

CORPORATE SOCIAL RESPONSIBILITY POLICY
OF
AVAADA ELECTRO LIMITED

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DEFINITIONS AND INTERPRETATION

1. Definitions

“Act” shall mean the Companies Act, 2013 and shall include any modifications, amendments or re-enactment thereof.

“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.

“Agency (or Agencies)” means any Section 8 Company or a registered trust / society / NGO / institution, performing social services for the benefit of the society and excluding a registered trust/society/ NGO/institution/ Section 8 Company which is formed by the Company or its holding or subsidiary Company/companies.

“Approved Budget” shall mean the total budget as approved by the Board of the Company upon the recommendation of the CSR Committee, which is to be utilized for CSR Projects.

“Average Net Profit” shall be net profit of the Company calculated in accordance with the provisions of section 198 of the Companies Act, 2013.

“Board” means Board of Directors of Avaada Electro Limited.

“Corporate Social Responsibility Committee” or **“CSR Committee”** or **“Committee”** means Corporate Social Responsibility Committee constituted/ reconstituted by the Board pursuant to section 135 of the Companies Act, 2013;

“Company” shall mean Avaada Electro Limited, wherever it is referred to in the policy.

“CSR Annual Plan” shall mean the annual plan detailing the CSR Projects and expenditure towards the respective projects during any financial year.

“CSR expenditure” shall include all expenditure incurred by the Company for projects or programmes relating to CSR activities approved by the Board on the recommendation of the CSR Committee, in accordance with this Policy and the Act, as amended from time to time but shall 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;

“CSR Policy” or “Policy” shall mean the present Corporate Social Responsibility Policy of the Company, as amended from time to time, 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; as amended from time to time

“CSR Projects” or “Projects” means Corporate Social Responsibility projects/activities/ programs/ initiatives instituted in India, either new or ongoing or one-time, and include but not limited to those undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR Policy of the Company or through Implementing Agency. Projects/activities/ programs/ initiatives undertaken in pursuance of normal course of business of the Company and projects which benefit only the employees of the Company and their families shall not be considered as CSR Projects;

“Minimum Spending Requirement” shall mean the minimum amount to be spent on CSR activities as prescribed under section 135 of the Companies Act 2013, and the rules made thereunder.

“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;

“Rules” means the Companies (Corporate Social Responsibility) Rules 2014, including any reenactment, modifications or amendments thereof.

2. Interpretation

Words and expressions used in this policy and not defined herein but defined under the Companies Act, 2013 or Rules shall have the meanings respectively assigned in the Act and/or Rules. In any circumstance where the terms of this Policy are inconsistent with any existing or newly enacted law, rule, regulation or standard governing the Company, the said law, rule, regulation or standard will take precedence over this Policy.

3. Background

The Company believes in the principles of “Serving Society through Industry”. The Company is committed to contributing towards the well-being of society. The Company intends to pursue its CSR and undertake activities which shall have a lasting impact on the social and economic conditions of people and communities benefitted by such CSR practices adopted by the Company.

4. Objective

The objective of this Policy is to outline guidelines for the Company’s CSR activities for making a positive contribution to society through social and economic welfare programs. This Policy shall apply to all CSR projects/ programmes/ activities undertaken by the Company in India as per Schedule VII of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time.

For the purpose of this Policy, any contribution, directly or indirectly to any political party, business done by the Company in its normal course, activities only for the benefit of the employees of the Company and activities undertaken outside India will not be considered as ‘CSR activities’.

For the purpose of meeting the requirements of applicable provisions of the Act, the Company shall undertake CSR activities as mentioned in Schedule VII of the Companies Act, 2013, as amended from time to time.

