



CSR AND SUSTAINABILITY POLICY

Sagarmala Finance Corporation Limited

(Formerly Sagarmala Finance Corporation Limited)

CSR AND SUSTAINABILITY POLICY

Philosophy

Sagarmala Finance Corporation Limited (SMFCL) is a premier state-owned enterprise that came into existence in 2016. It falls under the administrative control of Ministry of Shipping. It is also committed to continuously upgrade its CSR interventions for the betterment of communities in and around our project sites and within the local area of registered office.

SMFCL shall lay balanced emphasis on all aspects of CSR and Sustainability with regard to its internal operations, and its response to externalities.

SMFCL's approach to CSR and Sustainability is that of leveraging its core competencies and technical capabilities in enhancing social and environmental value creation thereby adopting the "shared value" approach, wherever possible, in their routine business operations.

Vision

To contribute to inclusive growth and equitable development in our areas of operations by partnering with internal and external stakeholders and leveraging CSR for business value creation.

Scope and applicability

This policy shall be applicable to all office and employees of SMFCL.

Planning and selection of projects

Annual CSR plan shall:

- Specify CSR and Sustainability projects planned to be undertaken in a year
- Define responsibilities of the designated authorities to be engaged in this task
- Prescribe measurable and expected outcome and impact of the projects

****Geographical Area** - "SMFCL by the very nature of its business has its activities spread pan India across all the States and Union Territories. Hence, CSR activities may be taken up at any location within the country. SMFCL may take up CSR activities/projects at any location of their choice within the country, as they have no specific geographical boundaries of commercial operations. The company may decide to undertake CSR and Sustainability projects in any backward areas/aspirational districts (as notified by Niti Ayog) to the extent possible."

SMFCL will priorities activities pertaining to:

*CSR

- i) "All the activities consistent with the CSR provisions of the Companies Act 2013, Schedule VII of the Companies Act 2013, CSR Rules, the Guidelines and the policy directions issued by the Government from time to time".

**Amendment made by the Board of Directors on 25th March, 2025*

*** Amendment made by Board of Directors on 19th August, 2025*

Environment sustainability

It includes projects for water, waste or energy management, promotion of renewable sources of energy, biodiversity conservation, etc. Projects or reduction, re-use and recycle of waste materials, rainwater harvesting and replenishing the ground water supply, protection, conservation and restoration of eco-system, reduction of carbon emissions, greening the supply chain, and innovation in products and services.

Before taking any final decision on the selection of any CSR and Sustainability project, SMFCL would get a study done to assess the needs of the intended beneficiaries for a realistic assessment of the resource inputs required for the expected level of social I economic I environmental impact through the implementation of the activity I project.

CSR budget

The annual CSR budget will be at least 2% of the average net profits of the Company made during the three immediately preceding financial years. This is in accordance with the provisions of Section 135 of Companies Act 2013. For this purpose, the net profit and average net profit shall be calculated in accordance with Section 198 of the Act read with the CSR (Corporate Social Responsibility Policy) Rules, 2014.

The budget allocated for CSR and Sustainability activities I projects planned for each financial year is expected to be spent within that year. If due to some reason, the budget of a year remains unutilized, the same would be carried forward to the next year.

SMFCL shall disclose reasons for not being able to spend the entire budget on CSR and Sustainability activities as planned for that year and shall make every endeavour to spend the unutilized budget of any year within the next two financial years. In case SMFCL is unable to spend the unutilized budget within the next two financial years, the unspent amount would be transferred to a 'Sustainability Fund' to be created separately for CSR and Sustainability activities. The surplus arising out of CSR activities will not be treated as a part of business profits of the company.

Implementation

CSR and Sustainability projects shall be implemented in a project mode as far as possible, which involves listing 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. Clear responsibility and accountability would be assigned to the designated officials, agencies entrusted with the task of implementation.

SMFCL may seek the services of external agencies for implementation of those CSR and Sustainability projects which require specialized skills not available with the company. However, in activities where company possesses core competence, SMFCL may take up implementation of that CSR activity.

