

Corporate Social Responsibility Policy

Version Control:

Name	Corporate Social Responsibility Policy
Owner of the document	CSR Team
Last Policy Update	July, 2022
Revision	March, 2024
Reasons for Revision	To incorporate the suggestions made by the CSR Committee

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1. Introduction & Background

- 1.1 Central Depository Services (India) Limited (CDSL) is India's leading and only listed depository, with an objective of providing convenient, dependable and secure depository services at affordable cost to all market participants. CDSL received its certificate of commencement of business from SEBI in February 1999 and it facilitates holding and transacting in securities in the electronic form and facilitates settlement of trades on stock exchanges.
- 1.2 The Corporate Social Responsibility Policy ("CSR Policy") of Central Depository Services (India) Limited has been formulated by the CSR Committee and approved by the Board of Directors. This policy aims to contribute towards sustainable development of the society and environment to make planet a better place for future generations.
- 1.3 The CSR Policy is formulated in accordance with the provisions of section 135 of the Companies Act, 2013 and rules made thereunder and other applicable laws to the company.

2. CSR Vision

- 2.1 Enriching lives to create a healthier and happier world in which everyone can thrive through social, environmental and economic progress in ethical manner, with transparency and by adopting better corporate governance, continuously.

3. CSR Mission

- 3.1 The company's mission will be to undertake CSR activities as mentioned in Schedule VII of the Companies Act, 2013, however the focus areas of these activities will be on the following aspects:
- a) **Contribution towards Social Causes**
- i. promoting education and healthcare
 - ii. empowering women, support to children/elderly
 - iii. environmental sustainability
 - iv. rural development and livelihood enhancement

- b) **Contribution towards Research & Innovation Projects** on public funded universities engaged in conducting research in science, technology, engineering and medicine or on autonomous bodies established under national research institutions.
- c) **Contributing towards disaster aid management**

4. Definitions

- a) “Act” means the Companies Act, 2013.
- b) “Board of Directors” or “Board” means the collective body of the directors of the company.
- c) “Company” means “Central Depository Services (India) Limited” (CDSL).
- d) “CSR Committee” means Corporate Social Responsibility Committee constituted by the Board of Directors of the company.
- e) “CSR Policy” means CSR Policy of Central Depository Services (India) Limited (CDSL).
- f) “CSR Rules” means the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time.

Any term used in this policy but not defined herein shall have the same meaning assigned to them under the Act and CSR Rules as applicable to the company.

5. CSR Philosophy

- 5.1 CDSL firmly believes that the Corporate Social Responsibility must go beyond the scope of corporate philanthropy in execution to ensure that the target beneficiaries are truly better off and as such leaves a perceptible impact on their lives. Therefore, the CSR activities that CDSL undertakes are such that the target beneficiaries are not based on any caste, creed, religion, region, language or any other criteria which negates basic tenets of humanity. It also aims to involve / engage the employees of the company / group companies in order to nurture a culture of “paying back to society” which leaves them with a sense of fulfilment of their social commitments.

6. Scope and Applicability

6.1 This policy is applicable to CDSL.

7. Composition and Functions of CSR Committee

7.1 CDSL has constituted a robust and transparent governance structure to oversee the implementation of its CSR Policy, in compliance with the requirements of Section 135 of the Companies Act, 2013 read with the CSR Rules. The Board of directors of CDSL have formed a CSR Committee, which will report to the Board of Directors of CDSL.

7.2 CDSL CSR Committee shall consist of at least 3 (three) Directors or more, out of which at least 1 (one) Independent Director / Public Interest Director, as per the requirement of the Companies Act, 2013.

7.3 The CSR Committee will carry out the following functions:

- a) 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;
- b) To recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
- c) To formulate and recommend an annual action plan in pursuance of CSR Policy covering the following aspects:
 - i. the list of approved CSR projects or programs to be undertaken in areas or subjects specified in Schedule VII to the Act;
 - ii. the manner of execution of such projects or programs as specified in rule 4(1) of CSR Rules;
 - iii. the modalities of utilisation of funds and implementation schedules for the projects or programs;
 - iv. monitoring and reporting mechanism for the projects or programs; and
 - v. details of need and impact assessment, if any, for the projects undertaken by the company;
- d) Recommend changes to the Board, if any, needed in the annual action plan with reasonable

justification to that effect.

