

**Magma HDI General Insurance
Company Limited**

This document intends to lay down policy framework for CSR activities at Magma HDI in accordance with regulatory and legislative requirements prescribed under the Companies Act, 2013

Corporate Social Responsibility

Effective Date: 01.11.2017

Approval Date: 01.11.2017

Version No.: 1.0

Approved By: Board of Directors

Policy Owner: Company Secretary

This document is confidential in nature and supersedes any Policy on Corporate Social Responsibility existing in the Company, and should be read in conjunction with the most recent policies and procedures documented.

Subject: Investment Policy	Original Issue Date: 01.11.2017	Effective Date: 01.11.2017
	Revision Dates: As and when required	Policy Version: 1.0

Base Document	:	Section 135 of Companies Act, 2013 and Companies (Corporate Social Responsibility) Rules, 2014
Initial Document Prepared by	:	Mr. Anand Roy
Functional aspects checked by	:	Ms. Kavita Modi
Governing Guideline/ Policy	:	Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility) Rules, 2014 and IRDAI's Guidelines for Corporate Governance for Insurers in India
Legal aspects checked by	:	Vinod Kothari & Co., Practicing Company Secretaries

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Background and Objective:

Section 135 of the Companies Act, 2013 and IRDAI's Guidelines for Corporate Governance for Insurers in India mandates the following companies to formulate and adopt a Corporate Social Responsibility (CSR) Policy and draw out a framework for CSR:

- a) Net worth of Rs. 500 Crore or more; or
- b) Turnover of Rs. 1000 Crore or more; or
- c) Net profit of Rs. 5 Crore or more

In accordance with the said mandate, since the Company qualifies in the above criteria, it is required to formulate and adopt CSR Policy.

The objective of this Policy is to provide an overall CSR framework, which shall at all relevant times be closely aligned with the requirements of relevant provisions of the Companies Act, 2013.

Document Organization:

This Policy document is to be read along with Approach Document, enclosed herewith and marked **Annexure – A**.

Definitions

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

1. "Company" refers to Magma HDI General Insurance Company Limited.
2. "Corporate Social Responsibility" or "CSR" means and includes such programs and activities as specified in Schedule-VII of Companies Act, 2013 which are undertaken by the Company in pursuance of the CSR Policy.
3. "Corporate Social Responsibility Committee" or "CSR Committee" shall mean a Committee constituted by the Board of Directors as per the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014 consisting of atleast three Directors one of whom shall be an Independent Director.
4. "CSR Policy" or "Policy" shall mean the contents herein including any amendments made by the CSR Committee and approved by the Board of Directors of the Company.

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5. "Net Profits" shall mean the net profit before tax of the Company as per its financial statement 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.

6. "Total CSR Spend" shall mean atleast 2% of the average Net Profits of the last three immediately preceding financial years in relation to the financial year in question.

Guiding Principles:

The Company proposes to make a positive difference to society. The Company firmly believes that it has commitment to all its stakeholders - customers, employees and the community in which it operates and it can fulfil this commitment only by sustainable and inclusive growth. The Company aims to improve quality of life through its positive intervention in the community.

The Company's key CSR initiatives will be undertaken with a long-term view. Initiatives that are sustainable, that has long-term benefits to the society at large and activities that have business linkage, but which do not result in business benefits will be accorded priority.

CSR Governance:

The Board of Directors of the Company has established a CSR Committee which has been entrusted with formulating a CSR Policy and transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company. The Committee shall also monitor the CSR Policy of the Company from time to time.

CSR Projects:

The scope of activities which, the Company will usually undertake towards fulfillment of its CSR shall be in line with Schedule VII of the Companies Act, 2013. Company proposes to lay focus on the following areas:

1. Promoting health care including preventive health care
2. Promoting education

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3. Environment sustainability

Apart from the above, Company may choose to contribute to the society by undertaking any of the activities included in **Annexure - B**.

The Company shall give preference to the local area and/or areas in the vicinity, for spending the amount earmarked for CSR activities. The CSR projects or programs or activities that benefit only the employees of the Company and their families shall not be considered as CSR. Further, the activities undertaken in pursuance of normal course of business of a Company shall not be included in CSR.

Contribution of any amount directly or indirectly to any political party under Section 182 of the Companies Act, 2013 shall not be considered as CSR activity.

Manner of selection and execution of CSR Projects:

1. A CSR project may be selected by the CSR Committee, either based on its own discretion, or based on recommendations by any stakeholder of the Company.
2. The CSR Committee, after identifying and approving a CSR Project, may fix a target spending, and direct the CSR Team to carry out the execution thereof.
3. The CSR Committee shall periodically monitor and evaluate the performance of the projects and the achievement of targets.

