

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY OF DEREWALA INDUSTRIES LIMITED

1. Purpose of the CSR Policy

The Corporate Social Responsibility (CSR) Policy of Derewala Industries Limited (the Company) has been developed in accordance with Section 135 of the Companies Act 2013 on CSR and in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amendments thereof duly notified by the Ministry of Corporate Affairs from time to time and approved by the Board of Directors of the Company at its meeting held on **27th March 2021**.

2. Scope

The CSR Policy of the Company shall contain the approach and direction given by the Board, taking into account the recommendations of its CSR Committee, and include guiding principles for selection, implementation, and monitoring of activities as well as formulation of the CSR Annual Action Plan.

This Policy is intended to be in conformity with the provisions of Companies Act, 2013. In case of any contradiction between this policy and provisions of the Companies Act, 2013 and Rules made thereunder, the later shall prevail.

Any new provision arising out of amendments to the Companies Act, 2013, or Rules made thereunder shall be construed to be a part of this policy. However, such new provisions shall be specifically incorporated into the policy appropriately.

3. Applicability of the Policy

This Policy shall apply to all CSR activities taken up by an entity(ies) covered under sub-rule (1) of Rule 4 of Companies (Corporate Social Responsibility Policy) Rules, 2014, at the various locations in India and for the benefits of different segments of the society in accordance with the guidelines enlisted in the Schedule VII of the Companies Act, 2013 and amendments thereof.

4. Guiding Principle

The Company considers Corporate Social Responsibility (CSR) as a process by which an

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organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard.

5. Projects and Programs that are to be undertaken

The Company may undertake any one or more of the following activities, as mentioned in Schedule VII of Companies Act, 2013 (as amended), as may be decided by the Board of Directors or CSR Committee of the Board from time to time depending on the suitable opportunities available and need of the area concerned:

- ✓ Eradicating hunger, poverty, and malnutrition, promoting preventive health care and sanitation, and making available safe drinking water.
- ✓ Promoting education, including special education and employment-enhancing vocational skills, especially among children, women elderly, and the differently abled, and livelihood enhancement projects.
- ✓ Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, and such other facilities for senior citizens.
- ✓ Ensuring environmental sustainability, ecological balance, and agroforestry.
- ✓ Protection of national heritage, art, and culture, including restoration of buildings and sites of historical importance and works of art.
- ✓ Contribution to 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, Scheduled Tribes, other backward classes, minorities, and women.
- ✓ Rural development projects.
- ✓ Training to promote rural sports, nationally recognized sports, Paralympic sports, and Olympic sports.

6. Guiding principles for selection of CSR Activities

The CSR Committee shall identify and undertake some of the areas mentioned above on a year-to-year basis. The Board and the CSR Committee shall oversee the CSR agenda of the company. The CSR Committee shall recommend to the Board the activities to be undertaken by the Company. The power to approve CSR activities shall vest with the Board of Directors of the Company in pursuance of the provisions of the Companies Act, 2013, read with Companies (Corporate Social Responsibility Policy) Rules, 2014. The activities undertaken by

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the Company shall not include any of the activities prohibited under CSR Rules, which presently are:

- (i) Activities undertaken in the normal course of business,
- (ii) Activities undertaken outside India;
- (iii) Political contribution under section 182;
- (iv) Activities benefiting employees of the Company as defined in section 2(k) of the Code of Wages, 2019.
- (v) Activities supported by the companies on a sponsorship basis for deriving marketing benefits for their products or services.
- (vi) Activities carried out for the fulfillment of any other statutory obligation.

7. Implementation of CSR activities

The Company shall implement the identified CSR Projects by the following means:

- The Company may implement the identified CSR Projects presently within the scope and ambit of the areas as defined & specified in the Company's CSR Policy;
- The Company may undertake the CSR activities through entities (ies) covered under sub-rule (1) of Rule 4 of Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended.
- The Company may collaborate with other companies, including its Group Companies, if required, for fulfilling its CSR objectives, provided that the CSR Committees/Board of respective companies are in a position to monitor separately such CSR Projects.

8. The company's CSR Fund would include the following:

- 2% of the average net profits of the Company, during the preceding 3 financial years:
- any income arising therefrom
- surplus arising out of CSR activities

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9. Duties and Responsibilities

i. Board of Directors

- (a) The Board shall include in its Report the annual report on CSR Projects as per the format provided in Annexure II to the Rules, as amended from time to time.
- (b) Approve the CSR Policy after taking into account the recommendations made by the CSR Committee.
- (c) Disclose reasons for not spending the eligible CRS amount (if applicable) in the Annual Report to the Shareholders of the Company in terms of the provision of the Companies Act, 2013.
- (d) Ensure that the funds so disbursed have been utilized for the purposes and in the manner as approved by the Board / CSR Committee, and the Chief Financial Officer shall certify to the effect.
- (e) Ensure that the administrative overheads are not more than 5% of the total CSR Expenditure of the Company for the particular financial year.
- (f) Approve transfer of unspent CSR Amount in accordance with the provisions of the Companies Act. The Accounts and Finance Team of the Company shall prepare the statement of spent and unspent CSR amounts and shall assist and facilitate for transfer of the same.

ii. CSR Committee

- (a) The CSR Committee shall 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 (as amended from time to time).
- (b) The CSR Committee shall monitor the implementation of the CSR Policy and CSR Plan.
- (c) In discharge of CSR functions of the Company, the CSR Committee shall be directly responsible to the Board for any act that may be required to be done by the CSR Committee in furtherance of its statutory obligations, or as required by the Board.

