

## POLICY ON CORPORATE SOCIAL RESPONSIBILITY

### INTRODUCTION

The Ministry of Corporate Affairs introduced the new concept of Corporate Social Responsibility (“CSR”) in the Companies Act, 2013 (“Act”) with a view to bring back the true meaning of the vedic philosophy of “**SARVA LOKA HITAM**” i.e. “the well-being of all stakeholders”, Thus it has regained importance in the current business environment. The concept has evolved over the years and now used as strategy and a business opportunity to earn stakeholder goodwill.

The need for Corporate Social Responsibility has gained prominence from all avenues. Corporates must understand that the Government cannot alone uplift the society as a whole and thus corporates must extend their hands for this noble cause.

Parag Milk Foods Limited has always believed in and worked towards “inclusive growth’- improving the quality of life of the people it touches and in the communities where it operates. As a responsible organization, it understands moral, social and business responsibility to protect, preserve & nurture human values and also to promote socio-economic welfare. Parag Milk Foods Limited believes in sharing the profits not only with its members but also with the society around it. The Company through its CSR initiatives will continue to enhance value and promote sustainable development of the environment and social welfare of the people and society at large, more specifically for the deprived and underprivileged persons.

### OBJECTIVE

The main objective of this policy is active involvement in the social and economic development of the society, in which it operates, to share profits with the society through responsible business practices as well as good governance and to bring positive changes to the lives of mankind.

### SCOPE

The Policy has been formulated by the CSR Committee and approved by the Board of Directors of the Company in compliance of Section 135 of the Companies Act, 2013 read with rules made thereunder. The Policy shall apply to all CSR activities undertaken by the Company in India as per Schedule VII of the Act

### DEFINITIONS

1. “**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;
2. “**Corporate Social Responsibility (CSR)**” means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, but shall not include the following, namely:-
  - (i) activities undertaken in pursuance of normal course of business of the company:

Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that:

- (a) such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;
- (b) details of such activity shall be disclosed separately in the Annual report on CSR included in the Board’s Report;

- (ii) 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;
  - (iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act;
  - (iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);
  - (v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
  - (vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India;
3. **"CSR Committee"** means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Act.
  4. **"CSR Policy"** means a statement containing the approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan;
  5. **"International Organisation"** means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply;
  6. **"Net Profit"** means the net profit of the Company as per its financial statement prepared in accordance with provisions of Section 198 of the Companies Act, 2013, but shall not include the following viz;
    - (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.

Provided that net profit in respect of a financial year for which the relevant financial -statements were prepared in accordance with the provisions of the Companies Act, 1956 (1 to 1956) shall not be required to be re-calculated in accordance with the provisions of the Act.

Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381 read with section 198 of the Act.

7. **"Ongoing Project"** means a multi-year project undertaken by a Company in fulfilment 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 based on reasonable justification;
8. **"Public Authority"** means 'Public Authority' as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005);

#### **CONSTITUTION OF CSR COMMITTEE**

Pursuant to the provisions of Section 135 of the Companies Act, the Board of Directors has constituted the CSR Committee on 23rd June, 2014, and reconstituted on 26th May, 2015, 28th July, 2015 and 9<sup>th</sup> November, 2016. The Committee comprises of following Directors as on date—

<b>Sr. No.</b>	<b>Name of the Director</b>	<b>Position</b>	<b>Category</b>
1	Mr. B.M. Vyas	Chairman	Non-Executive Director
2	Mr. Devendra Prakash Shah	Member	Executive Director
3	Ms. Radhika Pereira	Member	Independent Director

4	Mr. Narendra Ambwani	Member	Independent Director
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The Board has power to re-constitute the committee from time to time in order to make it consistent with the Company's policy and applicable statutory requirement.

(2) The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the 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 specified in sub-rule (1) of rule 4;
- (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:

Provided that 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.”

(f) Any other matter as may be considered expedient in furtherance of and to comply with the CSR Policy of the Company.

### **FREQUENCY OF MEETINGS**

The meetings of the Committee could be held at such periodic intervals as may be required.

### **QUORUM**

Minimum two (2) members shall constitute the quorum for the Committee meeting.

### **CHAIRMAN**

In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

### **SECRETARY**

The Company Secretary of the Company shall act as Secretary of the Committee.

