

HIMADRI SPECILAITY CHEMICAL LTD

CSR POLICY

(As amended on 30.03.2021)

1. Preamble

We, Himadri Speciality Chemical Ltd (‘Himadri’/‘Company’) as a conscientious corporate citizen, recognises the corporate social responsibility (‘CSR’) to address some of the India’s most challenging issues relating to education, health, equality and development of the weaker section of the society. Himadri by adopting the Code of Social responsibility contributes to some extent in welfare and development of the society, in which it operates.

The need to engage in responsible practices is led by an intense desire to contribute positively towards the three pillars of sustainability and CSR – Social, Economic and Environmental. These three pillars are integral to the way Himadri runs its business and designs its policies. The Mission, Vision and Values of the organisation clearly reflect its commitment, not only to the direct stakeholders but also to the society, in which it operates. Himadri remains committed to act responsibly and ethically to maintain the trust of its customers, its employees, and other stakeholders.

The Board of Directors (the “Board”) of Himadri had initially adopted the Corporate Social Responsibility Policy (the “Policy”), as required in terms of Section 135(3)(a) of the Companies Act, 2013 (“Act”) read with rules made thereunder and Schedule VII of the Act (collectively referred to as the ‘Applicable Laws’) on 31 October 2014, as amended from time to time. Considering the recent amendments in the Applicable laws, and to align the Policy with the amended provisions of the Applicable Laws, the Policy has been further amended on 30 March 2021.

2. Purpose

The purpose of the Policy is to provide a framework to comply with the provisions with respect to the CSR activities in letter and spirit.

3. Interpretation

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

- (i) **‘Administrative Overheads’**: shall mean the expenses incurred by the Company for ‘general management and administration’ of CSR functions in the Company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular CSR project or programme.
- (ii) **“Annual Action Plan”** means a plan framed in terms of this Policy;
- (iii) **“Board of Directors”** or **“Board”** means the Board of Directors of the Company;
- (iv) **“Corporate Social Responsibility” (“CSR”)** shall mean the activities undertaken by the Company in pursuance of its statutory obligation laid down in Section 135 of the Act and in accordance with the provisions contained in the Rules made thereunder, but shall not

include the following, namely:

- a. activities undertaken in pursuance of normal course of business of the Company;
- b. any activity undertaken by the Company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;
- c. contribution of any amount directly or indirectly to any political party under Section 182 of the Act;
- d. activities benefitting employees of the Company as defined in Clause (k) of Section 2 of the Code on Wages, 2019;
- e. activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
- f. activities carried out for fulfilment of any other statutory obligations under any law in force in India.

(v) **“Corporate Social Responsibility Committee”** or **“CSR Committee”** shall mean a Committee consisting of three or more Directors of which at least one director shall be an Independent Director having the terms of reference as mentioned hereunder;

- a. Recommend to the Board, a CSR Policy (and modifications thereto from time to time) which shall provide an approach and the guiding principles for selection, implementation and monitoring of CSR activities to be undertaken by the Company;
- b. Approve and recommend annual action plan, and any modifications thereof, to the Board comprising of following information;
 - i. the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
 - ii. the manner of execution of such projects or programmes;
 - iii. the modalities of utilisation of funds and implementation schedules for the projects or programmes;
 - iv. monitoring and reporting mechanism for the projects or programmes; and
 - v. details of need and impact assessment, if any, for the projects undertaken by the company;
- c. Approve specific projects, either new or ongoing, in pursuance of the Areas of Interest outlined in this Policy, either for undertaking such projects by the Company itself, for inclusion in the annual action plan or for supporting such projects by way of donations, contributions or financial assistance.
- d. Recommend to the Board, the amount of expenditure to be incurred on the CSR activities in a financial year and the amount to be transferred in case of ongoing projects and unspent amounts.
- e. Review the progress of CSR initiatives undertaken by the Company.
- f. Monitor the CSR Policy of the Company from time to time and institute a transparent monitoring mechanism for implementation of the CSR projects referred to above.
- g. Review and recommend to the Board, the Annual Report on CSR activities to be included in Board’s Report and a certificate submitted by the Chief Financial Officer.