5. CSR Composition, Quorum and Meetings

- i. Unless exempted pursuant to Section 135(9) of the Act, the Board shall constitute the CSR Committee in compliance of the provisions of section 135(1) of the Companies Act, 2013 which shall consist of three or more Directors, out of which at least one director shall be an Independent Director.
- ii. The CSR Committee shall meet as and when deemed necessary to discuss and review the CSR Policy and the CSR activities.
- iii. A quorum of two members shall be present at the meeting or present through Video Conferencing. The Committee members may attend the meeting physically or via such audio-visual means as permitted under the Act.
- iv. The Company Secretary shall act as the Secretary to the Committee.

6. Role of the CSR Committee

The role and functions of the CSR Committee shall be as:

- I. Formulate and recommend to the Board the CSR Policy and any amendments thereof, which shall indicate the activities to be undertaken by the Company in areas or subjects as specified in Schedule VII of the Companies Act, 2013;
- II. Recommend to the Board an annual action plan for CSR activities and any amendments thereto;
- III. Recommend to the Board the amount of expenditure to be incurred on CSR activities in accordance with the CSR Policy;
- IV. Monitor the CSR Policy of the Company from time to time;
- V. Institute a monitoring mechanism for implementation of CSR projects, programs, or activities undertaken by the Company;
- VI. Recommend to the Board the details of need and impact assessment, if any, for the projects undertaken; and
- VII. Address any other matter as may be considered expedient in furtherance of the CSR Policy of the Company.

7. Role of the Board

- I. After taking into account the recommendations made by the CSR Committee, approve the CSR Policy for the Company.
- II. Disclose contents of the CSR Policy in its report.
- III. Ensure that as and to the extent applicable, in each financial year the Company spends at least 2% 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 its CSR policy.
- IV. Satisfy itself regarding the utilization of the disbursed CSR fund.
- V. The Chief Financial Officer (CFO) or the person responsible for financial management in the Company shall certify the details of CSR spent is as per Board approval.

8. CSR Activities:

The CSR activities of the Company shall cover one or more of the following focus areas as notified under section 135 of the Act and the Rules framed there under read with Schedule VII of the Act as amended from time to time.

- 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 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 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 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 Paramilitary 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) 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 (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; and*
- xiii. *Any other activities in relation of the above subjects and all other activities notified by Ministry of Corporate Affairs from time to time under Section 135 of the Act, Schedule VII of the Act and the Rules.*

9. Identification of CSR Activities:

The focus areas in which CSR activities to be undertaken by the Company during the financial year shall be identified in pursuance of this Policy and Schedule VII of the Act. The CSR activities/ projects shall be identified based on parameters such as Project objectives, need assessment, implementation schedules, results expected, etc.

10. Modalities of Execution of CSR activities:

The CSR activities/projects shall be undertaken/implemented in pursuance of this policy in any one or more of the following modes:

- a. The Company may contribute to any one or more of the specific funds set up by Central Government in Schedule VII of the Act;
- b. The Company may undertake the CSR activities pursuant to this policy:
 - i. Directly; or
 - ii. Through an Implementing Agency, eligible to act as such pursuant to provisions of the Act and Rules (hereinafter referred to as a “CSR Partner”);

In such cases, the Company shall specify the projects or programs to be undertaken through the CSR partner, the modalities of utilisation of funds on such projects and programs and the monitoring and reporting mechanism.

The CSR partner shall be selected based on its credibility, track record and its ability to execute the proposed project; or a Company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961 (43 of 1961), established by the Company, either singly or along with any other Company.

The CSR partner shall meet the following minimum criteria:

- *Should have permanent office/address in India and basic infrastructure such as basic office equipment, premises etc;*

