

KHEMANI DISTRIBUTORS & MARKETING LIMITED

[CSR] POLICY



I. INTRODUCTION

Khemani Distributors & Marketing Limited (“**the Company / KDML**”) has always been committed to the cause of social service since its inception and has repeatedly channelized a part of its resources and activities, such that it positively affects the society socially, ethically and also environmentally. The Company has taken up various Corporate Social Responsibility (“**CSR**”) initiatives and enhanced value in the society.

With the commencement of the Companies Act, 2013 constitution of a Corporate Social Responsibility Committee (“**CSR Committee**”) of the Board and formulation of a Corporate Social Responsibility Policy became a mandatory requirement after crossing criteria of CSR applicability. Therefore, the Company seeks to formulate a formal CSR Policy which encompasses its philosophy and guides its sustained efforts for undertaking and supporting socially useful programs for the welfare & sustainable development of the society.

II. DEFINITION

Corporate Social Responsibility (CSR), a term widely use for defining the responsibilities of corporate world towards the society & environment. Although the term is not new in this Corporate world but its scope & meaning has undergone major changes from treating it as a mere charity in comparison with the responsibilities/duties of the Corporate towards the outer world.



The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to companies efforts that go beyond what may be required by regulators or environmental protection groups.

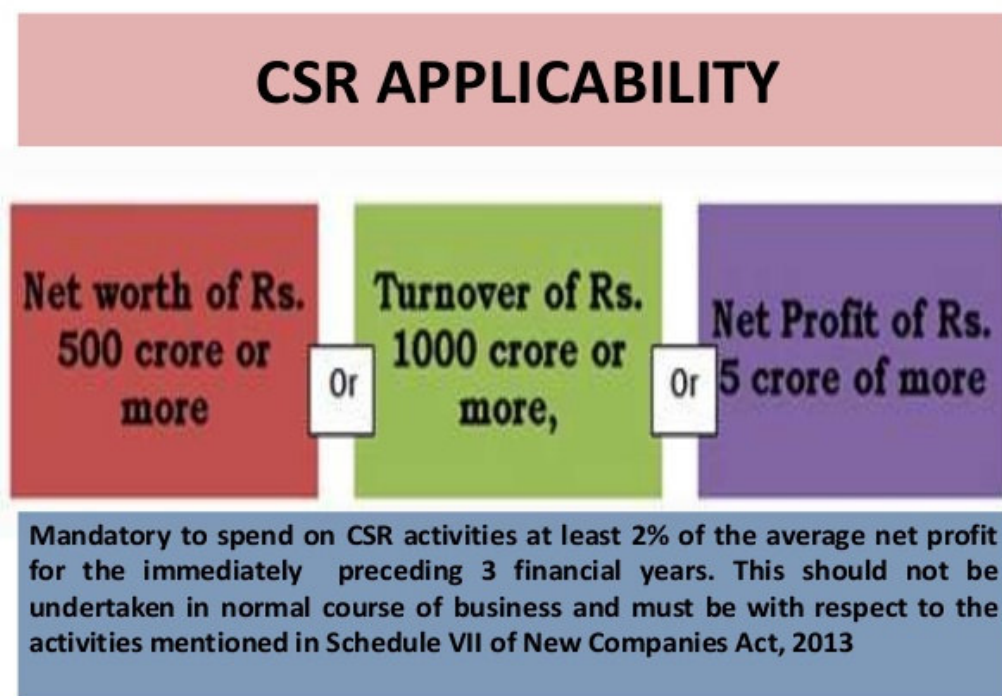
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Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

Moreover, while proposing the Corporate Social Responsibility Rules under Section 135 of the Companies Act, 2013, the Chairman of the CSR Committee mentioned the Guiding Principle as follows: "CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth."

III. FOR WHOM IT'S APPLICABLE

The companies on whom the provisions of the CSR shall be applicable are contained in Sub Section 1 of Section 135 of the Companies Act, 2013. As per the said section, the companies having Net worth of INR 500 crore or more; or Turnover of INR 1000 crore or more; or Net Profit of INR 5 crore or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee" with effect from 1st April, 2014. The pictorial representation below gives the representation of Section 135 (1).