- h. Review and recommend to the Board, the impact assessment report obtained by the Company from time to time.
 - i. Undertake such activities and carry out such functions as may be provided under section 135 of the Act and the Rules.
- (vi) “**CSR Policy**” shall mean this Policy.
- (vii) “**CSR Unspent Account**” shall mean an account opened by the Company with a schedule commercial bank in terms of sub-section (5) of the section 135 of the Act.
- (viii) “**CSR Projects**” shall mean projects or programs mentioned in Schedule VII of the Act, as amended from time to time;
- (ix) “**Net Profits**” shall mean the net profit before tax of the Company as per its financial statements prepared in accordance with the applicable provisions of the Act, 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 Act.
- (x) “**Ongoing Projects**” shall mean multiyear project undertaken by the Company in fulfillment 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 on the recommendation of the CSR Committee on reasonable justification.

4. Approach to CSR

The CSR Policy focuses on addressing critical social, environmental, and economic needs of the marginalized/underprivileged sections of the society. The Company adopts an approach that integrates the solutions to these problems into the strategies of the Company to benefit the communities at large and create social and environmental impact.

5. Scope of CSR activities in HIMADRI

The Company has constituted a committee to undertake CSR activities within the purview of the guidelines as provided by the Ministry of Corporate Affairs and may undertake any of the activities as specified hereinbelow as its CSR Projects:-

- (i) eradicating hunger, poverty, and malnutrition, promoting health care 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 the 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, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;
 - (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 Prime Minister's Citizen 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;
 - (ix) (a) 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
(b) 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);
 - (i) rural development projects.
 - (x) slum area development;
Explanation.- For the purposes of this item, the term `slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.
 - (xi) Disaster management, including relief, rehabilitation and reconstruction activities;
 - (xii) Such other projects or purposes as may be notified by the Government from time to time.

6. Governance Structure

The Company has constituted an efficient and transparent CSR Committee to oversee the implementation of its CSR Policy, in compliance with the requirements of Section 135 of the Companies Act, 2013 and rules made thereunder. The details of the CSR Committee are as follows:

6.1. Members

- (i) Mr Santimoy Dey, Independent Director (Chairman of the Committee)
- (ii) Mr. Sakti Kumar Banerjee, Independent Director (Member of the Committee)
- (iii) Mr. Shyam Sundar Choudhary, Executive Director (Member of the Committee)

6.2 Responsibilities of CSR Committee

- (i) Formulate and recommend to the Board a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 and which shall provide an approach and the guiding principles for selection, implementation and monitoring of CSR activities to be undertaken by the Company.
- (ii) Recommend the amount of expenditure to be incurred on the activities as per the Policy;
- (iii) To monitor and evaluate the performance of the Projects and the achievement of targets from time to time
- (iv) Approve and recommend Annual Action Plan, and any modifications thereof, to the Board comprising of following information;
 - 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;
 - 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;
- (v) Approve specific projects, either new or ongoing, in pursuance of the areas of interest outlined in this Policy, either for undertaking such projects by the Company itself, for inclusion in the Annual Action Plan or for supporting such projects by way of donations, contributions or financial assistance.
- (vi) Recommend to the Board, the amount of expenditure to be incurred on the CSR activities in a financial year and the amount to be transferred in case of ongoing projects and unspent amounts.
- (vii) Review the progress of CSR initiatives undertaken by the Company.
- (viii) Monitor the CSR Policy of the Company from time to time and institute a transparent monitoring mechanism for implementation of the CSR projects referred to above.
- (ix) Review and recommend to the Board, the Annual Report on CSR activities to be included in Board's Report and certificate submitted by the Chief Financial Officer.

- (x) Review and recommend to the Board, the impact assessment report obtained by the Company from time to time.
- (xi) Undertake such activities and carry out such functions as may be provided under section 135 of the Act and the Rules.

6.3 Meetings of Committee

The CSR committee may meet from time to time to discuss and implement the CSR activities / projects to be undertaken.

7. CSR Expenditure

The total budget for the CSR projects will be decided by the CSR Committee and will be placed before the Board for approval.

