

**VERSION - III**

**HSIL Limited  
Corporate Social Responsibility (CSR)  
Policy**

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## **1. CONTEXT**

While HSIL continues its manufacturing activities related to building products and packaging, it has not lost sight of its commitment to play its role as an enlightened corporate citizen. Corporate Social Responsibility has always been on its agenda. Further pursuant to Section 135 of the Companies Act, 2013, and Companies (Corporate Social Responsibility Policy) Rules, 2014 every Company having net worth of Rs. 500 crore or more or turnover of Rs. 1,000 crore or more or net profit of Rs. 5 crore or more during the immediately preceding financial year shall constitute Corporate Social Responsibility Committee ('CSR Committee') and the CSR Committee shall formulate and recommend Policy. The CSR Committee so constituted formulated Policy on Corporate Social Responsibility ('CSR Policy') and recommended the same to the Board of Directors of the Company ('Board') for its approval. The Board vide its resolution dated 11th August, 2014 approved and adopted the CSR Policy with retrospective effect from 1st April, 2014.

The Ministry of Corporate Affairs vide its notification dated 22<sup>nd</sup> February, 2021 notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, which requires amendment to this CSR Policy.

Thereafter, the CSR Committee recommended amendments in CSR Policy to the Board for its approval. The Board in its resolution dated 28<sup>th</sup> January, 2021 approved and adopted the amended CSR Policy.

### **1.1. Objectives of the Policy**

As a corporate entity, HSIL acknowledges its obligation to contribute to the economic development of the State and the country while improving the quality of life of its workforce and their immediate families as well as of the community and society at large. While undertaking statutorily required CSR projects / programmes within India, the Company will consistently strive for opportunities to meet the expectation of its stake holders by pursuing the concept of sustainable development with focus on improving the quality of life. The Company also places emphasis on development of knowledge and skills in the young, both male and female, in order to make them economically productive. This Policy shall be read in line with Section 135 of the Companies Act 2013, Companies (Corporate Social Responsibility Policy) Rules, 2014 and such other rules, regulations, circulars, and notifications (collectively referred hereinafter as '**Regulations**') as may be applicable and as amended from time to time and will, inter-alia, provide for the following:

- Establishing a guideline for compliance with the provisions of Regulations to dedicate a percentage of Company's profits for social projects.
- Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting
- Creating opportunities for employees to participate in socially responsible initiatives.

## **1.2. Definitions**

In this Policy unless the context otherwise requires:

- a) 'Act' means Companies Act, 2013;
- b) 'Administrative Overheads' means the expenses incurred by the Company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme;
- c) 'Rules' means Companies (Corporate Social Responsibility Policy) Rules, 2014 and amendments thereto;
- d) 'Corporate Social Responsibility' means Corporate Social Responsibility (CSR) as defined in Section 135 of the Companies Act 2013 read with Companies Corporate Social Responsibility Policy) Rules 2014 and amendments thereto;
- e) 'Ministry' means the Ministry of Corporate Affairs
- f) 'Net Profit' means net profit as defined in Section 135 of the Companies Act 2013 and Companies Corporate Social Responsibility Policy) Rules 2014 and amendments thereto, as set out below:

Net Profit as per financial statements prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:

- (i) any profit arising from any overseas branch or branches of the Company, whether operated as a separate company or otherwise; and
  - (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of Section 135 of the Act
- g) Words and expressions used in this CSR Policy and not defined herein but defined in the Act and Rules shall have the meaning respectively assigned to them in the Act.

### **1.3. CSR Activities**

The Policy recognizes one or more of the following focus areas as notified under Section 135 of the Act and Rules:

- (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;
- (ix) 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
- (x) any other activity/area as may be notified by the Central Government from time to time in Schedule VII of the Act.

CSR activities shall be undertaken as projects, programs of activities (either new or ongoing) excluding activities undertaken in pursuance of the normal course of business of the Company.

### **1.4. The Geographic reach**

The Act provides that the Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility. However, the Committee may identify such areas other than stated above, as it may deem fit, and recommend it to the Board for undertaking CSR activities.

