify the list of probable CSR projects for every financial year and place before the Board for their evaluation and approval.
2. The CSR Committee shall decide the CSR programs and initiatives basis the vision and mission for CSR and recommend the same to the Board of Directors for their approval.
3. The CSR committee after identification of a CSR project, fix target spending and direct its team for execution of the projects/programs
4. The CSR committee will keep the Board informed by regular communications and updates, including providing updates on the progress of the projects and addressing issues/concerns, if any.
5. The committee shall also at regular intervals evaluate the performance of the projects and achievement of the targets.
6. The committee shall obtain utilization certificates/proofs from the external agencies executing CSR activities on behalf of the Company.
7. The committee and Board of Directors shall also obtain relevant certificate of disbursement of CSR funds from the Chief Financial Officer of the Company evidencing proper utilization of the funds.

CSR Expenditure

CSR expenditure shall consist of all expenditure including contribution to the corpus for projects and programmes relating to CSR activities, but does not include any expenditure which is not in conformity with the activities specified in Schedule VII of the Act. In this regard, the expenditure shall also include the administrative overhead incurred for the purpose of execution of CSR activities, however, the same shall be limited to 5% of total CSR expenditure for any financial year.

The Company shall comply with the following in below mentioned situations:

a) Excess expenditure

If the Company spends in excess of the statutory requirement, in any financial year i.e. the Company has spent more than 2% of average net profits of the last three years, the same may be set off against the CSR spending of immediately three succeeding years with approval of the Board of Directors.

b) Deficit expenditure

If in any financial year, the Company could not spend 2% of its average net profits, the Company shall transfer equivalent amount in the following manner:

- a. In case of on-going projects, the funds shall be transferred to the 'Unspent CSR account' of the Company within 30 days from the end of the financial year.
- b. In case of non-ongoing projects, the unspent CSR amount shall be transferred to the funds specified in Schedule VII of the Act or any other fund as may be specified by Government.

c) Profit/Surplus from CSR expenditure

If any Surplus/Profits arises out of CSR projects, the Company shall not be considered the same as business profits. On the other hand, the profits shall either be retained/ ploughed back in the same project or may be transferred to the 'Unspent CSR account' of the Company or any funds specified in Schedule VII of the Act.

If the Company utilises its CSR expenditure for the purpose of creation or acquisition of any capital asset, the same shall held by either section 8 company or registered trust or registered society having valid CSR Registration Number or any of the beneficiaries of CSR activities or any other public authority. However, in any case, the capital asset shall not be held by the Company.

Disbursement

The disbursement of funds will be either in tranches or a one-time payment depending on the nature of the project. The method of disbursement and utilisation shall be as may be decided between the Company and the agencies.

In this regard, the Company shall obtain periodic reports on the utilisation of funds from the implementing agencies or the internal CSR team of the Company. In furtherance to this, the Company shall also obtain a utilisation certificate from the Chief Financial Officer of the Company certifying that the funds shall be utilised for the purpose it was disbursed.

Implementation

The Company may implement the Company's CSR Programs through its own personnel or by contributing to its own group trust i.e. SMC Global Foundation or may execute CSR obligation in collaboration with other companies or through any other external

implementing agencies. In case the CSR committee decides to execute its CSR projects through any implementing agencies, the following principles have to be ensured:

1. The agency should be either a section 8 company or a registered trust or registered society and should be any of the following:
 - a. An entity established by the company, either singly or along with any other company registered under section 12A and 80G of Income Tax Act, 1961
 - b. An entity having a minimum track record of three years in similar activities and registered under section 12A and 80G of Income Tax Act, 1961
 - c. An entity established by Central Government or State Government
 - d. An entity established under the Act of Parliament or a State Legislature
 - e. Any such entity as may be permitted by the Government
2. In any case, an agency should have a valid registration number i.e. CSR Registration Number as allotted by the Central Government i.e. Registrar of Companies.
3. The agency should on periodic basis submit utilisation/execution reports to the Company.

Monitoring

A transparent monitoring mechanism for implementation of the CSR projects or programmes or activities undertaken by Company. In order to ensure proper utilisation and monitoring of CSR funds, the Company shall obtain following information from the implementing agencies:

- a) Acknowledgement receipt on receiving funds for CSR spending from the Company along with a document clearly specifying the projects for which the funds are disbursed by the Company;
- b) Periodic utilisation or progress report on actual spending by such implementing agencies;
- c) Confirmation report/certificate from such implementing agencies at the end of the financial year confirming that the funds are completely utilised for the CSR projects earmarked and no amount is remaining unspent;
- d) Utilisation certificate from the Chief Financial Officer of the Company confirming disbursement and utilisation of funds.

The aforesaid mechanism shall also apply in case where spending is executed through Company's own foundation. Further, where the Company determines to execute CSR projects on its own, the CSR team and personnel of the Company may periodically go for field visits or sample audits to determine the impact of CSR spending by the Company.

In this regard, the implementation module of the Company along with information received from various implementing agencies shall be placed on half yearly basis before the CSR committee. In furtherance, the CSR committee on the basis of information received, shall confirm proper monitoring of CSR activities to the Board of Directors.

Impact assessment

The Company shall undergo an impact assessment of its CSR projects i having an outlay of Rs. 1 crore or more, if the average CSR obligation of the Company exceeds Rs. 10 crores during the last three immediately preceding financial years.

The impact assessment shall be conducted for projects which have not completed more than one year. The Company shall select an independent agency for conducting the assessment and shall ensure that the expenditure for the assessment does not exceed 5% of total CSR expenditure during the FY or INR 50 lakhs, whichever is less.

In this regard, the Company may also voluntarily undertake impact assessment of any project as may be determined by the CSR committee and the Board of Directors.

Reporting

Pursuant to the provisions of section 135 of the Companies Act, 2013, the Company shall disclose such information as mandated by law in the annual report on CSR which shall also be annexed to the Board's Report of the Company.

Additionally, the composition of CSR committee, CSR policy and projects undertaken by the Company shall be disclosed on the corporate website of the Company.

Amendment to the policy

This CSR Policy can be amended at any time pursuant to recommendation of CSR Committee followed by approval of the Board of Directors.

ANNEXURE 1

List of activities that may be taken up by the Company pursuant to the provisions of Schedule VII of the Companies Act, 2013 including any statutory amendment or enactment thereof:

1. 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.
2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
3. 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.
4. 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.

5. 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;
6. Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows.
7. Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports
8. 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.
9. (a) Contribution to 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;
(b) Contributions to 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 Organisation (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).
10. Rural development projects
11. Slum area development
12. Disaster management, including relief, rehabilitation and reconstruction activities.