- (i) The Company shall, in each financial year, spend a minimum amount of 2% of the average net profits made during three immediately preceding financial years or such higher amount as may be recommended by the CSR Committee and approved by the Board of Directors of the Company.
- (ii) Pursuant to Rule 7(1) of the Rules, the Administrative Overheads shall not exceed 5% of Minimum allocation of CSR or such limit as prescribed under the law.
- (iii) In any financial year, if the Company is unable to spend the minimum allocation of CSR, the Company shall, in its Board's Report prepared under Section 134(3)(o) of the Act, specify the reasons for not spending the amount.
- (iv) The Company shall deal with the unspent amount, if any, in the following manner:
 - a. where the unspent amount is related to an Ongoing Project, such unspent amount shall be transferred to the CSR Unspent Account within a period of 30 days from the end of the financial year and the same shall be spent in the manner as prescribed in section 135(6) of the Act and the Rules; and
 - b. where the unspent amount is not related to an Ongoing Project, such unspent amount shall be transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year or such other time period as permissible under the Applicable Law.
- (v) The CSR Committee would be authorized for sanctioning the amount for any specific activity/initiative and/or to delegate authority from time to time to allocate amount for any such specific activity within the approved ceiling limit.
- (vi) Where a company spends an amount in excess of the minimum allocation of CSR, such excess amount may be set off against the minimum allocation of CSR of three immediately succeeding financial years subject to the conditions that—

- a. the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of Rule 7(2) of the Rules.
 - b. the Board of the Company shall pass a resolution to that effect.
- (vii) The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by –
 - a. a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or
 - b. beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
 - c. a public authority.

8. Treatment of Surplus

Any surplus generated from CSR projects undertaken by us will be tracked and channelized into our CSR corpus. These funds will be further used in development of the CSR projects and will not be added to the normal business profits and shall be dealt with in accordance with the Act and CSR Rules.

9. Selection of CSR Projects

- (i) The CSR Committee shall, from time to time, identify the priority projects of CSR to be carried out by the Company from the areas specified under Schedule VII of the Act;
- (ii) The CSR Committee may undertake projects which are relatable to the activities as stated in Schedule VII of the Companies Act, 2013, by taking a liberal interpretation so as to capture the essence of the subjects enumerated in the said Schedule.
- (iii) The Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR Projects.
- (iv) A CSR Project may be selected by the CSR Committee, either based on its own discretion or based on recommendations/ proposal received from any stakeholder as mentioned above.
- (v) The CSR Committee shall approve an Annual Action Plan in terms of the Policy and recommend the same to the Board of Directors for its approval.
- (vi) The CSR Committee, after identifying and approving a CSR Project, shall fix a target spending as per the Annual Action Plan or any modification thereof, and direct the implementing agencies to carry out the execution thereof.

10. Carrying out CSR Projects through external agencies

In case the CSR Committee decides to execute a CSR Project through an external agency ('Implementing Agency'), as covered under Rule 4(1) it would adhere to the following guiding principles:

- (i) The Implementation 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 3 years. Subject to the above, any director of the Company may be associated / affiliated as a trustee, governing body member or in any other manner with the Agency, provided that no personal benefit, directly or indirectly, should flow from such Agency to any such director;
- (ii) The Committee shall provide specific Project agenda, targets, target spending, accomplishments, manner of execution etc., to the Agency, subject to discussions with the Implementation Agency;
- (iii) The disbursement of funds to the Implementation 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;
- (iv) The Implementation Agency must provide periodically reports, to the satisfaction of the Committee, about execution of the Project;
- (v) The Board of the Company shall ensure that the CSR activities are undertaken by the Company directly or in collaboration with other companies or through any implementation agencies eligible under the Rules to implement CSR activities.
- (vi) The Company shall ensure that implementation agency have a unique CSR Registration Number;
- (vii) The implementing agency should be credible and should have the ability to execute the project or programme effectively. The disbursement by the Company to the implementing agency should be made only upon receipt of proposal along with budget and implementation schedule, and in tranches in order to ensure that the amount does not lie unspent with the implementing agency;
- (viii) The Board of the Company shall satisfy itself that the funds so distributed have been utilized for the purposes and in the manner as approved by it and the Chief Financial Officer of the Company shall certify to that effect.
- (ix) In case of ongoing projects, the Board of the Company shall monitor implementation of the projects with reference to the approved timelines and year wise allocation and shall be competent to make modifications for smooth implementation of the project within overall permissible time period.
- (x) Where the Company collaborates with other companies for undertaking projects or programmes or activities, the CSR Committee of the Company shall be in a position to report on such projects or activities or programmes separately in accordance with the Rules laid down under the Act.