### **MINUTES OF THE COMMITTEE MEETING**

Proceedings of all meetings must be entered in minute's book and signed by the Chairman of the Committee and tabled at the subsequent Board and Committee meeting.

### **CSR ACTIVITIES**

***Currently, the following activities are permissible under the CSR Activities pursuant to Schedule VII of the Act:***

- 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;
- Promoting education, including special education and employment enhancing vocation 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, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- 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;
- contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;

- 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;
- 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;
- Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
- 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 Schedule Castes, the Scheduled Tribes, other backward classes, minorities and women;
- (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).
- Rural development projects.
- Slum area development.
- Disaster management, including relief, rehabilitation and reconstruction activities.
- Any other Projects / activities the Government may include from time to time to the Schedule VII of the Companies Act, 2013 or allow through clarifications/ Circulars.
- Any ancillary or incidental activities required to be performed to undertake any of the projects mentioned above subject to the prior approval of the CSR Committee.

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

### **CONTRIBUTION TOWARDS THE CSR ACTIVITIES**

- The Board of the Company shall ensure that the Company allocates and spends, in every financial year, at least two per cent of the average net profits of the Company made during the three immediately preceding financial years, calculated in accordance with section 198 of the Act, in pursuance of the Policy.
- The board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.
- Any surplus arising out of the contribution made for CSR Activities shall not form part of the business profit of the Company and shall be ploughed (reinvested) back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of 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 six months of the expiry of the financial year.
- Where a company spends an amount in excess of requirement as provided under section 135(5), such excess amount may be set off against the requirement to spend under section 135(5) up to immediate succeeding three financial years subject to the conditions that –
  - (i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of this rule.
  - (ii) the Board of the company shall pass a resolution to that effect.
- 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:

Provided that any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of one hundred and eighty days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.”.

- If the Company fails to spend such amount the Board shall, in its report specify the reasons for not spending the amount.
- The CSR activities undertaken in India only shall amount to CSR Expenditure.
- CSR Expenditure shall include all expenditure including contribution to corpus for CSR activities approved by the Board on the recommendation of the CSR Committee but does not include any expenditure on an item not in conformity or not in line with activities which fall within the areas or subjects, specified in Schedule VII of the Act.

### **CSR REPORTING**

- The Board's Report of a company covered under these rules pertaining to any financial year shall include an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable.
- Every company having average CSR obligation of ten crore rupees or more in pursuance of section 135 (5) of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their 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.
- The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility 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.

### **TRANSFER OF UNSPENT CSR AMOUNT:**

- **Not Relating to Ongoing Project:** Unspent Amount not relating to ongoing project shall be transferred to fund as specified in Schedule VII **within 6 months from the end of FY i.e., September 31, 2021.**
- **Relating to Ongoing Project:** Unspent Amount relating to ongoing project shall be transferred to a special account opened by a Company in a Scheduled Bank Account to be named as UCSRA **within 30 days from the end of FY i.e., April 30, 2021.**
- **Extended Time for spending unspent amount relating to Ongoing Project:** The aforesaid amount shall be utilized by the Company within 3 FY (i.e., for example, for FY 2020-21 the unspent amount should be utilised on or before FY 2023-24 i.e., March 31, 2024) failing which the amount will be transferred to fund specified in Schedule VII.

### **CSR ACTIVITIES IMPLEMENTATION**

- (1) The Board shall ensure that the CSR activities are undertaken by the company itself 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.
- (2) (a) Every entity, covered under sub-rule (1), who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the **01<sup>st</sup> day of April 2021**.

Provided that the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the **01<sup>st</sup> day of April 2021**.

- (b) Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice.
  - (c) On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.
- (3) A 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.
- (4) A company may also collaborate 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.
- (5) The Board of a company 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.
- (6) In case of ongoing project, the Board of a 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.”

## **DISCLOSURE**

The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

## **AMENDMENTS**

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

## **SCOPE AND LIMITATION**

The Policy has been formulated by the CSR Committee and approved by the Board of Directors of the Company in compliance of Section 135 of the Companies Act, 2013 read with rules made thereunder. The Policy shall apply to all CSR activities undertaken by the Company in India as per Schedule VII of the Act.

In the event of any conflict between the provisions of this Policy and the Listing Regulations/Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations/Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.