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The above provision requires every company having such prescribed Net worth or Turnover or Net Profit shall be covered within the ambit of CSR provisions. The section has used the word "companies" which connotes a wider meaning and shall include the foreign companies having branch or project offices in India.

IV. WHAT TO DO WHEN CSR IS APPLICABLE ?

Once a company is covered under the ambit of the CSR, it shall be required to comply with the provisions of the CSR. The companies covered under the Sub section 1 of Section 135 shall be required to do the following activities:

1. As provided under Section 135(1) itself, the companies shall be required to Constitute Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee". The CSR Committee shall be comprised of 3 or more directors, out of which at least one director shall be an independent director.
2. The Board's report shall disclose the compositions of the CSR Committee.
3. All such companies shall spend, 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, in pursuance of its Corporate Social Responsibility Policy. It has been clarified that the average net profits shall be calculated in accordance with the provisions of Section 198 of the Companies Act, 2013. Also, proviso to the Rule provide 3(1) of the CSR Rules that the net worth, turnover or net profit of a foreign company of the Act shall be computed in accordance with balance sheet and profit and loss account of such company prepared in accordance with the provisions of clause (a) of sub-section (1) of section 381 and section 198 of the Companies Act, 2013.

V. REPORTING FOR CSR

Rule 8 of the CSR Rules provides that the companies, upon which the CSR Rules are applicable on or after 1st April, 2014 shall be required to incorporate in its Board's report an annual report on CSR containing the following particulars:

- A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs;
- The composition of the CSR Committee;
- Average net profit of the company for last three financial years;
- Prescribed CSR Expenditure (2% of the amount of the net profit for the last 3 financial years);
- Details of CSR Spent during the financial year;
- In case the company has failed to spend the 2% of the average net profit of the last three financial year, reasons thereof;

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VI. ROLE OF CSR COMMITTEE

The CSR Committee constituted in pursuance of Section 135 of the Companies Act, 2013 shall be required to carry out the following activities:

- a) 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;
- b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

VII. WHAT IF A COMPANY CEASES TO BE COVERED UNDER SECTION 135 ?

Rule 3(2) of the Corporate Social Responsibility Rules, 2014 provides that every company which ceases to be a company covered under section 135(1) of the Act for three consecutive financial years shall not be required to:

- a. constitute a CSR Committee ; and
- b. comply with the provisions contained in subsection (2) to (5) of the said section till such time it meets the criteria specified in sub section (1) of Section 135.

Accordingly, if a company, for 3 consecutive years, ceases to be covered under the ambit of section 135(1), it shall not be required to fulfill the conditions relating to the constitution of CSR Committee and other related provisions.

VIII. CSR ACTIVITIES.

The Policy recognizes that corporate social responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014:

- i. Eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation & making available safe drinking water;
- ii. Promoting education, including special education & employment enhancing vocation skills especially among children, women, elderly & the differently unable & livelihood enhancement projects;
- iii. Promoting gender equality, empowering women, setting up homes & hostels for women & orphans, setting up old age homes, day care centers & such other facilities for senior citizens & measures for reducing inequalities faced by socially & economically backward groups;
- iv. Reducing child mortality and improving maternal health by providing good hospital facilities and low cost medicines;
- v. Providing with hospital and dispensary facilities with more focus on clean and good sanitation so as to combat human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- vi. Ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agro forestry, conservation of natural resources & maintaining quality of soil, air & water;
- vii. Employment enhancing vocational skills
- viii. Protection of national heritage, art & culture including restoration of buildings & sites of historical importance & works of art; setting up public libraries; promotion & development of traditional arts & handicrafts;
- ix. Measures for the benefit of armed forces veterans, war widows & their dependents;

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- x. Training to promote rural sports, nationally recognized sports, sports & Olympic sports;
- xi. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development & relief & welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities & women;
- xii. Contributions or funds provided to technology incubators located within academic institutions, which are approved by the Central Government;
- xiii. Rural development projects, etc
- xiv. 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.

