

POLICY ON CORPORATE SOCIAL RESPONSIBILITY (CSR POLICY)

CSR - Preamble and vision

Corporate Social Responsibility (CSR) has formed an integral part of the business of Chembond Chemical Specialties Limited

(the “Company”) and its group companies, since the Company’s inception. With a vision to actively contribute to the social and environmental development of the society in which we operate and thereby to create value for the nation. Chembond strongly believes in taking sustainable measures towards CSR.

This CSR Policy is framed in accordance with Section 135 including inter alia Schedule VII of the Companies Act, 2013 (the “Act”) and the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("Rules") framed thereunder and amendments thereto. This CSR Policy serves as principal guiding document for the Company’s CSR initiatives and provides the framework for selection, implementation and monitoring of CSR initiatives and formulation of the Annual Action Plan.

CSR - Objectives

- 1) To add value to the community and society on a sustainable basis through dedicated policies, institutional setup and engagement process to promote inclusive growth.
- 2) To practice corporate values through a commitment to grow in a socially and environmentally responsible manner.

CSR - Activities

To achieve these objectives and in line with its vision, the Company may undertake the following activities :

- 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 art 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 govt. for socio economic development and relief and welfare of the schedule caste, 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).]
- x) rural development projects.
- xi) slum area development. ('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).
- xii) disaster management, including relief, rehabilitation and reconstruction activities.

The Company's CSR contributions shall be towards any activities undertaken within India. This Policy, the Company and the CSR Committee will give preference to the local area and areas around it where the Company and its offices operate, in spending the amount earmarked for CSR activities.

The following types of activities shall not form part of the CSR activities of the Company:-

- 1) Activities undertaken in pursuance of normal course of business of the Company.
- 2) 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
- 3) CSR projects or activities that benefit only employees of the Company & their families.
- 4) Any contribution directly/indirectly to political party or any funds directed towards political parties or political causes.
- 5) Activities supported on sponsorship basis for deriving marketing benefits for the products or services of the Company.
- 6) Activities carried out for fulfilment of any other statutory obligations under any law in force in India.

CSR Committee

CSR Committee shall be formed as per the applicable law and the Committee shall be responsible for the implementation / monitoring and review of this policy and various projects, programmes or activities undertaken under the policy.

The CSR Committee shall submit report to the Board of Directors from time to time.

The CSR Committee shall formulate and recommend to the Board, a CSR Annual Action Plan in pursuance of this policy, which shall include focus areas for the year, the list of projects to be undertaken, manner of execution, fund utilization, implementation schedules, monitoring mechanism, details of need and impact assessment, if any, for projects undertaken etc.

The Board may approve the Annual Action Plan with such further conditions as it may deem fit and further alter the Annual Action Plan at any time during the financial year, as per the recommendation of the CSR Committee, based on the reasonable justification to that effect.

CSR – Implementation

Subject to the provisions of the Act, CSR projects / programmes / activities will be implemented by the Company on its own or through-

- (a) 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 (43 of 1961), established by the company, either singly or along with any other company, or
- (b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or
- (c) any entity established under an Act of Parliament or a State legislature; or
- (d) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.
- (e) the company may also engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as well as for capacity building of its personnel for CSR.
- (f) Collaboration with other companies for undertaking projects or programmes 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 programmes in accordance with these rules.

The time period / duration of each project / programs shall depend on its nature, extend of coverage and intended impact of such activity.

CSR - Monitoring

The CSR Committee shall monitor CSR activities and report to the Board from time to time.

The CSR Committee shall have the powers to:

- 1) Seek monitoring and implementation report from the entity / organisation(s) receiving funds;
- 2) Delegate authority to company official(s) to co-ordinate with the organization(s) receiving funds to inspect the activities undertaken and ensure information in a timely manner;

- 3) Allocate budget to the specific or combined activities. (For preparing the budget, it may take assistance from CFO or any other officer of the Company).
- 4) To re-allocate the budget already allocated to any specific project, programme or activity to any other CSR project, programme or activity.
- 5) Empower MD(s) or such other officer(s) to spend such amount as it may deem appropriate for some other strategic CSR contingencies that may arise during any financial year.

The Board shall satisfy itself that the funds so disbursed have been utilised 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 the effect.

In case of ongoing project, the Board shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall make modifications, if any, for smooth implementation of the project within the overall permissible time period.

CSR - Expenditure

The Board shall ensure that the Company spends the following amounts for CSR activities in pursuance of this Policy, and complies with the following conditions as set out under the Act and the Rules:

- 1) The Company will contribute atleast 2% of the average net profits of the Company made during the 3 (three) immediately preceding financial years specifically towards CSR initiatives in pursuance of this policy. The net profits and the average Net Profits shall be calculated in accordance with the provisions of Section 198 of the Act and the rules framed there under from time to time.
- 2) The Company shall not spend more than 5% of the total CSR expenditure in one financial year on administrative expenses relating to the general management and administration of CSR functions in the Company.
- 3) The surplus arising out of the CSR activities will not be considered as a part of the business profits of the Company and shall be ploughed back into the same project, or shall be transferred to the Unspent CSR Account in accordance with Section 135 of the Act and it shall be spent in pursuance of this Policy and Annual Action Plan of the Company, or the Company will transfer such surplus amount to a Fund specified in Schedule VII of the Act, within a period of six months of the expiry of the financial year.
- 4) Any unspent amount, other than unspent amount relating to an ongoing project, will be transferred to a Fund specified in Schedule VII of the Act, within a period of six months of the expiry of the financial year. Further, unspent CSR funds of ongoing projects will be transferred within a period of 30 days from the end of the financial year to a special account opened by the company in a scheduled bank called the "Unspent Corporate Social Responsibility Account". Such amount will be spent by the Company towards CSR within a period of 3 financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII of the Act, within a period of 30 days from the date of completion of the third financial year.
- 5) In case the Company spends an amount in excess of the requirements of its CSR obligations in a financial year, such excess amount will be set-off against the requirement of the CSR spending under

Section 135(5) of the Act upto the immediate succeeding 3 (three) financial years subject to the fulfilment of conditions as specified in the Rules.

- 6) The Company may spend its CSR amount for creation or acquisition of the capital asset subject to the fulfilment of conditions as specified in the Rules.

CSR - Reporting

- 1) The Board Report shall disclose the contents of CSR Policy and particulars as specified in the Act.
- 2) The Composition of the CSR Committee, contents of this policy and projects approved by the Board will be displayed on Company's website.
- 3) In the event the Company's average CSR obligation becomes ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years:
 - (i) the Company shall undertake an impact assessment, through an independent agency, of its CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study; and
 - (ii) the impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- 4) In case the Company undertakes impact assessment, then it may book the expenditure towards CSR for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.]

Amendment to the CSR policy

The Board of Directors on its own and/or as per the recommendations of CSR Committee may amend this CSR Policy, as and when required and deemed fit.

Any or all provisions of the CSR Policy would be subject to revision / amendment in accordance with the Act, the Rules, other applicable laws, rules, regulations and Government guidelines on the subject as may be issued from relevant authorities, from time to time.

General

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013 and Rules made thereunder or any amendment thereto. This Policy shall be subject to such clarifications and FAQs as may be issued by MCA from time to time.

**On behalf of the Board of Directors of
Chembond Chemical Specialties Limited**

Sd/-

Nirmal V. Shahh

Chairman and Managing Director