

POLICY ON CORPORATE SOCIAL RESPONSIBILITY

I. Philosophy and vision:

The Lakshmi Mills Company Limited has always strived for creating awareness and conservation of environment for the betterment of mankind and has constantly taking initiatives for conservation and sustainability of environment. The Company has undertaken various eco friendly initiatives like maintaining gardens and safeguarding the trees in and around the Office Building and Factories and initiating environmental awareness programs as well as measures for controlling air and noise pollution etc.

The policy on Corporate Social Responsibility (CSR) is adopted by the Company to align its philosophy to initiate measures and pursue socially useful programmes with the objectives and activities of CSR envisaged and incorporated in the Companies Act, 2013 and the rules made there under. This policy has been formulated and recommended by the CSR Committee and adopted by the Board of Directors at its meeting held on 29.05.2015. The terms, rules and regulations mentioned in this policy are as per The Companies Act, 2013 and rules made thereunder. The Board may, upon recommendation of CSR Committee, amend or modify this CSR Policy as and when necessary.

This policy is effective from 1st April, 2014.

II. Definitions

- “Act” means The Companies Act, 2013.
- “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.
- Board means Board of Directors of the Company.
- 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:-
 - (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;

- (v) activities supported by the companies on sponsorship basis of deriving marketing benefits for its products or services;
- (vi) activities carried out for fulfilment of any other statutory obligation under any law in force in India.
- CSR Committee means Corporate Social Responsibility Committee of the Board pursuant to Section 135 of the Companies Act, 2013.
- 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.
- Net Profit means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Companies Act, 2013, 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 Companies Act, 2013.

Words and expressions used in this policy and not defined herein but defined under the Companies Act, 2013 shall have the meanings respectively assigned to them therein.

III. Constitution, Composition and activities of Corporate Social Responsibility Committee:

- The CSR initiatives / activities of the Company will be identified and initiated by the CSR Committee comprising of 3 (three) or more members out of which at least one director shall be an independent director.
- The members of the CSR Committee shall elect one of them as the Chairman of the Committee.
- The CSR Committee shall formulate and recommend to the Board, an annual plan in pursuance of its CSR Policy, which shall include the following:-
 - 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 projects or programmes as specified in Rule 4(1) of The Companies (Corporate Social Responsibility Policy) Rules, 2014;
 - 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.

- The 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.
- The CSR Committee shall recommend to the Board the amount of expenditure to be incurred by the Company on CSR activities and the Board will ensure that the activities as are included in the CSR Policy are undertaken by the Company subject to and in accordance with the provisions of Section 135 of the Companies Act, 2013.
- The CSR Committee may delegate its responsibility to any senior or key managerial person as and when deemed fit.
- The composition of CSR Committee shall be disclosed in the Board's report.

IV. CSR activities:

The Company may undertake any of the following activities as its CSR 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.
- 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.
- (xii) disaster management, including relief, rehabilitation and reconstruction activities.
- (xiii) Such other matters as may be prescribed under applicable statute;
- (xiv) Such other activity as may be thought fit by the CSR Committee and approved by the Board.

V. Amount of expenditure to be incurred on the CSR activities:

- The Company will endeavour to spend the following amounts for CSR activities in pursuance of this Policy:
 - i) 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. The "average net profits" shall be calculated in accordance with the provisions of section 198 of the Companies Act, 2013 and the rules made there under from time to time.
 - ii) Any income arising from the activities mentioned above.
- 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 CSR activities shall not form 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 and spent in pursuance of the CSR Policy and annual action plan of the Company or 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.

- Where the Company spends an amount in excess of requirement provided under Section 135 (5), such excess amount may be set off against the requirement to spend upto immediate succeeding three financial years subject to the condition that:
 - i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any;
 - ii) the Board of the Company shall pass a resolution to that effect.
- Contribution of any amount directly or indirectly to any political party under Section 182 of the Act, shall not be considered as CSR activity.
- Amount spent on CSR activities shall include all expenditure including contribution to corpus for projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but will not include 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.
- The CSR Committee will approve the expenditure on CSR activities within the monetary limits sanctioned by the Board for such activities.

VI. Modalities of Execution / Implementation:

- CSR activities may be initiated / implemented / executed:
 - i) By the Company; or
 - ii) Through:
 - a) A registered trust, registered society or a company established by the Company or its holding or subsidiary or associate company under Section 8 of the Companies Act, 2013, either singly or along with other company.
 - b) If such trust, society or a company is not established by the Company or its holding or subsidiary or associate company, the eligible CSR activities will be undertaken in collaboration with a specialized organization, institution or agency which has an established track record of atleast three years in undertaking CSR projects or in carrying on permissible CSR activities.
 - c) An agreement / contract or any other written communication will be executed by the Company.
- Every entity 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 01.04.2021.
- 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.

- On the submission of the Form CSR – 1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.
- 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 or their own personnel for CSR.
- 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 programmes in accordance with these rules.
- CSR Committee shall have full discretion to specify or modify the modalities of execution of CSR projects or programs and to determine implementation schedules.
- The Company's CSR activities may focus on environmental sustainability and will give preference to the local area and areas around, where it operates, for spending the amount earmarked for CSR activities.
- The CSR activities shall be undertaken within India.

VII. Monitoring of this CSR policy:

- 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.
- It will be the responsibility of the CSR Committee to monitor periodically the implementation of the projects / programmes / activities under this CSR policy and to ensure compliance of the provisions related to CSR mentioned in the Act and rules made there under from time to time.
- The progress of CSR initiatives and activities will be reported to the Board on a regular basis.

VIII. Role of Board:

The role and responsibility of the Board shall include:

- Board of the company shall satisfying itself that the funds so distributed 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.
- Approval of CSR policy after taking into account the recommendations of the CSR Committee.
- Reporting in the Board's report brief outline of this CSR policy including overview of projects or programs, composition of CSR Committee, average net profits of the Company for the preceding three financial years and prescribed CSR expenditure as required under the Act and rules made thereunder alongwith
 - i) the total amount spent on CSR activities in the financial year and

- ii) amount unspent, if any, with reasons.
- Every Company having average CSR obligation of ten crore rupees or more in pursuance of Section 135 (5) of the Act, in the three immediate 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.
 - Placing of the impact assessment reports before the Board and shall be annexed to the annual report on CSR.
 - Ensure that the contents of the CSR policy are displayed on the website of the Company in the manner prescribed under the applicable statute.
 - Ensuring that the CSR activities are undertaken and executed by the Company as per this CSR policy and the applicable laws.
 - Any amount remaining unspent under sub-section (5), 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 Schedule VII, within a period of thirty days from the date of completion of the third financial year.
 - If a company is in default in complying with the provisions of sub-section (5) or sub-section (6), the company shall be liable to a penalty of twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.
 - The Central Government may give such general or special directions to a company or class of companies as it considers necessary to ensure compliance of provisions of this section and such company or class of companies shall comply with such directions.

This amended Policy has been adopted and recommended by the CSR Committee at their meeting held on 10.02.2021 and further approved by the Board of Directors at their meeting held on 28.06.2021.