

## **ENVIRONMENTAL AND SOCIAL GOVERNANCE / CORPORATE SOCIAL RESPONSIBILITY POLICY**

### **Background**

Shapoorji Pallonji Finance Private Limited (“**SPFPL**” or “**Company**”) is registered as a Non-Deposit taking, Non-Banking Financial Company (“**NBFC-ND**”) with the Reserve Bank of India (“**RBI**”) in terms of Section 45IA of the Reserve Bank of India Act, 1934 (“**RBI Act**”). SPFPL is part of Shapoorji Pallonji Group. The Directions as applicable to systemically important non-deposit taking non-banking financial companies (NBFC-ND-SI) are applicable to SPFPL.

SPFPL is into the financing business and provides various types of secured and unsecured loans and other facilities.

### **Introduction**

SPFPL is committed to grow in a socially and environmentally responsible manner. The Company's Corporate Social Responsibility (CSR) / Environmental Social Governance (ESG) vision is to enable sustainable development and inclusive growth across communities through innovative socio economic and environmental interventions, in fulfilment of its role as a socially responsible corporate citizen. CSR / ESG is embedded in our values and reflects how we conduct business, develop products and services and deliver on our goals and commitments. As a Company, we follow responsible business practices in the geographies in which we operate. We rigorously review our business practices and policies and are continuing to simplify information for customers, maintain a strong risk culture and manage our businesses to be accountable to customers and stakeholders.

Our CSR / ESG approach, will continue to focus on building strong economies, helping communities thrive, promoting arts and culture and environmental sustainability.

### **Objective**

This Policy sets out the framework that guides all ESG / CSR initiatives and activities undertaken by the Company. This Policy is framed in accordance with the provisions of Section 135 of the Companies Act, 2013 read with the relevant Rules made there under. Any project or program that is exclusively for the benefit of SPFPL's employees would not be considered as CSR / ESG initiative, program, project or activity. The surplus arising out of the ESG / CSR projects, initiatives or programs or activities shall not form part of the business profit of SPFPL. The scope and ownership of this Policy will be with SPFPL and shall be governed by the applicable Indian laws.

The Policy is guided by SPFPL's vision to integrate environmental protection and social development into its mandate in a proactive manner in order to contribute towards sustainable development of the economic socio conditions. To achieve a balance between developmental imperatives, and environmental sustainability and social well-being in its operations, SPFPL:

(i) Gives due consideration to environmental and social (E&S) aspects in examining the credit proposal and financing projects in order to avoid, minimize, and mitigate environmental and social adverse impacts and risks, if any; and

(ii) to comply with applicable Indian environmental and social policies, laws, and regulations.

### **Scope & Focus Areas**

In accordance with the provisions of the Companies Act, 2013 (Act), the scope and focus areas of the Company's CSR / ESG policy, amongst other activities enumerated in Schedule VII of the Act, will be as below:

- (i) Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive healthcare and sanitation (including contribution to the Swachh Bharat Kosh set up by the Central Government for promotion of sanitation) and making available safe drinking water;
- (ii) Promoting 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, 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;
- (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 arts and handicrafts;
- (vi) Measures for the benefit of armed forces veteran, war widows and their dependents;
- (vii) Training to promote rural sports nationally recognized sports and Olympic sports;
- (viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- (x) Rural development projects;
- (xi) Slum area development;
- (xii) Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs);
- (xiii) disaster management, including relief, rehabilitation and reconstruction activities;
- (xiv) Such other areas and activities as enumerated in Schedule VII of the Companies Act, 2013; and
- (xv) Such other areas and activities as may be notified by the Central Government, the Ministry of Corporate Affairs; etc eligible for CSR purposes.

Currently, the Policy, *inter alia*, includes the activities enumerated in Schedule VII of Companies Act 2013, the scope and focus of the Policy shall be modified from time to time in accordance with the applicable laws.

SPFPL shall give preference to the local area and areas around it where the Company operates, for spending the amounts earmarked for ESG / CSR Projects.

### **Governance/Operational Framework**

#### **ESG / CSR Committee**

Section 135 of the Companies Act, 2013 requires a ESG / CSR Committee to be constituted by the Board of Directors ('Board') of the Company. The ESG / CSR Committee is the governing body that will promote, function, operate and perform all matters related to and/or ancillary with regard to the focus areas and ensure compliance with this Policy under the supervision and guidance of the Board.

**Modalities**

The ESG / CSR Committee will ensure screening, vetting and shortlisting of various projects and proposals and recommend the amount of expenditure to the Board for approval.

**Implementation, Monitoring & Documentation**

To the extent possible, funding for CSR / ESG projects/activities will be for such period as may be determined by the Board, with potential for future funding contingent on programming and outputs assessed from the interim and final reports provided by ESG / CSR Committee as per applicable laws.

The Company will institute a robust monitoring mechanism for all ESG/CSR programs, generating annual progress reports. These reports will be reviewed by the ESG / CSR Committee with an aim to assess the impact of our ESG / CSR interventions (either new or ongoing), including but not limited to the modalities of utilization of funds on such projects or programs or activities and the monitoring and reporting mechanism, etc. These reports will also form the basis of any external reporting that is required under the Companies Act, 2013.

**Review & Amendments**

The Board shall review this Policy at least annually and the Policy may be amended from time to time by the Board on the recommendation of the ESG/CSR Committee.

**Disclosures**

The Annual Report of the Company shall include a report on ESG/CSR activities containing the following particulars as prescribed under the Companies Act, 2013 and rules framed thereunder, as amended from time to time:-

- (a) Description of contents of the Policy;
- (b) An overview of the activities and reference to the web-link to the Policy and projects or programs on the website of the Company;
- (c) The composition of the ESG/CSR Committee;
- (d) Average net profit for the preceding 3 financial years;
- (e) Prescribed expenditure;
- (f) Details of amount spent in the prescribed format;
- (g) Amount unspent, if any, and reasons for not spending the amount;
- (h) Responsibility statement of the ESG/CSR Committee that the implementation and monitoring of the Policy is in compliance with the ESG/CSR objectives and the Policy;
- (i) Such other matters as may be specified from time to time for inclusion in the annual report.