Collaboration for CSR:

The CSR Committee may undertake its CSR activities either directly or through an external agency such as a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Companies Act, 2013. Further, the company may choose to collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs in accordance with Companies (Corporate Social Responsibility) Rules, 2014 and amendments thereto.

Following guiding principles must be adhered to while spending through external implementing agencies:

1. The Agency must be eligible for carrying the CSR project, and must have track record in carrying similar project for a period to the satisfaction of the Committee, but not less than three years.

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2. The Committee shall provide specific project agenda, targets, target spending, accomplishments, manner of execution etc. to the Agency, subject to discussions with the Agency.
3. The disbursement of funds to the Agency must be done on a progressive basis so as to align with the funding needs of the Project, and to permit the evaluation of the activity carried so far.
4. The Agency must provide periodically reports, to the satisfaction of the Committee, about execution of the Project.

CSR Expenditure:

The Company shall endeavor to spend, in every financial year, at least 2% of the average net profits made during the three immediately preceding financial years, in pursuance of its CSR Policy and if the Company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount.

The CSR projects or programs or activities undertaken only in India shall qualify as CSR Expenditure.

The CSR spending can be either revenue expenditure or capital expenditure or both. The unspent amount on a particular project during a particular year shall be carried forward so as to give the cumulative figure on the project.

The expenditure can be in cash or kind as long as the Company is spending as per the policy, on a project which is eligible for CSR spending. In case of any spending in kind, the amount spent should be based on the purchase cost of such material for the Company.

The surplus arising out of the CSR projects or programs shall not form part of the business profit and shall be utilised in other / further CSR projects, programs and/or activities in accordance with this policy.

Any income arising out of the CSR Project shall be netted off from the CSR spend on that project and net amount will be reported as CSR expenditure.

(Note: "Average Net Profit" shall be calculated in accordance with the provisions of section 198 of the Companies Act, 2013)

Capacity Building:

If the Company chooses to undertake CSR activities directly, it may resort to capacity building, which shall be the expenditure on training the CSR staff regarding the CSR

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project. However, as mandated by the provisions of the Companies Act, 2013, such expenditure including expenditure on administrative overhead shall not exceed 5% of the total CSR expenditure of the Company in one financial year or such limits as may be prescribed under the legislation from time to time.

CSR Reporting:

The CSR Committee shall forward a report to the Board on an annual basis containing following particulars:

- a. Brief outline of Company’s CSR Policy.
- b. Composition of CSR Committee
- c. Average net profit of the company for last three financial years.
- d. Prescribed CSR Expenditure.
- e. Details of CSR activities undertaken during the financial year.
 - i. Total amount to be spent for the financial year;
 - ii. Amount unspent , if any;
 - iii. Manner in which the amount spent during the financial year is to be disclosed as per Annexure – B.
- f. In case the company has failed to spend the 2% of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its report.
- g. A responsibility statement by the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Change Control Record

Version No.	Change Request by	Memorandum of Change	Approval date

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Annexure – A

Mandate as per Companies Act, 2013

1. As per section 135(1) of the Companies Act, 2013 the provisions governing Corporate Social Responsibility shall be applicable to all companies meeting any of the following 3 criteria during any of the three preceding financial years:

- a) Net worth of INR 500 cr or more; or
- b) Turnover of INR 1,000 cr or more; or
- c) Net profit of INR 5 cr or more.

All such qualifying companies shall be required to spend, in every financial year, at least 2% of its average net profits made during the three immediately preceding financial years viz. FY 2016-17, 2015-16 and 2014-15 for amount to be spent in FY2017-18, in pursuance of its Corporate Social Responsibility Policy.

2. The Board to monitor and ensure that the Company meets the CSR requirement in line with its policy;

3. A CSR Committee is to be formed with atleast 3 members out of which at least 1 should be an independent director. The committee is to:

- a. Frame the CSR Policy,
- b. Recommend the amount of CSR Spend in the activities to be undertaken by the Company
- c. Monitor the CSR policy and closely monitor the spending on a 'project basis' regularly.

4. Board's report to disclose the following:

- a. Composition of the committee
- b. CSR Policy
- c. Explanation in case of failure to spend such earmarked amount

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Annexure B:

Activities mentioned in Schedule VII of the Companies Act, 2013.

- i. Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the 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 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 veterans, war widows and their dependents;
- vii. Training to promote rural sports, nationally recognised sports, paralympic 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.