- e) To monitor the CSR Policy as approved by the Board from time to time.

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

- i. Selection of CSR projects / programmes / activities
- ii. Implementation of CSR projects / programmes / activities
- iii. Monitoring of CSR projects / programmes / activities
- iv. Formulation of the annual action plan

8. Selection of CSR Themes

8.1 The CSR themes will be selected from the focus areas mentioned in the CSR Mission statement above (Refer section 3.1). The focus areas are as per the CSR activities mentioned in the Schedule VII of the Companies Act, 2013.

8.2 On an annual basis, the CSR Team will review the top India level CSR Reports to analyse the CSR trends in India. The following indicative trends will be analysed in these reports:

- a) CSR Priority Areas
- b) CSR Sectoral fund Allocation
- c) CSR Spent Across Major Thematic Areas
- d) State wise distribution of CSR Funds
- e) Modality of Implementation

8.3 After analysing these reports, the CSR team will shortlist the proposed themes for the next financial year. The shortlisted themes and rationale will be placed before the CSR Committee for review and approval.

9. Selection of CSR Partners and Projects

9.1 The CSR team will use the following sources to approach the CSR partners based on the approved themes:

- a) Existing CSR Partners subject to an overall satisfactory performance
- b) Award winning CSR Organizations
- c) Information gathered through CSR Journals
- d) CSR Partners approaching CDSL through National eXchange Portal
- e) CSR Partners approaching CDSL directly or through references

9.2 A list of proposed CSR Partners will be created. Partners will be shortlisted based on the CSR themes approved by the CSR Committee. The partners will be further shortlisted based on the selection criteria mentioned below:

a) Selection Criteria:

- i. CSR partners shall be of Indian Origin only
- ii. Relevant domain expertise
- iii. Well planned methodology and Impact to the society
- iv. Organisations serving in National Interest

b) Location Criteria:

- i. PAN India coverage (including aspirational areas)
- ii. Border Areas
- iii. Areas with CDSL presence
- iv. Any other area based on need assessment.

9.3 The shortlisted CSR partners and projects will be evaluated as per the prescribed evaluation matrix for Existing and New Projects.

Refer **Annexure I**: Evaluation matrix for Existing projects

Refer **Annexure II**: Evaluation matrix for New projects

Refer **Annexure III**: Shortlisting procedure of Existing and New CSR projects

9.4 In order to ensure that the CSR Funds are distributed amongst various approved themes, the CSR funding has been capped at a maximum of Rs. 1 Crore per project. However, the figure of Rs. 1 Crore shall be reviewed annually.

9.5 The proposed Annual Action Plan will be placed before the CSR Committee for review and approval.

10. Due Diligence

10.1 As per the proposed Annual Action Plan, due diligence will be conducted by an external vendor, for the approved CSR projects . The Due diligence process will be carried out based on the below mentioned parameters for the CSR projects prior to onboarding of the partner.

10.2 The due diligence will be performed as per the following parameters:

- a) Financial viability of the CSR partner
- b) Ethics and Compliance
- c) Governance structure
- d) Environment and Operations
- e) Project proposal evaluation

10.3 Once a clean due diligence report is received, agreement with respective CSR partners will be initiated.

11. Monitoring & Evaluation

11.1 Monitoring & Evaluation of CDSLs approved projects will be performed internally as well as externally. An external vendor will be appointed for monitoring & evaluation of projects where:

CSR projects is Rs. 50 Lakhs OR
10% of Annual CSR expenditure
Whichever is higher

11.2 The above-mentioned thresholds are subject to review on an annual basis.

11.3 Internal monitoring & evaluation is done for projects not covered above. CDSL CSR team conducts monitoring & evaluation through the following:

- a) Site visits & virtual Visits
- b) Monitoring the pre-defined targets within agreed timelines
- c) Regular calls with the partners

11.4 It shall be noted that, reassessment will be done for the projects running continuously for a period of 3 years.

12. Exit Strategy

12.1 The CSR team shall evaluate an exit strategy for the CSR partners in case the following scenarios occur:

- a) CSR Partner fails to deliver the project on time.
- b) CSR Partner decides to discontinue its operations.
- c) CSR Partner informs that the funds will not be completely utilized.
- d) Any other reason leading to discontinuing the agreement with the CSR partner.

