

Nirlon Limited's Corporate Social Responsibility Committee (CSRC) and Corporate Social Responsibility (CSR) Policy

(Effective from March 29, 2016)*

I. Background, Introduction of LODR, 2015 by SEBI, Amendment & Adoption of the CSR Policy

I. Background

The Corporate Social Responsibility Committee (**CSRC**) of Nirlon Limited ("**the Company**" or "**NL**") was formed on September 23, 2014, in compliance with Section 135 of the Companies Act, 2013 (**the Act**) and Clause 55 of the BSE Listing Agreement.

The Board of Directors ("**the Board**") of NL adopted the Corporate Social Responsibility (CSR) Policy on September 23, 2014.

II. Introduction of LODR, 2015 by SEBI

SEBI introduced Listing Obligations & Disclosure Requirements Regulations, 2015 (**LODR, 2015**) effective from December 1, 2015. LODR, 2015 provide, inter alia, various regulations, annexures and schedules, and all listed companies are required to comply with the provisions of the LODR, 2015. With the introduction of the LODR 2015, the BSE Listing Agreement comes to an end.

III. Amendment to the CSR policy

The LODR, 2015 do not provide specific regulations with regard to Corporate Social Responsibility and hence, the CSR Policy originally adopted by the Board is required to be amended suitably by deleting the reference of clause 55 of the BSE Listing Agreement as the same is repealed. This Policy is further amended pursuant to the MCA notification dated January 22, 2021.

IV. Adoption of the CSR Policy

The Directors on March 29, 2016 approved the revised CSR Policy in compliance with the Act.

II. Objectives

CSRC and **CSR** Policy are both in compliance, and in agreement with Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended till date, i.e.

1. 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 to the Act.
2. To recommend the amount of expenditure to be incurred on CSR activities.
3. To select, implement and monitor the CSR activities and formulation of the annual action plan;
4. To ensure that the Company spends in every financial year, at least 2 (two) % of the average net profits of the Company made during the 3 (three) preceding financial years.

III. Definitions

- i. **"Act"** means Companies Act, 2013 any modifications and/ or re- enactment thereof;
- ii. **"Corporate Social Responsibility (CSR)"** means and includes but is not limited to:-
 - a. Projects or programs relating to activities specified in Schedule VII to the Act; or
 - b. Projects or programs relating to activities undertaken by the Board of Directors of the Company in pursuance of recommendations of the CSR Committee of the Board according to the CSR Policy of the Company, subject to the condition that such policy will cover subjects enumerated in Schedule VII to the Act;

However, CSR activities shall exclude the following:

- 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 UT 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 benefiting employees of the Company as defined under the clause k of section 2 of the code on wages ,2019;
 - e. activities supported by the Company on sponsorship basis for deriving marketing benefits for its products or services; and activities carried out for fulfillment of any other statutory obligations under any law in force in India.
- iii. **“CSR Committee”** means the existing Corporate Social Responsibility Committee of the Board as constituted under Section 135 of the Act and any reconstitution of the same from time to time;
- iv. **“CSR Rules”** means the Companies (Corporate Social Responsibility Policy) Rules, 2014, including any modification thereof.
- v. **“Board”** means the Board of Directors of the Company from time to time;
- vi. **“SEBI (LODR) Regulations, 2015”/“LODR,2015 ”** means Listing Obligations and Disclosure Requirements Regulations, 2015 as notified by the Securities and Exchange Board of India on September 02, 2015 effective from December 01, 2015 and any modification and amendment thereto.
- vii. **CSR implementation**
 - a. The Board shall ensure the CSR activities are undertaken by the Company itself or through :
 - i. A company established under section 8

of the Act, or a registered public trust, or a registered society, registered under section 12A and 80 G of the Income Tax Act 1961, established by the Company, either singly or along with any other company, (provided that such entity shall register itself with the Central Government by filling form CSR 1 electronically with the Registrar w.e.f. April 1,2021; or

- ii. A company established under section 8 of the Act , or a registered trust, or registered society, established by Central Government or State Government, or
- iii. Any entity established under an act of Parliament or State legislature, or

IV. A company established under section 8 of the Act, or a registered public trust, or a registered society, registered under section 12A and 80 G of the Income Tax Act 1961, and having an established track record of at least three years in undertaking similar activities.

