

PAHAL FINANCIAL SERVICES PRIVATE LIMITED

Corporate Social Responsibility Policy

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Corporate Social Responsibility Policy

Preamble

Pahal Financial Services Private Limited (hereinafter referred as 'PF SPL') is registered as a Non-Banking Financial Company (NBFC- MFI) under Reserve Bank of India under Section 45 IA having its registered office in Ahmedabad (Gujarat). It has been involved in microfinance and have its operations in Gujarat, Rajasthan, Madhya Pradesh, Maharashtra, Bihar, Chhattisgarh, Haryana, Tamil Nadu, Uttar Pradesh, Telangana and Puducherry.

Scope and applicability of CSR

With the promulgation of the Companies Act, 2013 (Act) and the notification of Section 135 of the Act read with the Schedule VII to the Act, dealing with the aspect of Corporate Social Responsibility as also of the Rules laid down to such effect to the Act, it has become mandatory for the corporate entities falling within the purview of the limits as to Net worth, Turnover or Profitability as laid down in the said section read with the CSR rules, to undertake any one or more of the activities as laid down thereunder, towards the discharge of their responsibility towards the society in general (the 'Corporate Social Responsibility' or briefly 'CSR').

This policy (Corporate Social Responsibility Policy) is made in accordance with and to comply with the provisions of section 135 of the Companies Act, 2013 and Rules framed there under and hence would be governed by the Act and related applicable rules for the time being in force.

Objective

The Company understands that being part of this society this is their moral responsibility to aid and serve the society to the maximum possible extent. The Company aims to work towards the inclusive and sustainable growth of the community in and around the areas of operations of the Country and to support education & skill development, to promote financial inclusion and literacy, enhance healthcare and sanitation initiatives, empower underprivileged communities through social welfare programs. The Objective of this CSR Policy is to improve the quality of life of people by laying down the guiding principles in undertaking various programs and projects by or on behalf of the company relating to Corporate Social Responsibility ("CSR") within the meaning of section 135 of the Companies Act, 2013 (modified/amend from time to time) read with Schedule VII (as amended from time to time) of the Act and rules made thereunder as amended from time to time.

Definitions

"Act" – Act hereinafter means The Companies Act, 2013.

"Administrative Overheads" – means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or program.

"Board" – means Board of Directors of the Company.

"CSR" – means Corporate Social Responsibility and includes but is not limited to;

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- Projects or programs relating to activities specified in Schedule VII to the Act; or
- Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the Company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.

“Corporate Social Responsibility Activities” – CSR Activities

“Committee” – means the Corporate Social Responsibility Committee of the Board.

“On-going Projects” – means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.

“Policy” – means Corporate Social Responsibility Policy or CSR Policy

“Net Profit” – means the net profit of the Company as per its Financial Statements prepared in accordance with the applicable provisions of the act.

For the purpose of this CSR Policy, ‘Net Profit’ shall be calculated in accordance with the provision of Section 198 of the Companies Act, 2013.

“Turnover” – as per section 2(91) of the Companies Act, 2013 means the gross amount of revenue recognized in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year;

Applicability

The policy shall be applicable to all CSR activities of the company whether carried on by its own or through any registered Trust/ registered Society/ Company formed under section 8 of the Act or such other implementation agency/ authority as may be allowed under the Act/ Rules framed from time to time and notified.

As per the Companies (Corporate Social Responsibility Policy), Rules 2014, any registered Trust/ registered Society/ Company formed under section 8 of the Act or such other implementation agency/ authority as may be allowed under the Act/ Rules, who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar.

CSR Committee

Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board. Where the amount to be spent by a company under sub-section (5) does not exceed fifty lakh rupees, the requirement under sub-section (1) for constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.

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Formation:

- a) The Board shall form a Corporate Social Responsibility Committee if required consisting of such number of directors as are required to be member of such Committee under the extant provisions of Companies Act, 2013;
- b) The Committee can call any further invitees who are expert in the field of CSR Activities or are involved in implementing the CSR policy of the Company;
- c) CSR initiatives of the Company must be aligned with business strategy and CSR strategy must clearly define objective, milestones and payback;
- d) The Secretary to the Board shall act as Secretary to the Committee.

Terms of Reference:

The Terms of reference of the Committee shall include but not limited to the following:

- a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013
- b) Recommend the various CSR Activities to be undertaken by the Company;
- c) Recommend the amount of expenditure to be incurred on the recommended CSR activities; Spend the allocated CSR amount on the CSR activities once it is approved by the Board of Directors of the Company in accordance with the Act and the CSR Rules;
- d) Prepare a transparent monitoring mechanism for ensuring implementation of the projects/ programs/ activities proposed to be undertaken by the Company;
- e) The Committee shall have the authority to discharge its responsibilities, including the authority to retain and terminate the engagement of such consultants and counsels as the Committee may deem necessary or helpful in carrying out its responsibilities and to establish the fees and other terms for the retention of such consultants and counsel. However, such fees shall be borne by the company;
- f) The Committee may form sub-committees for any purpose to be undertaken by it and may delegate to such sub-committees or to members of the management of the Company, such powers and authority as it deems appropriate;
- g) Submit the Reports to the Board in respect of the CSR activities undertaken by the Company;
- h) Monitor CSR Policy from time to time;
- i) Authorize executives of the Company to attend the CSR Committee Meetings.
- j) The Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, in accordance with the applicable rules of the Companies (Corporate Social Responsibility Policy), Rules 2014 and such plan may be altered by the Board as per the recommendation of the Committee, based on the reasonable justification to that effect.
- k) To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

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Formulation of Annual Action Plan

The CSR committee shall formulate and recommend to the Board an Annual Action plan in pursuance of this Policy, which shall be the road map for the implementation of CSR projects approved by the Board of Directors. The Annual action plan shall include the following:

- a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014;
- 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 need and impact assessment, if any, for the projects undertaken by the company.