These implementing agencies should have a good track record of three years of experience, should be registered as a society, trust or a Section 8 company, and should produce annual reports, last three years audited accounts statements and other financial documents. SMFCL may join hands with other CPSEs and pool its resources for undertaking joint venture projects that have scalability and greater social impact. Company may build CSR capacities of their own personnel as well as those of their implementing agencies through institutions with established track records of at least three financial years.

Such expenditure shall be capped at five percent of total CSR expenditure of the company in one financial year.

Monitoring

SMFCL shall have a Board-level committee called CSR & Sustainability Committee headed by either the MD, or an Independent Director. The Committee shall monitor implementation of CSR and Sustainability Policy. A Nodal Officer, supported by other officers, will be responsible for the implementation of CSR and Sustainability policy.

The CSR & Sustainability Committee will convene quarterly to review projects in the annual CSR plan in terms of progress, financial monitoring, and outcome assessment. The Committee will review the strategy from time to time and may choose new focus areas and projects and when required. Monitoring of specific projects will be decided by the nature of the project, and the monitoring process and periodicity will be outlined in the project plan

The CSR & Sustainability Committee may direct its Nodal Officer or an external agency to carry out baseline studies, need assessments, project visits, or impact studies, or any other, if and as required especially for the strategic and high value CSR programmes.

Reporting and disclosure

Annual report on CSR activities to be included in the Board's report as per the format mentioned in section 135 of Company's Act, 2013, CSR Rules and same shall be displayed in the company's website, in the prescribed format. In order to ensure transparency and communication with all stakeholders, the CSR & Sustainability Policy will be uploaded on the Company website.

Guidelines: Supplementary to the CSR and Sustainability Policy of SMFCL

CSR and Sustainability Policy shall adhere to provisions contained in execution of MOU with Govt. of India and Govt. guidelines, issued in this regard, while keeping in mind the global standards, the UN Global Compact and the UN Millennium Development Goals. Mandatory compliance with legal requirements / rules / regulations / laws in such activities will be covered in letter and in spirit.

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Introduction

Corporate Social Responsibility (CSR) is the process by which managers of an organization think about and evolve their relationships with stakeholders for the common good and demonstrate their commitment in this regard by adoption of appropriate business processes and strategies. CSR and Sustainability is a company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical. Stakeholders include employees, investors, shareholders, customers, business partners, clients, civil society groups, Government and non-government organisations, local communities, environment and society at large. CSR and Sustainability is essentially a way of conducting business responsibly and improving quality of life by ensuring people's participation in all CSR endeavors.

Strategy

- a) The data / information collected through this study before the commencement of the project proves useful in impact assessment after the completion of the project. Baseline surveys are generally useful scientific tools.
- b) Infrastructural development for the benefit of the marginalised and under privileged sections of the local communities and backward regions so that avenues are created for their employment and income generation. The backward districts referred to here are those which have been identified by the Planning Commission, Government of India for its Backward Region Grant Fund (BRGF) Scheme
- c) SMFCL will select one such backward district for initiating CSR and Sustainability projects with a prior assessment of the expected level of beneficial impact on the largest number of stakeholders from the budget and other resources at its disposal for such a project.
- d) SMFCL may take up long gestation, high impact projects from the budget allocated for CSR and Sustainability activities, calculate the estimated total cost of each such project and commit that amount for long term expenditure till the completion of the project. However, such long- term projects would be broken down into annual targets and activities to be implemented sequentially and yearly basis, and the budget would be allocated for the implementation of these activities and achievement of targets would be set for each successive year, till the final completion of the project.
- e) SMFCL shall select one project in each of the two categories of CSR and Sustainability activities mentioned above. Besides SMFCL shall take up other projects activities also to fully utilize their annual budget for CSR and Sustainability.
- f) SMFCL will devise a consultative mechanism to get feedback on the expectations of key stakeholders. Central / State Government and/or District / local administration, Gram Sabhas and Panchayati Raj institutions at the village level would be consulted, as far as possible, in planning for CSR and Sustainable projects.
- g) Reputed and recognised, not-for-profit institutions which have the expertise and professional competence for conducting training, skill development and other capacity building activities that promote sustainable development and help in realisation of UN Millennium Development Goals can be supported by SMFCL through CSR and Sustainability initiatives.