### **1.5. Annual spends/Allocation of Funds**

1.5.1 The Company would spend not less than 2% of the average Net Profits of the Company made during the three immediately preceding financial years. The surplus arising out of the CSR activity will not be part of business profits of the Company and shall be:

- ploughed back into the same project, or

- transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the Company, or
- transferred to a Fund specified in Schedule VII of the Act, within a period of six months of the expiry of the financial year, or
- treated in any other manner as may be notified by the Central Government

1.5.2 The Company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.

1.5.3 However if the Company ceases to be covered under sub-section (1) of Section 135 of the Act for three consecutive financial years, then it shall not be required to, comply with the provisions laid down under sub-section (2) to (6) of the said section, till such time it meets the criteria specified in sub-section (1) of Section 135 of the Act.

## **2. CSR COMMITTEE**

### **2.1. Guiding Principles for Constitution of Guiding Principles for Constitution of CSR Committee**

The CSR Committee shall consist of three or more directors, out of which at least one director shall be independent director.

The Committee will meet at least twice in a year to discuss and review CSR activities and Policy. A quorum of two members is required to be present for the proceedings to take place. Such other meetings of the Committee can be convened as and when deemed appropriate. The Committee members may attend the meeting physically or via such audio-visual means as permitted under the Act. The Committee shall have the authority to call such employee(s), senior official(s) and or externals, as it deems fit. The Company Secretary shall act as Secretary to the Committee.

### **2.2 Committee Members**

<b>S.No</b>	<b>Names</b>	<b>Chairman/ Member</b>
1	Dr. Rajendra Kumar Somany	Chairman
2	Mr. Sandip Somany	Member
3	Ms. Sumita Somany	Member
4	Mr. Anil Wadhwa	Member

## **2.3 Scope of Functions of CSR Committee**

### **2.3.1. Notified CSR Activities**

The functions of CSR Committee will, inter-alia, include the following:

- (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;
- (ix) 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
- (x) undertaking any other activity/area as may be notified by the Central Government from time to time in Schedule VII of the Act.

### **2.3.2 Ancillary Activities:**

- i) To publicise the CSR Policy and initiatives org-wide, especially through mailers, screensaver and Policy documentation and upload(s) on website.
- ii) To plan and carry out workshops to increase employee awareness on various projects and initiatives.
- iii) Such other activities as directed by the Board of Directors of the Company and/or as deemed appropriate and expedient by the Committee for the furtherance of CSR objectives of the Company, in pursuance with the Act and Rules.

### **2.3.3 Annual Action Plan**

The CSR Committee shall formulate and recommend to the Board, an Annual action plan in pursuance of the CSR Policy, which shall include following, namely:-

- 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 as per rule 4 of the Rules;
- c) the modalities of utilization 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.

The CSR Committee shall have the authority to obtain professional advice from external sources and have full access to information contained in the records of the Company as well as the powers to call any employee / external consultant or such other person(s) and for such purpose as may be deemed expedient for the purpose of accomplishments of overall CSR objectives laid down under the Act.

### **3. PROCEDURES**

#### **3.1 CSR Amount**

1. As per the Act, the Company will set aside, for annual CSR activities, an amount equal to 2% of the average Net Profits of the Company made during the three immediately preceding financial years.
2. Any amount remaining unspent pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the Company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the Company shall transfer the same to a Fund specified in point no. 3 below, within a period of thirty days from the date of completion of the third financial year
3. Until a fund is specified in Schedule VII for the purposes of unspent amount as per subsection (5) and (6) of section 135 of the Act, such unspent CSR amount, if any, shall be transferred by the Company to any fund specified in schedule VII of the Act within six months of the end of the financial year.

4. In case of excess amount spent by the Company, such excess amount may be set off against the requirement to spend the amount in pursuance of CSR policy up to immediate three financial years subject to the conditions that:
  - the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any; and
  - the Board resolution shall be passed to that effect.

Provided that all reasonable efforts will be made to ensure that the annual CSR allocation is fully utilized in the respective year. However, if the Company fails to spend such amount, the Board of Directors shall additionally, in its report under clause (o) of sub-section (3) of section 134 of the Act, shall specify the reasons for not spending the amount

5. The CSR amount may be spent by the 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; or
  - b. beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
  - c. a public authority.
6. The approved projects shall contain the details of the proposed expenditure for respective Financial Year, towards CSR activities. The same shall be amended annually according to the Financial Year after the review by the Committee or at such time, as the Committee may deem fit.
7. Tax treatment of CSR spend will be in accordance with the Income Tax Act, 1961 as may be notified by Central Board of Direct Taxes (CBDT).