The Above list is illustrative not exhaustive. All activities under the CSR activities should be environment friendly and socially acceptable to the local people and Society. Contribution towards C.M relief fund shall be a part of CSR activities above 2% of Net profit other than the activities mentioned above. Further Ministry of Corporate Affairs vide Notification dated 24.10.2014 increased the scope of contribution made towards Corporate Social Responsibility Activities namely:

(i) In item (i), after the words "and sanitation", the words "**including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation**" shall be inserted;

(ii) In item (iv), after the words "and water", the words "**including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga**" shall be inserted.

IX. THRUST AREAS

While the Company is eligible to undertake any suitable/rightful activity as specified in Schedule VII of the Act, however, at present, it proposes to undertake the relevant activities on priority basis in the following three Thrust Areas:

1.1 Community healthcare, sanitation and hygiene, including, but not limited to:

- (1) Establishment and management of state-of-the-art healthcare infrastructure with high level of excellence.
- (2) Providing financial and/or other assistance to the Agencies involved in exclusive medical research, public health, nursing etc.
- (3) Providing financial assistance to deserving people for specialized medical treatment in any medical institution.
- (4) Activities concerning or promoting: a. General health care including preventive health care, b. Safe motherhood, c. Child survival support programs, d. Health / medical camps, e. better Hygiene and sanitation, f. Adequate and potable water supply, etc.

1.2 Education and knowledge enhancement, including, but not limited to:

- (1) Establishment and management of educational and knowledge enhancement infrastructure.
- (2) Providing financial and/or other assistance to the needy and/or deserving students.
- (3) Providing financial assistance to any Agency involved in education, knowledge enhancement and sports.

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- (4) Facilitate enhancement of knowledge and innovation in the educational Agencies.
- (5) Contribution to technology incubators located within academic institutions which are approved by the Central Government.

1.3 Social care and concern, including, but not limited to:

- (1) Creating Public awareness
- (2) Protection and up gradation of environment including ensuring ecological balance and related activities.
- (3) Rural development projects
- (4) Others:
 - a. Establishment and management of orphanages, old age homes, Sanatoriums, Dharmashalas and institutions of similar nature.
 - b. Providing assistance to institutes of credibility involved in areas of social care, including:
 - Preservation of heritage;
 - Animal welfare, social welfare and related matters;
 - Orphanages, old age homes, Sanatoriums, Dharmashalas and institutions of similar nature.
 - c. Other humanitarian activities.

1.4 Contribution for Eradicating extreme hunger and poverty, promotion of gender equality and empowering women and reducing child mortality and improving maternal health.

1.5 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 fund for the welfare of the Scheduled Castes, the Schedule Tribes, other backward classes, minorities and women.

X. IDENTIFICATION OF CSR PROJECTS
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- 1. CSR Projects need to be identified and planned for approval of the CSR Committee, in particular in Thrust Areas, with estimated expenditure and phase wise implementation schedules;
- 2. The Company shall ensure that in identifying its CSR Projects, preference shall be given to the local area and areas around which the Company (including its Units) operates. However, this shall not bar the Company from pursuing its CSR objects in other areas.
- 3. As a cardinal principle, the CSR Projects in Thrust Areas, shall be identified on the basis of a detailed assessment survey.
- 4. The CSR Officer may engage external professionals/firms/agencies if required, for the purpose of identification of CSR Projects.

XI. IMPLEMENTATION OF CSR PROJECTS

The Company shall implement the identified CSR Projects by the following means:

I. Direct Method

1. The Company may itself implement the identified CSR Projects presently within the scope and ambit of the Thrust Areas as defined in the Policy;
2. The Company may also implement the identified Projects through creation of Trust or Society which is involved in CSR activities, within the scope and ambit of the Thrust Areas as defined in the Policy;
3. The CSR Officer may engage external professionals/firms/agencies if required, for the purpose of implementation of its CSR Projects.
4. The Company, may collaborate with other companies, including its Group Companies if required, for fulfilling its CSR objects through the Direct method, provided that the CSR Committees of respective companies are in a position to monitor separately such CSR Projects.

II. Indirect Method

1. The Company may implement the identified CSR Projects through Agencies, subject to the condition that:
 - ✓ The activities pursued by the Agency are covered within the scope and ambit of Schedule VII of the Act provided
 - ✓ The Agency has an established track record of at least three years in undertaking similar programs or projects, and
 - ✓ The Company has specified the Project to be undertaken through the Agency which shall preferably be in Thrust Areas, the modalities of utilization of funds on such Projects and the monitoring and reporting mechanism which shall be at least once in three months.
2. The Company, may collaborate with other companies, including its holding, subsidiary as well as Associate Companies for fulfilling its CSR objects through the Indirect method provided that the CSR Committees of respective companies are in a position to monitor separately such Projects.

XII. MONITORING

Monitoring process for CSR Projects shall include the following:

- Evaluation of Planned progress V/s Actual Progress
- Actual expenditure V/s expenditure as per Approved Budget

I. Fund allocation and others

A. Fund allocation

1. The Company, in every Financial Year, shall endeavor to spend the feasible amount, which shall not be restricted by the statutory limit of a specified percentage of its average net profits of the immediately preceding three Financial Years. However, the aforementioned expenditure in any Financial Year shall be atleast 2% of Company's average Net profits for the three immediately preceding Financial Years.

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2. The CSR Committee shall prepare a CSR Annual Plan for the above which shall include:
 - a. Identified CSR Projects
 - b. CSR expenditure
 - c. Implementation Schedules
3. Total expenditure in the CSR Annual Plan shall be approved by the Board upon recommendation by the CSR Committee;
4. In case the Company fails to spend the statutory minimum limit of 2% of Company's average net profits of the immediately preceding three years, in any given financial year, the Board shall specify the reasons for the same in its Director's Report of respective financial year in terms of clause (o) of sub-section (3) of section 134.

B. Others

1. The CSR Committee shall ensure that major portion of the CSR expenditure in the Annual Plan shall be for the Projects in the Thrust Areas. However, there shall not be any preference given to any particular Thrust Area for budgetary allocation and it shall be made purely as per the identified CSR Projects on need basis.
2. The Chairman or Managing Director or whole time Director of the Company is severally authorized to decide on Projects to be implemented through the Indirect Method within the allocation as per the Annual Plan.
3. Any surplus arising out of the CSR Projects shall not form a part of the business profit of the Company.

XIII. Duties and responsibilities
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A. Board of Directors

The Board shall include in its Report the annual report on CSR Projects as per the format provided in the Annexure to the Rules.

B. CSR Committee

- i. The CSR Committee shall monitor the implementation of the CSR Policy and CSR Plan. For this purpose, the CSR Committee shall meet at least twice a year.
- ii. In discharge of CSR functions of the Company, the CSR Committee shall be directly responsible to the Board for any act that may be required to be done by the CSR Committee in furtherance of its statutory obligations, or as required by the Board.
- iii. The CSR Committee shall place before the Board the draft annual report as per the annexure prescribed under the Rules for finalization.
- iv. The CSR Committee shall place before the Board a responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company for inclusion in the Board's Report.
- v. The CSR Committee shall ensure that the CSR Policy and finalized Annual Plan are displayed on the Company's website.

XIV. REVIEW PERIODICITY AND AMENDMENT

- i. CSR Plan may be revised/modified/amended by the CSR Committee at such intervals as it may deem fit in consultation with Board.
- ii. The CSR Committee shall review the Policy from time to time unless such revision is necessitated earlier.

Place: Surat
Date: 12.12.2017

For, Khemani Distributors and Marketing Limited

Vijay Kumar Khemani

Chairman