Expenditure

- a) At least 80% of the annual budget earmarked for CSR and Sustainability activities shall be spent on implementation of activities in the project mode. The activities not implemented in project mode will be in conformity with the Govt. guidelines. CSR budget may also include expenditure on on-going CSR/developmental activities i.e., hospitals, schools etc. which may be calculated for non-SMFCL residents on pro rata basis.
- b) Up to 5% of the annual budget for CSR and Sustainability activities would be earmarked for Emergency needs, which would include relief work undertaken during natural calamities, disasters, and contributions towards Prime Minister's, Chief Minister's Relief Funds and/or to the National Disaster Management Authority. Such contributions would count as valid CSR and Sustainability activities. In case this amount is not utilised in the year of its allocation, it would be carried forward to the next year for utilization in CSR and Sustainability projects, which if not spent within two years would be transferred to the Sustainability Fund.
- c) The expenditure incurred on baseline survey / need assessment study, on capacity building programs such as training, workshops, seminars, conferences, etc. and on corporate communication strategies for engagement of all stakeholders, whether internal or external, to implement the CSR and Sustainability agenda of SMFCL, would be accounted for as CSR and Sustainability expenditure from the budget

allocated for this purpose.

- d) The payments to the not for profit organizations, shall be made on mutually agreed payment terms.

Target Group

Generally, the employees of SMFCL would not be the direct beneficiaries of the activities undertaken with the budget allocated for CSR and Sustainability initiatives in any given year. However, an exception can be made in case of schools, hospitals, training institutes and other such infrastructure which are created primarily for environment protection and/or for the benefit of underprivileged communities, deprived sections and the society at large, but the facilities of which are availed by the employees and their families also, provided that the latter category does not constitute more than 25% of the total number of beneficiaries of such facilities. The capital cost involved in the creation of such facilities and the annual cost incurred on the maintenance of such infrastructure can be borne from the CSR and Sustainability budget of SMFCL.

CSR Agenda

- a) SMFCL will have:
 - i) A CSR agenda which is internal to the organization. It is SMFCL's mandate to conduct business in a socially responsible way by maintaining high level of organisational integrity and ethical behaviour; conforming to the expected standards of transparency; adopting commercial operations and management practices that promote social and environmental sustainability; and, retaining the trust and confidence of the investors and shareholders by matching its financial performance with equally commendable achievements in non-financial parameters.
 - ii) A CSR policy which addresses externalities.
 - iii) Both are important and complementary to each other.
- b) The active involvement of the top management together with the collective and united effort of all the employees, will make CSR and Sustainability policy a success. The employees will be provided with necessary education and training.

Monitoring

- a) Monitoring goes concurrently with implementation as it helps to assess whether the progress is on expected lines in terms, of timelines, budgetary expenditure and achievement of physical targets.
- b) In impact assessment studies, monitoring may be done by an external agency and the staff of SMFCL may be associated with it. In any case, evaluation shall be assigned to an independent external agency for the sake of objectivity and transparency.

Stakeholder Engagement

CSR and Sustainability policy of SMFCL will also address the concerns of the external stakeholders - those who are directly impacted economically, socially, or environmentally by the operations and activities of the company, and those who may not be directly impacted, like communities and society at large.