- *Should have a proven track record of 3 years in the area of CSR activity it has been nominated for;*
 - *Track record/antecedents of the CSR partner are verifiable and meet certain pre-determined criteria;*
 - *Should possess a valid income tax exemption certificate;*
 - *It has requisite system in place to assess and report the progress/status of the projects/activities on pre-determined parameters;*
 - *Maintain the required level of auditable records on CSR initiatives;*
 - *Should be registered under the governing laws including laws relating to taxation;*
 - *The CSR activity for which it is nominated should be purely philanthropic and not give direct or indirect benefit to the Company or its employees;*
 - *The CSR activity for which it is nominated should be project-based and specify the details of project, geographies, target beneficiaries, the financial requirement, implementation time schedule etc;*
 - *Expenditure towards administrative overheads (indirect expenditure) shall not exceed 5% of the CSR project proposal;*
 - *Shall not have any pending legal disputes and/or enquiries in connection with offences like cheating, misappropriation of funds, exploitation of beneficiaries etc; and*
 - *Shall not be blacklisted by any government agency/Ministry/municipal body etc.*
- c. The 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 the Act and Rules.
- d. The Company may consider undertaking any CSR activity directly on its own as a project/programme/activity (new or ongoing); and
- e. Pursuant to rule 4(3) of the Companies (CSR Policy) Rules, 2014, a company may engage external organisations for the limited purposes of designing, monitoring, and evaluation of the CSR projects or programmes, or for capacity building of personnel of the company involved in CSR activities.

11. CSR Monitoring & Reporting Mechanism:

- a. Appropriate documentation and amendments of the CSR Policy, annual action plan of CSR activities will be undertaken on a regular basis and placed before the CSR Committee and Board for review;
- b. CSR Committee may institute a transparent monitoring mechanism for ensuring implementation of CSR activities undertaken by the Company;
- c. The Board shall ensure that the funds so disbursed have been utilised for the purposes and in the manner as approved and the Chief Financial Officer or the person responsible for financial management shall certify to the effect;
- d. In case of ongoing project, the Board 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; and
- e. The Company shall publish following in its Board's Report of every financial year in the manner prescribed under the Companies Act, 2013 read with the CSR Rules and also be uploaded on the Company's website:
 - Composition of CSR Committee;
 - CSR Policy;
 - Projects approved by the Board;
 - Impact Assessment Report, if applicable and required by the Act.

12. Annual CSR Plan

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance to its CSR Policy, which shall include the following:

- a. The list of areas or subjects to be considered for CSR for the year, including CSR projects or programmes that are approved to be undertaken in the areas or subjects specified in Schedule VII of the Act;
- b. The manner of execution of such projects or programmes;
- c. An annual budget for the CSR activities which shall be in line with the Applicable Law, including details of utilization of funds and implementation schedules for the projects or programmes; and
- d. Monitoring and reporting mechanism for the projects or programmes. The Administrative Overhead for the CSR Activities shall not exceed 5% of total CSR expenditure of the Company for any Financial Year (or such percentage as prescribed by law from time to time).

However, the Board may alter such Annual Action Plan at any time during the financial year based on the reasonable justification.

13. CSR Annual Expenditure

The Company shall spend in every financial year at least 2% of average net profits made during the immediately preceding three financial years towards CSR activities in pursuance of this Policy. The “net profit” shall not include such sums as may be prescribed under the Act and Rules and be calculated in accordance with the provisions of Section 198 of the Companies Act, 2013.

The CSR Committee shall recommend to the Board the amount of expenditure to be incurred on CSR activities during the financial year in pursuance of this policy and in compliance with the Act.

CSR spend shall be made on or before 31st March of the relevant financial year, unless it pertains to any on-going project. In case the Company fails to spend such amount in any financial year, the Board shall, in its report made under section 134 and 135 read with rules made thereunder, specify the reasons for not spending the prescribed amount and:

A. The unspent amount, which relates to any on-going 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 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, eligible entity shall transfer the same to any Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year; or

B. The unspent amount, which does not relate to any on-going project, would have to be transferred to any Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Any surplus arising out of CSR Activities undertaken by the Company shall not form part of the business profit of the Company and shall be ploughed back into the CSR activities being undertaken in terms of this CSR policy and annual action plan of the Company for the financial year in which such surplus has arisen 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.

The Board shall ensure that the Company’s administrative overheads shall not exceed 5% of total CSR expenditure of the Company for the financial year. The CSR Activities will be carried out in a manner that the preference is to undertake the CSR Activities in and around the local areas where the Company operates.