11. Implementation of CSR Projects/ activities

- (i) The Projects may be taken up by the Company directly or through or through an external qualified agency covered under Rule 4(1) or in collaboration with other companies or entities, including its group companies, to carry out any CSR Projects, in accordance with this Policy and Applicable Law.
- (ii) In case the CSR Committee decides to execute a CSR Project through an external agency including Himadri Foundation, it would adhere to the conditions as specified in Para 11 of the Policy above.

12. Formulation of the Annual Action Plan

- (i) The CSR Committee shall formulate and recommend to the Board, the Annual Action Plan at the first meeting of the financial year wherein the annual accounts of the Company shall be considered for approval which may be amended from time to time as recommended by the CSR Committee and approved by the Board based on the reasonable justification to that effect.
- (ii) The Annual Action Plan shall include the following,
 - a. the list of CSR projects or programmes that are approved to be undertaken in the areas or subjects specified in Schedule VII of the Act;
 - b. the manner of execution of such projects or programmes as specified in Rule 4(1) of the Rules;
 - 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;
- (iii) The Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

13. Monitoring and Evaluation

- (i) The CSR Committee shall periodically monitor and evaluate the performance of the projects and the achievement of targets.
- (ii) The Committee shall seek statements and reports on the progress of each of CSR Projects from the implementing agencies on a periodical basis. Also, the implementing agencies,

- shall keep the Committee informed about any information or circumstances that will affect the ability of the agency to carry out the CSR project or programme.
- (iii) The Committee shall periodically review and discuss the progress of each project undertaken including spending thereon and make any decision including allocation/reallocation of funds, with respect to the Project which it thinks fit and recommend the same to the Board of Directors for approval.
 - (iv) Where the Committee requires further funds for undertaking any new CSR Project, the Committee shall request the Board of the Company to approve such higher amount.
 - (v) Where the implementing agencies have failed to spend the allocated amount or failed to meet the timeline for execution of its projects, the CSR Committee shall furnish to the Board the reasons for the same.
 - (vi) The Board of Directors of the Company shall satisfy itself that the funds so disbursed have been utilized for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to that effect.
 - (vii) In case of Ongoing Project, the Board of the Company shall monitor the implementation of the Project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

14. Impact Assessment

- (i) The Company shall carry out impact assessment on fulfillment of the following conditions:
 - a. The average CSR obligation of the Company, in pursuance of sub-section (5) of section 135 of the Act, in the three immediately preceding financial years is ten crore rupees or more;
 - b. The Company had an outlay of one crore rupees or more for any of the Projects undertaken by it; and
 - c. The Project(s) mentioned in clause (b) above have been completed not less than one year before undertaking the impact study
- (ii) The Company shall undertake impact assessment, through an independent agency, of its CSR projects as mentioned in sub- clause (b) and (c) above.
- (iii) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- (iv) The outcome of impact assessment and progress reports submitted, will be taken into consideration while engaging the implementation agencies for subsequent CSR projects and programmes and while finalizing the Annual Action Plan for the subsequent year.
- (v) The Company may book the expenditure arising out of the impact assessment towards

Minimum CSR allocation for the financial year in which the assessment is being carried out, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.

15. Amendments

Amendments from time to time to the CSR Policy, if any, shall be considered by the Board of Directors of the Company, based on the recommendations of the CSR Committee. Any amendments in the Applicable Law, including any clarifications/ circulars of relevant regulator, if mandatory, shall be read into this Policy such that the Policy shall automatically reflect the contemporaneous Applicable law at the time of its implementation.

For Himadri Speciality Chemical Ltd

Date: 30 March 2021

Sd/

Managing Director & CEO