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(d) The CSR Committee shall place before the Board the draft annual report as per the format in Annexure II to the Rules in a Board meeting for Board review and finalization.

(e) The CSR Committee shall ensure that the CSR Policy, composition of the CSR Committee, and Projects approved by the Board are displayed on the Company's website.

10. Review Periodicity and amendment

CSR Plan may be revised/modified/amended by the CSR Committee at such intervals as it may deem fit & required.

11. Monitoring

The monitoring process for CSR Projects shall include the following:

- Evaluation of Planned Progress with Actual Progress
- Actual expenditure with expenditure as per the approved budget

12. Fund allocation and others

a) Fund allocation

1. The Company, in every Financial Year, shall endeavor to spend at least 2% of the Company's average Net profits for the three immediately preceding Financial Years.

2. The CSR Committee shall prepare a CSR Annual Action Plan for the above, which shall include:

- a. Identified CSR Projects
- b. CSR expenditure
- c. Implementation Schedules including manner of execution, fund utilization, monitoring mechanism, etc.

3. Total expenditure in the CSR Annual Plan shall be approved by the Board upon recommendation by the CSR Committee. The Board can alter such a plan at any time during the financial year, as per the recommendation of its CSR Committee, based on a reasonable justification to that effect.

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4. In case the Company fails to spend the statutory minimum limit of 2% of Company's average net profits of the immediately preceding three years, in any given financial year, the unspent amount, relating to a project, other than ongoing project, shall be transferred to any fund included in Schedule VII of the Act (until a fund is specified in Schedule VII of the Act) within a period of six months from the expiry of the financial year and Board shall specify the reasons for the same in its report in terms of clause (o) of sub-section (3) of section 134.

The unspent amount relating to ongoing project shall be transferred within a period of thirty days from the end of the financial year to a special account which will be opened by the Company in that behalf in any scheduled bank to be called 'Unspent Corporate Social Responsibility Account and such amount will be spent by the Company in pursuance of its obligation towards the CSR Policy within a period of three financial years from the date of such transfer, failing which the Company will transfer the same to a fund specified in Schedule VII within a period of thirty days from the date of completion of third financial year. The disbursement of funds shall be submitted to the Board as a part of the review, along with the details of how the funds have been utilized, which shall be certified by the Company's CFO. In case of an ongoing project, the implementation along with the approved timelines and year-wise allocation will be presented to the Company's Board.

b) Others

1. The CSR Projects can be identified on a need basis for implementation in a given year for the areas defined in this Policy.

2. The Company's CSR Committee shall formulate and recommend to the Board an annual action plan at the beginning of every financial year in pursuance of its CSR Policy, which shall include the following:

- i. The list of CSR projects or programs that are approved to be undertaken in the areas or subjects specified in Schedule VII of the Act;
- ii. The manner of execution of such projects or programs;
- iii. The modalities of utilization of funds and implementation schedules for the projects or programs;
- iv. Monitoring and reporting mechanism for the projects or programs;
- v. Details of need and impact assessment, if mandated under the law, for the projects undertaken by the company

3. The Company may build CSR capacities of its own personnel, as well as those of the Agencies, through institutions with established track records of at least three Financial Years,

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but such expenditure shall not exceed 5% of the Approved Budget of the Company in one Financial Year.

4. Expenses incurred by the company shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or program.

5. Surplus arising out of CSR activities shall not form part of business profits and shall be ploughed back in the same project or shall be transferred to unspent CSR Account and spent in pursuance of CSR policy and annual action plan or transfer such surplus amount to a fund specified in Schedule VII within a period of six months of the expiry of the financial year.

6. An amount spent in excess of the requirements, such excess amount may be set off against the requirements to spend up to the immediate succeeding three financial years, subject to conditions that:

a. The excess amount available for set off shall not include the surplus arising out of CSR activities.

b. The Board of the Company shall pass a resolution to this effect.

7. If CSR amount is spent by the company for creation or acquisition of a capital asset, it shall be held by Section 8 company or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or beneficiaries of said CSR project in form of self-help groups, collectives, entities or a public authority.

13. CSR Reporting

Impact assessment, if and when mandated, will be undertaken by an independent agency, and such impact assessment report shall be placed before the Board and annexed to the annual report of CSR.

14. Display of CSR activities

The composition of the CSR Committee and CSR Policy & Projects approved by the Board will be displayed on the company's website for public access.

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15. Transfer of unspent CSR amount

The unspent CSR amount, if any, shall be transferred by the Company to any of the funds included in Schedule VII of the Act.

16. Amendments to the Policy

The Board of Directors, either on its own or as per the recommendations of CSR Committee, can amend this Policy, as and when required. The decision of the Board of Directors on all matters, relating to this Policy, shall be final and binding upon all concerned. This Policy is subject to continuous review and updates as required from time to time.

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