V. Constitution

- 1. The CSRC shall always consist of at least three (3) directors, out of which at least one (1) director shall be an independent director.
- 2. Membership of the CSRC shall be disclosed in the Annual Report.
- 3. The Company Secretary of the Company shall act as the Secretary of the CSRC.

VI. Roles and Responsibilities

- 1. To provide, for the Boards' review and approval, the CSR related disclosures which are required to be made to the Board and by the Board, pursuant to the Act and the Rules, including the prescribed disclosures which are to be made as part of the Boards' annual report on CSR activities.

2. To disclose the composition of the CSRC in the Board's Report;
3. To formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Act;
4. To recommend the amount of expenditure to be incurred on CSR activities;
5. To monitor the CSR Policy of the Company from time to time;
6. To disclose contents of the CSR Policy in its report and also place it on the Company's website, if any, in such manner as may be prescribed;
7. To ensure that the activities as included in the CSR Policy of the Company are undertaken by the Company;
8. To ensure that the Company spends, in every financial year, at least 2 (two) % of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its CSR Policy;
9. To satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it, and CFO shall certify to that effect.
10. To formulate and recommend to the Board an annual action plan which includes the following (to the extent required under applicable law):
 - i. List of CSR projects and/ or programmes that are approved to be undertaken in the areas or subjects specified in schedule VII of the Act;
 - ii. The manner and execution of such projects and/ or programmes as per the CSR implementation.
 - iii. The modalities of utilization of funds and implementation schedules for the projects and/ or programmes; and
 - iv. Details of need and impact assessment, if any, for the projects undertaken by the Company.

The Board may alter such plan at any time during the financial year as per the recommendation of the CSR Committee based on reasonable justification to that effect.

Provided that the Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.

Provided further that 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 of the Act, specify the reasons for not spending the amount.

Provided further that it is provided that the Board shall ensure:

- i. the administrative overheads shall not exceed 5% of the total CSR expenditure of the Company for the financial year.
- ii. Any surplus arising out of the CSR activities shall not form part of the business profit of a company and the same shall be ploughed back in the same project or shall transferred to the unspent CSR account and spent in pursuant to the CSR Policy and annual action plan of the Company or transfer such surplus amount to a fund specified in Schedule VII within a period of 6 months of the expiry of the financial year.
- iii. Where the Company spends an amount in excess of its requirement under section 135 (5) of the Act , such excess amount may be set off against the requirement so spend under said Section up to immediate succeeding 3 financial years subject to :
 - a. The excess amount available for set off shall not include the surplus arising out of the CSR activities, if any in pursuance to the ii. above.
 - b. The Board of the Company shall pass a resolution to that effect.
- iv. The CSR amount may be spent for creation or acquisition of capital asset, which shall be held by :
 - a. A company established under section 8 of the Act, and/or registered public Trust,

and/ or Registered Society, having charitable objects and CSR registration number is obtained; or

- b. Beneficiaries of the said CSR project in the form self help groups , collectives , entities ,or
- c. Public authority.

Activities which may be included in the CSR Policy

Activities relating to:

- i. Eradicating extreme hunger and poverty;
- ii. Promotion of education;
- iii. Promoting gender equality and empowering women;
- iv. Reducing child mortality and improving maternal health;
- v. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- vi. Ensuring environmental sustainability;
- vii. Employment enhancing vocational skills;
- viii. Social business projects; Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development, and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- ix. Such other matters as may be prescribed.

VII. Power to Remove Difficulties

If any difficulties arise in giving effect to the provisions of the CSR Policy, the Chairman of the CSRC in consultation with the Board, may by an order make such provisions as it appears to be necessary or expedient for removing the difficulty, by suitably amending/ modifying, such provisions and such amendment/ modification shall be displayed on the website of the Company.

This is always provided that such amendment/modifications shall in no event be inconsistent with the provision of the Act.

VII Overriding Effects

The CSR Policy shall not override the Act, and any amendment and/or modification to the Act and Rules made from time to time shall prevail over the CSR Policy and the CSR Policy shall always modified to that extent statutorily.

Any provision contained in the CSR Policy to the extent to which it is inconsistent or repugnant to the provisions of the Act shall become or be void, as the case may be.

*** POST INTRODUCTION OF LODR, 2015 BY THE SEBI**

Further amended due to the Companies (Corporate Social Responsibility Policy) amendment Rules 2021 as notified by the MCA.