14. Exclusion from CSR

The following activities shall not form part of the CSR activities:

- Activities undertaken in pursuance of normal course of business of the Company;
- CSR projects/programs or activities benefitting employees of the Company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019) and their families;
- Any contribution directly/indirectly to political party or any funds directed to political parties or political causes under section 182 of the Act;
- CSR projects/programs or activities undertaken outside India except for training of Indian sports personnel representing any State or Union Territory at national level or India at international level;
- Activities supported by the Company on sponsorship basis for deriving marketing benefits for its products; and
- Activities carried out for fulfilment of any other statutory obligations under any law in force in India.

15. Excess CSR Spent and Set Off

If in any financial year the Company spends on CSR activities in excess of the obligated 2% of average net profits, the Board may decide to set-off the same in the immediately succeeding three financial years, subject to conditions prescribed under the Act and the Rules.

Condition

- The excess amount available for set off shall not include surplus arising out of CSR activities.
- The Board of the Company shall pass a resolution to this effect.

16. Display of CSR Activities

The composition of CSR Committee, CSR Policy and Projects approved by the Board shall be displayed on the Company's website.

17. Accounting

Separate bank accounts shall be maintained for each project undertaken by the Company.

18. Impact Assessment

The Company shall undertake the impact assessment wherever applicable as per the below requirement under Companies Act, 2013:

Every Company having average CSR obligation of ₹ 10 Crore or more in pursuance of Section 135(5) of Companies Act, 2013, in three immediately preceding financial years, shall undertake impact assessment, through an Independent Agency, of their CSR projects having outlays of ₹ 1 Crore or more, and which have been completed not less than 1 year before undertaking the impact study.

Impact assessment, if and when mandated, shall be undertaken by an independent agency and such impact assessment report shall be placed before the Board and annexed to the annual report of CSR.

Additionally, the Company shall undertake periodic impact assessment of other projects once every 3 years.

The Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two per cent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.

Need for Impact Assessment:

It plays a vital role in offering the required tools and methodologies to efficiently and effectively implement CSR programs. It ensures the best utilization of efforts and capital besides keeping CSR effort on the right track. Impact assessment is to be done after needs are assessed and funds and resources are invested to keep track and to ensure progress.

Hence, Impact Assessment helps in understanding:

- Whether the programs were designed in line with the needs of the community and organization's mission/vision;
- Whether the goals and objectives decided at the beginning of the programs were achieved;
- Whether the right mechanism was adopted for implementing the interventions; and
- Whether there are any unexpected changes or negative effects in the lives of the target community.

19. Amendment and Review

Subject to applicable laws, the Board may amend, suspend or rescind this policy at any time. Any issues pertaining to the Policy shall be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

The CSR Committee reserves the right to modify, add or amend any of provisions of this Policy subject to approval of the Board. The CSR Committee may review this Policy periodically and recommend amendments for the Board's approval from time to time, as may be deemed necessary.

20. General

- a. In case of any doubt with regard to any provision of the CSR Policy and, also in respect of matters not covered herein, a reference to be made to the Board of Directors. In all such matters, the interpretation & decision of the Board of Directors shall be final;
- b. Any or all the provisions of the CSR Policy would be subject to revision / amendment in accordance with the guidelines on the subject as may be issued by Government, from time to time;
- c. The conditions or terms of the CSR Policy can be modified, cancelled, added or amended in writing with the approval of Board of Directors. However, in the event of any conflict between the contents of the CSR Policy and the Companies Act, 2013 and the CSR Rules, the provisions of the Companies Act, 2013 and the CSR Rules will be made applicable to the matter. Further, the CSR Policy shall stand amended in accordance with the amendments in the Companies Act, 2013 and the CSR Rules from time to time.

21. Contact Points for Corporate Social Responsibility Policy:

The Compliance Officer can be contacted for any queries regarding the Policy. Email address is surendra.gupta@avaada.com