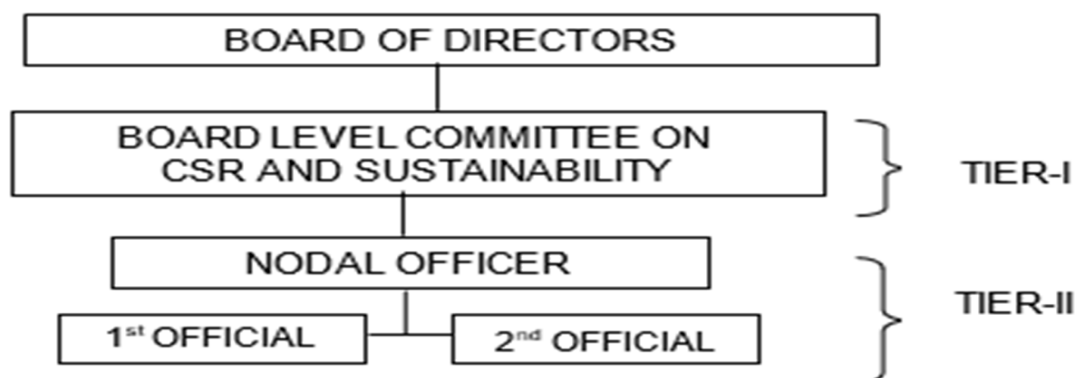
Documentation

- a) Documentary and other record of the progress made or success achieved in implementing these projects, activities would be meticulously maintained for the purpose of audit, and for Sustainability reporting and disclosure to all stakeholders.

- b) Baseline survey data, beneficiary details, action plan, payment procedure, fund utilization certificates, project completion certificates, impact assessment report will be maintained for audits and other requirements of future.

Organization Setup for CSR

- a) The composition of the committee would be decided by the BOD of the company, but it shall mandatorily have at least one Independent Director as a member of this Committee.
- b) In case the Board level committee on CSR and Sustainability is neither headed by MD, nor by an Independent Director, and in case an Independent Director is not a member of this committee, SMFCL would still allocate budget for CSR and Sustainability activities every year, depending upon the profitability criteria. However, in such cases the entire amount allocated for CSR and Sustainability activities would be transferred to 'Sustainability Fund'.
- c) SMFCL would appoint a Senior officer, to function as the Nodal Officer. The designated Nodal Officer with his team of officials will regularly submit reports regarding the progress in the implementation of CS Sustainability activities to the committee headed by MD/ Independent Director who in turn, will periodically submit the reports to the BOD for their information, deliberation and necessary directions.
- d) The Board level committee headed by MD/ Independent Director and the below Board level team headed by the Nodal Officer together constitutes the two-tier organizational structure within the organisation to steer the CSR and Sustainability agenda of the company as depicted below:



Reporting

Contents of the CSR Policy would be disclosed in Board's report. The Board's report in the prescribed format will include the following:

- a) A brief outline of the CSR policy, including overview of projects proposed to be undertaken and a reference to the web link to the CSR Policy and projects.
- b) Composition of the CSR Committee
- c) Average net profit for last three FYs
- d) Prescribed CSR Expenditure
- e) Details of CSR spent during the financial year in the prescribed format
- f) In case the company fails to spend the 2% of average net profit of the last three FYs or any part thereof, Board Report shall disclose reasons for the same.
- g) A responsibility statement of the CSR committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the company.
- h) The report would be signed by:
 - i) Chief Executive Officer or Managing Director or Director or;
 - j) Chairman of the CSR Committee

IMPACT ASSESSMENT:

- a) Impact assessment has a wider implication than mere outputs or outcome, which are generally associated with accomplishment of set targets and goals at various stages of progress in implementation. Whereas, impact is the cumulative effect of outcome(s) of the development process - affecting society, economy and environment.
- b) The ultimate test of success of any CSR and Sustainability activity, project is its social, economic or environmental impact. The impact of the completed activity, project would be measured to determine the degree of its success or failure.
- c) At the time of impact assessment, a well-documented baseline survey or need assessment study would be done for comparison of data.
- d) SMFCL may carry out impact assessment study through specialized agencies as this requires specialized skills.
- e) SMFCL would endeavour to take up larger projects, even if fewer in number, for greater social, economic or environmental impact, and get impact assessment studies done after their completion and necessary minimum gestation period.

Selection of Executing Agencies

While engaging or partnering with external agencies, care would be exercised in selecting only such specialised agencies which have the necessary capabilities and expertise to implement CSR and Sustainability projects.

The top management of SMFCL is deeply involved and genuinely concerned in carrying forward the agenda of CSR and Sustainability. Hence, care will be taken to sensitize the employees. The philosophy and spirit of CSR and sustainability is being imbibed by the employees at all levels, which will reflect in all the activities, processes, operations and transactions of the enterprise.