Meeting of the Committee:

- a) A meeting of the Committee may be called by its Chairman or any member at least once in a year. Minutes of its meetings will be approved by the Committee and signed by the Chairman of the same meeting or if the same is not available by the Chairman of the next Committee meeting;
- b) The minutes of the Committee shall be placed at the Board Meeting held next after the Committee meeting;
- c) Other Members of the Senior Management may attend the CSR Committee Meetings as may be appropriate, subject to the approval of the CSR Committee.

CSR funding and allocation

For achieving the CSR objectives through implementation of meaningful and sustainable CSR projects, the CSR Committee will allocate for its Annual CSR budget, at least 2% of the average net profits of the Company made during the three immediately preceding financial years, calculated in accordance with the relevant sections of the Companies Act, 2013, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

CSR Expenditure

The Board to ensure that the administrative overheads shall not exceed five percent of the total CSR expenditure of the Company for the financial year.

The Company to ensure that the surplus arising out of the CSR activities shall not be plough back to business profits. The said amount shall be transferred to the Unspent CSR Account and spend in the CSR activities or transfer the amount to the Fund as specified in the Schedule VII of the Act within a period of six months from the end of the financial year. If the amount spent is in excess of the obligation the excess amount can be set-off against the CSR amount for succeeding three years in a manner as specified in Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

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Further any amount remaining unspent under Section 135(5) of the Act, pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

CSR Activities

As part of the CSR program, the company is presently engaged in several projects which are socially relevant and demanding in the locality surrounding its corporate office area and other locations where the company has branches or other place of business. The company may continue to undertake/ fund project, programs or activities of the following nature and also undertake such other activities as may be approved by the board as is falling under schedule VII of the Act as amended from time to time and Rules framed there under:

- a) Eradication of 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;
- b) Promotion of education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- c) Promotion of gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- d) 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;
- e) 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;
- f) 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;

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- g) Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
- h) Contribution to the Prime Minister's National Relief Fund or Prime Minister's Central Assistance and Relief in Emergency Situations Fund (PM CARES 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;
- i) 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 and;
- j) 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);
- k) Rural development projects;
- l) Slum Area Development i.e. any area declared as the term 'slum area' by the Central Government or any State Government or any other competent authority under any law for the time being in force;
- m) Disaster Management including relief, rehabilitation and reconstruction activities.

CSR Implementation

The time period for the implementation of a particular CSR Project or Program shall depend on the basis of its nature, extent of coverage and the intended impact thereof. The projects or program will be implemented in compliance of the Section 135 of the Act read with Rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, which are as under:

- a) The Company shall give preference to the local area and areas around it where it operates including its branch locations/offices, for spending the amount earmarked for Corporate Social Responsibility activities.

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- b) The Company may also collaborate with other companies for undertaking projects or programs or CSR activities in accordance with the provisions, amendments and rules specified in the Act.
- c) The Company may engage international organizations for designing, monitoring and evaluation of the CSR projects or programmes as per the CSR Policy as well as for capacity building of their own personnel for CSR.
- d) In case of on-going projects, the board shall monitor the implementation of the project with reference to the approved timelines.

Monitoring

CSR committee of the company will be responsible for the monitoring of various CSR projects or programs undertaken by the company directly or indirectly. The CSR Committee will meet whenever necessary and shall ensure that:

- a) Company undertakes the CSR activities as provided in the CSR policy.
- b) The projects/ programs are implemented as per the program approved by the board.
- c) The budget allocated for each of the projects is utilized for the projects as per the approved plans.
- d) The objective of the project/program is achieved as per the plans.
- e) Wherever projects/programs are undertaken in partnership with one or more organizations/ trust/ agencies, the part of the project or program undertaken by the company shall be distinguishable and necessary supporting documents in respect of the same shall be obtained from the other partners/implementing agency on an annual basis.

Company shall provide necessary resources and human capital for implementation and the effective monitoring of the CSR projects and programs as may be directed by the CSR committee. The services of any external agencies or persons who have experience in the same or similar projects or programs undertaken or proposed to be undertaken by the company may also be made available for successful implementation and monitoring of the project.

CSR Reporting

At the end of each financial year, the CSR committee shall prepare a report in the prescribed form relating to the CSR program/ activities undertaken by the Company during the year and submit to the Board for its inclusion in the Board's report.

Board's Responsibility

The Board shall consider the recommendation as provided by the CSR Committee and thereby approve the CSR Projects and programs of the Company.

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As per Section 135(5) of the Companies Act, 2013, the board shall ensure that the Company spends, in each financial year, at least 2% of the average net profits of the Company made during the three immediately preceding financial year. If the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

The Board shall satisfy itself that the funds so disbursed have been utilized for the purpose and in the manner as approved by it and the Chief Financial Officer or the person responsible for the Financial Management shall certify the same.

The Board shall in case of on-going projects, monitor the implementation of the project with reference to the approved timeline and year wise allocation and shall be competent to make modifications (if any) for the smooth implementation of the projects within the overall permissible time period.

Display of CSR activities on the website of the Company

The CSR Committee, CSR Policy and CSR Projects as approved by the Board shall be published on the website of the Company in such format as may be prescribed by the Act and related applicable rules from time to time.

Amendments to the Policy

The Board of Directors on its own and/or as per the recommendations of CSR Committee can amend this Policy, as and when required as deemed fit. Any or all provisions of the CSR Policy would be subject to revision/amendment in accordance with the Act on the subject as may be issued from relevant statutory authorities, from time to time.