12.2 CSR Team shall propose to use the unutilised funds for any other ongoing CSR project (subject to need assessment) or a new CSR project. Such a proposal shall be presented to the CSR Committee for approval and further Board approval.

12.3 Once the exit strategy is approved, the CSR team will implement it.

13. Geographic Reach

13.1 It should be endeavoured to spend amount earmarked for CSR across the country including Border areas and the areas where it operates. However, the Committee may identify such areas other than stated above, as it may deem fit and recommend it to the Board for undertaking CSR activities.

14. Annual Action Plan

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

- a) the list of CSR projects or programmes that are approved and to be undertaken by the company
- b) the manner of execution of such projects or programmes
- c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- d) monitoring and reporting mechanism for the projects or programmes; and
- e) details of monitoring and evaluation, if any, for the projects undertaken by the company.

The Board of Directors are empowered to alter the annual action plan during the financial year, if so, recommended by the CSR Committee, based on the reasonable justification for such change.

15. CSR Spending

15.1 CDSL's total budget for the CSR projects will be reviewed and approved by the CSR Committee and Board of Directors in accordance with applicable provisions of the Companies Act, 2013 and CSR

Rules.

15.2 The company shall endeavour to achieve the objectives of CSR Policy and allocate every year:

- a) Minimum 2% of its average net profits made during the three immediately preceding financial years
- b) Any income or surplus arising out of the CSR activities, projects or programs shall not form part of the business profit of the company and the same shall be ploughed back for use in CSR activities

All the expenditure relating to CSR shall be pre-approved by the CSR Committee. The CFO shall monitor the utilization of funds for the purposes set forth and certify to this effect.

Unspent CSR amount, if any, shall be transferred to separate account in accordance with the applicable CSR Rules from time to time.

15.3 The tax treatment of CSR spent will be in accordance with the Income Tax Act, 1961 as may be notified by the Central Board of Direct Taxes.

16. Mode of Implementation

16.1 CSR programs, projects or activities of the company should be implemented through following methods:

- a) Directly by the company;
- b) Implementing Agencies;
- c) Any foundation or body incorporated by the company and eligible to undertake such CSR projects.
- d) in collaboration with other organizations/group companies

While the company can engage suitable Implementing Agencies to undertake approved CSR projects. The company can also partner with local governance bodies, such as Gram Panchayats, Civic Bodies, Municipality to directly undertake approved CSR projects with the help and support of these bodies.

17. Information dissemination

17.1 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.

18. Review

18.1 The CSR Committee shall be fully responsible for the monitoring and review of the implementation of this policy in accordance with applicable laws from time to time. The CSR Committee shall provide recommendations as and when it deems necessary to the Board to amend/ modify/ revise the CSR Policy.

Annexures

Annexure I: Evaluation Matrix for Existing Projects:

CSR Partners	Evaluation Criteria										Total Score	Ranking
	80% weightage					20% weightage			TOTAL			
	Achievement v/s Targets	Fund Utilisation & Regular Updates	Minimum Budget Revisions	Feedback from Site Visit/Virtual Events	Administrative Expenses borne by CDSL/Agency	Swift & Satisfactory Responses	Documentation & Reporting Framework	Minimum Complaints Received	80%	20%		

Annexure II: Evaluation Matrix for New Projects:

New CSR Partners/ Other Proposals Evaluated	Evaluation Criteria											TOTAL			Total Score
	60% weightage					30% weightage			10% weightage						
	Relevant domain expertise	Themes & Locations	Problem Statement & Solutions	Proposal Plan & Methodology	Administrative Expenses borne by CDSL/Agency	Infrastructure & Organisational Capacity	No Red Flags in Audited Financials	Empanelment with Other Corporates / Donors	Awards & Recognition	Referral Check	60%	30%	10%		

Annexure III: Shortlisting procedure of Existing and New CSR Projects:

