

Finolex Industries Limited

Corporate Social Responsibility Policy (CSR)

1. Preamble

The Government of India, Ministry of Corporate Affairs by its notification dated 27th February, 2014 made the provisions of section 135 of the Companies Act, 2013 (the “Act”) and schedule VII of the said Act relating to Corporate Social Responsibility applicable to the Company with effect from 1st April, 2014.

The Companies (Corporate Social Responsibility Policy) Rules 2014 are notified on 27th February, 2014 and are effective from 1st April, 2014.

In view of the amendment in the provisions of the Section 135 of the Companies Act, 2013, Companies Amendment Act, 2019 and Companies Amendment Act, 2020 and the Companies (Corporate Social Responsibility) Amendment Rules, 2021, (the CSR Rules), the Policy has been amended by the Board of Directors of the Company vide its resolution dated 25th June, 2021 and the revised Policy shall be effective from effective date of the said amendments in the Companies Act, 2013 and CSR Rules.

FINOLEX INDUSTRIES LIMITED (“FIL” or the “Company”) has been incorporated under the Companies Act, 1956 on 28th March, 1981 and is engaged in the production of PVC Resin, PVC Pipes and Fittings and Power. As a responsible corporate citizen, FIL shall give preference to the local area and areas around it where it operates to improve the quality of people living, lay special emphasis on education, skill development, environment, health, community development, social welfare and promotion of cultural activities as more particularly defined in the said provisions of law. FIL is committed to operate in an economically, socially and environmentally sustainable manner and to work in these areas beyond the statutory requirements.

FIL has formulated its Corporate Social Responsibility Policy as under:

2. Definitions

2.1 “**Act**” means the Companies Act, 2013 including any amendments as may be applicable from time to time.

2.2 “**Average Net Profit**” means net profit as computed in accordance with section 198 of the Act.

2.3 “**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;

2.4 “**Corporate Social Responsibility**” (“CSR”) “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 these rules, but shall not include the following, namely:-

- (i) activities undertaken in pursuance of normal course of business of the company;
- (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;

2.5 “**CSR Activities**” means the activities which may be included by the Company in its CSR Policy in accordance with Schedule VII of the Act.

2.6 “**CSR Committee**” means the Corporate Social Responsibility Committee of the Board of Directors referred to in section 135 of the Act.

2.7 “**CSR Policy**” means the Corporate Social Responsibility Policy of the Company formulated and recommended by the CSR Committee to the Board of Directors of the Company including 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.

2.8 “**Net Profit**” as defined in the said CSR Rules means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Act.

2.9 “**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;

2.10 “**Projects or programs**” relating to activities undertaken by the Board of Directors of a Company (“Board”) in pursuance of recommendations of the Corporate Social Responsibility Committee of the Board as per this policy of the Company and will cover subjects enumerated in Schedule VII of the Act.

3. CSR Committee

3.1 Corporate Social Responsibility Committee shall be formed by the Board of Directors. The Committee shall have three or more Directors, out of which at least one Director shall be Independent Director.

3.2 The Board of Directors shall nominate such Directors as Members of the CSR Committee from time to time.

4. CSR Committee Responsibility

The Corporate Social Responsibility 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 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
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) The CSR Committee/Board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.
- (g) Monitor and ensure that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profits of a Company.
- (i) Identify need of impact assessment, if applicable, for the activities undertaken by the Company.
- (j) Review and comply with the requirements of the provisions of the Act, CSR Rules and periodical disclosure requirements.

5. CSR Activities

5.1 The CSR activities shall be undertaken by the Company as per this policy by way of projects or programs or activities (either new or ongoing) in India, excluding the activities undertaken in pursuance of the normal course of business. The Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.

5.2 The Board may decide to undertake CSR activities approved by the CSR Committee, through a registered trust or a registered society or a company established by the company or subsidiary or associate company under Section 8 of the Act or otherwise and subject to conditions as specified in the CSR Rules. Provided however that these entities obtain the unique CSR registration number.

5.3 The Company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committee of respective companies are in a position to report separately on such projects or programs in accordance with the CSR Rules.

5.4 CSR expenditure shall include all expenditure including contribution to corpus, or on projects or programs relating to CSR activities, approved by the Board on the recommendation of CSR Committee, but shall not include

- a) any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Act.
- b) CSR projects or programs or activities that benefit only the employees and their families.
- c) Contribution of any amount directly or indirectly to any political party under section 182 of the Act.

5.5 The Company may undertake projects under this Policy for implementation, which may require a period longer than a financial year in which they were approved. Such projects may be completed

within 3 years after the financial year in which they were commenced and shall include such projects those were initially not approved as multi-year projects but whose duration extended beyond one year by the Board of Directors of the Company, based on reasonable justification

5.6 CSR activities include:-

- i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh 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 vocational 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 centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv) Ensuring environmental sustainability, ecological balances, 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 arts, setting up of public libraries, promotion and development of traditional arts 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 recognized 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) any other fund set up by the Central Government for socioeconomic development and relief and welfare of the Schedule Castes, the Scheduled Tribes, other backward classes, minorities and women;
- ix) Contribution or funds provided 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;
- x) Rural development projects.
- xi) Slum area development.
- xii) Disaster management, including relief, rehabilitation and reconstruction activities.

The list of CSR projects or programs which the Company plans to undertake will fall within the purview of schedule VII of the Act. The modalities of execution of such project or programs and

implementation schedule for the same will be monitored as per the provisions of the Companies Act, 2013 and CSR Rules.

6. Amount of CSR expenditure

The Board of Directors shall ensure that the Company spends, in every financial year, at least two percent of average net profits of the Company made during the three immediately preceding financial years, in pursuance of this CSR policy. If the Company fails to spend such amount, the Board shall, in its report made under 20 Section 134 (3) (o) of the Act specify the reasons for not spending the amount and unless the unspent amount relates to any ongoing project, transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year. Any surplus arising out of any of the CSR activities carried out by the Company will not be treated as part of the business profits of the Company.

If the company spends an amount in excess of two percent of average net profits then such excess amount may set off against the requirement to spend for such number of succeeding financial years and in such manner, as may be prescribed.

Any amount remaining unspent pertaining to any ongoing project 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 Schedule VII, within a period of thirty days from the date of completion of the third financial year.

The Company may expend funds under the limits of CSR expenditure on administrative overheads. However, such expenditure on administrative overheads shall not exceed 5% of the total expenditure of the Company on CSR, for a financial year.

The Company may spend limits available for expending on CSR, for creation or acquisition of capital assets which shall be held by an entity having a unique CSR registration number. The CSR Committee shall take periodical review of CSR Activities carried out during the financial year and report to the Board. Upon review of CSR Activities, the Board may alter Annual Action Plan at any time during the financial year on the recommendation of the CSR Committee.

The annual report in the prescribed format shall be laid before the CSR Committee by the Managing Director for its approval and recommending to the Board.

The Board on the basis of certification provided by Chief Financial Officer of the Company shall review annual CSR activities pursued and amounts spent thereon and approve the same.

7. Disclosure

(1) 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.

(2) If the Company having average CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 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. Such, impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

(3) Display of CSR activities on its website 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.

8. Amendment to CSR Policy

8.1. This policy is constituted under the provisions of the said Act & CSR Rules. In the event of any dispute between the contents of this policy and Act & CSR Rules, the provisions of Act & CSR Rules will be made applicable to the matter. This policy shall stand amended in accordance with the amendments in the said Act & CSR Rules from time to time.

8.2. Any amendment to this policy will be in writing except as stated in 8.1 above.

9. Approval

This CSR Policy is approved by the Board of Directors of the Company at its meeting held on 12th May, 2014 and amended by the Board of Directors at its meeting held on 25th June, 2021.