### **3.2 Planning and Implementation**

1. The planning and implementation of the CSR projects/programmes shall be in accordance with the annual action plan as specified in this CSR Policy.
2. Identification of projects and the executing agency/NGO will be made, inter-alia, by assessing the following:
  - a) Project Objectives

- b) Baseline survey – As-is and To-be state basis, accordingly the outcome of the project will be measured.
  - c) Implementation schedules – Timelines for milestones of the project will need to be prescribed and agreed upon
  - d) Responsibilities and authorities
  - e) Major results expected and measurable outcome including the expenses/charges ratio as against the actual CSR spend.
3. If the Company decides to set up a Trust or Section 8 Company, or Society or Foundation or any other form of entity operating within India to facilitate implementation of its CSR activities in accordance with its stated CSR Policy, the following shall apply:
- a) The Company would need to specify the projects/programmes to be undertaken by such an organization, for utilizing funds provided by it;
  - b) The Company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only;
4. The Company may also conduct/implement its CSR programmes through Trusts, Societies, Entities or Section 8 companies operating in India, which are not set up by the Company itself, herein collectively referred to as ‘CSR Partner’ or ‘CSR Partner(s)’.
5. Every such entity shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar w.e.f. 1<sup>st</sup> April, 2021.
6. The Company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such 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.
7. 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 shall certify to the effect.

### **3.3 Criterion for CSR Partner(s) and Agreement**

1. While identifying projects, CSR Committee will assess CSR Partner(s) organizations who would execute the projects at the grass root level. At a minimum they need to meet the following criteria:

- a) CSR Partner has a permanent office/address in India;
  - b) The CSR Partner is a Trust, Society, or Section 8 Company
  - c) Possesses a valid income-tax Exemption Certificate
  - d) The antecedents of the CSR Partner are verifiable
  - e) Have requisite framework to report progress/status of the projects on a quarterly basis on agreed parameters
  - f) Maintain a required level of auditable records on the CSR initiatives conducted in conjunction with the Company as agreed mutually
2. Once the project/program is approved, the Company and the CSR Partner will be required to enter into an agreement as per the standard MOU requirements.

### **3.4 Review and Reporting**

The CSR Committee will review the philanthropic activities of the Company and will provide progress update to the Board of Directors at such other intervals as deemed fit.

The Company will report, in the prescribed format as set out in the Rules, the details of CSR initiatives and activities of the Company in the Directors' Report and on the website of the Company, as required under the Act read with Rules.

An impact assessment shall be undertaken by the Company, in case its average CSR obligation is Rs. 10 Crore or more in the three immediately preceding financial years, through an independent agency, of its CSR projects having outlays of Rs. 1 Crore or more, and which have been completed not less than one year before undertaking the impact study. The impact assessment report shall be placed before the Board and shall be annexed to the annual report on CSR.

Further, the amount to be spent on the aforesaid assessment shall not exceed five percent (5%) of the total CSR expenditure for that financial year or Rs. 50 Lakhs, whichever is less.

### **4. Monitoring**

1. Appropriate documentation and amendments of the CSR Policy, annual CSR activities, reports on execution by CSR Partner(s) and expenditures will be undertaken on a regular basis and same will be available to the Board of Directors of the Company.

2. Initiatives undertaken on the CSR front will be reported in the Annual Report of the Company.
3. The CSR Committee and persons / entities authorised by it, will conduct due diligence checks on the current projects/partners on a quarterly basis and report anomalies, if any, immediately.
4. Plan and publish an annual calendar of major events so as strive for maximum participation of stakeholders.
5. In case of Ongoing Project, the Board shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation of amount and shall make modifications, if any within the overall permissible time period.

#### **5. Display of CSR Activities on the Website**

The Composition of the CSR Committee, and CSR Policy and Projects approved by the Board shall be disclosed on the website of the Company for public access.

#### **6. Amendments to the Policy**

The Board of Directors on its own and/or as per the recommendations of CSR Committee can amend this Policy, as per the requirements as deemed fit. Any or all provisions of the CSR Policy would be subject to revision/amendment in accordance with the Act and Rules on the subject as may be issued from relevant statutory authorities, from time to time.

**As approved by the Board of Directors of the Company in their meeting held on 28<sup>th</sup> January, 2021**

**Dr. R.K. Somany**

**Chairman and Managing Director**