



DMCC SPECIALITY CHEMICALS LIMITED
(Formerly known as "The Dharamsi Morarji Chemical Company Limited")
Corporate Social Responsibility (CSR) Policy

(Revised by the Board on 12.10.2022)

Corporate Social Responsibility (CSR) Policy

I. Philosophy

While for any corporate, profit making is an ultimate goal, we also firmly believe in giving back the wealth that we have acquired over the years to those sections of the society which need to be uplifted and empowered. Even when the company was not legally required to contribute towards Corporate Social Responsibility (CSR), it still reached out to the underprivileged and attempted to make a small difference in their lives. ¹DMCC Speciality Chemicals Limited (Formerly known as The Dharamsi Morarji Chemical Company Limited) (“DMCC” or “Company”) has the tradition of supporting social & educational causes even since beginning, well before the concept of CSR came in the Companies Act 2013. DMCC has been giving financial support / donations to various Educational, Environmental, Social & Socio – economic projects / organisations around the company’s factories.

II. Objective, Scope and Limitations

The scope of this CSR Policy (“Policy”) extends to all DMCC locations in India. This Policy is a statement containing the approach and direction given by DMCC’s board of directors, 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.

This Policy has been formulated in accordance with Section 135 of the Companies Act, 2013 (“Act”) and the Companies (Corporate Social Responsibility Policy) Rules, 2014 (“Rules”) framed thereunder. The existing CSR Policy of the Company is revised in line with accordance with the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 which has been made effective from the date of their publication in the Official Gazette i.e. 22nd January, 2021.

Limitations

In accordance with Section 135 of the Act and the Rules, the following activities would not qualify as CSR activities:

- (i) activities benefitting 'employees' of DMCC, as defined in clause (k) of section 2 of the Code on Wages, 2019
- (ii) activities undertaken in pursuance of normal course of business of DMCC;
- (iii) One-off events such as marathons/ awards/ charitable contributions / advertisement/ sponsorship of television programs, etc.;
- (iv) Contribution of any amount directly or indirectly to any political party under section 182 of the Act
- (v) any activity undertaken outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;
- (vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India; and
- (vii) activities supported by the Company on sponsorship basis for deriving marketing benefits for its products or services.

III. Definitions

- (i) **Company** means DMCC Speciality Chemicals Limited.
- (ii) **Act** means the Companies Act, 2013 (18 of 2013).
- (iii) **Board** means the Board of Directors of the Company.
- (iv) **CSR means** the corporate social responsibility activities undertaken by the company in pursuance of its statutory obligation laid down in Section 135 of the Act.
- (v) **CSR Committee** means the Corporate Social Responsibility Committee constituted by the Board pursuant to Section 135 of the Act.
- (vi) **Net Profit** means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely: -
 - a) any profit arising from any overseas branch or branches of the Company whether operated as a separate company or otherwise; and
 - b) Any dividend received from other companies in India, which are covered under and complying with the provisions of Section 135 of the Act.
- (vii) **Policy** means this Corporate Social Responsibility Policy, as may be amended from time to time.
- (viii) **Administrative Overheads** mean 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 program.
- (ix) **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.
- (x) **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.
- (xi) **Public Authority** means 'Public Authority' as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005).

Words and expressions used in this Policy but not defined herein shall have the meanings assigned to them under the Act.

IV. Objective

This Policy has been formulated and adopted pursuant to Section 135 of the Act and the Rules framed thereunder. DMCC will undertake CSR activities in relation to activities specified in Schedule VII to the Act including any amendments thereto.

For details of the activities covered under Schedule VII please refer to **Annexure A** below.

V. Constitution of the CSR Committee:

- (i) The CSR Committee shall consist of 3 (three) or more directors of the Company.
- (ii) The CSR Committee may delegate its responsibility to any senior or key managerial person(s) or a sub-committee as and when deemed fit for implementation of CSR programs. The key managerial person(s) or a sub-committee shall work under the supervision of the Board, the CSR Committee and report the activities and expenditures in accordance with this Policy and the Act.
- (iii) The Board shall reconstitute the CSR Committee as and when required to comply with the provisions of the Act and applicable statutory requirements or on movement of Directors from the Board.
- (iv) The quorum for the CSR Committee Meeting(s) shall be 2 members and CSR Committee shall hold at least one meeting, either in person or through video conferencing, during each Financial Year. The CSR Committee may transact its business through passing of circular resolutions.

VI. Role of the CSR Committee:

The CSR Committee shall carry out the following activities and functions:

- (i) To formulate, recommend and present to the Board, this Policy and the activities to be undertaken by the Company towards CSR initiatives as per the Act and this Policy, and monitor this Policy and advise on any changes, if required, from time to time. Once approved and adopted by the Board, the CSR Committee shall implement such approved CSR activities.
- (ii) To review and recommend the amount of expenditure to be incurred on the CSR activities to be undertaken by the Company.
- (iii) To formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which is detailed in Annexure B.
- (iv) To monitor the execution and implementation of the annual action plan formulated in accordance with this Policy and approved by the Board.
- (v) To advise and recommend in forming a CSR Sub Committee and efficient functioning of CSR Policy.
- (vi) To perform screening of the eligible Trust/ Society/ Section 8 Company etc. and advise on the Company executing agreements/ engagements with such entities to undertake CSR activities.
- (vii) Any other matter as may be entrusted to the CSR Committee by the Board from time to time.

VII. Role of the Board:

The roles and responsibilities of the Board shall include:

- (i) Approve and adopt this Policy and the annual action plan, upon review of the recommendations made by the CSR Committee.
- (ii) Review the recommendations made by the CSR Committee in respect of annual budget for CSR.
- (iii) Disclose the composition of the CSR Committee in its report under section 134 of the Act, and the composition of the CSR Committee, this Policy and the projects approved by the Board on the Company's website, if any, for public access.
- (iv) Ensure that DMCC spends in every financial year, at least two (2%) percent of the average Net Profits made during the 3 (three) immediately preceding financial years on CSR activities, in accordance with this Policy.
- (v) Ensure that the CSR activities are undertaken and executed by the Company as per the Policy, the Act and other applicable laws, including ensuring compliance with Rule 4 of the Rules.
- (vi) If the Company fails to spend the amount as mentioned in (iv) above in any financial year, specify in the Board's report made under section 134 of the Act, 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 to the Act, within a period of six months of the expiry of such financial year. Alter the recommended annual action plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

VIII. CSR Expenditure:

The Board shall ensure that the Company spends the following amounts for CSR activities in pursuance of this Policy, and complies with the following conditions as set out under the Act and the Rules:

- (i) In every financial year, at least 2 (two) per cent of the “average Net Profits” of the Company made during the 3 (three) immediately preceding financial years. The “average Net Profits” shall be calculated in accordance with the provisions of Section 198 of the Act and the rules framed there under from time to time.
- (ii) The Administrative Overheads shall not exceed five percent of total CSR expenditure of the Company for the financial year.
- (iii) Any surplus arising out of the CSR activity will not be part of the business profits of the Company and shall not form part of the business profit of the Company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account in accordance with section 135 of the Act, and spent in pursuance of this Policy and annual action plan of the Company; or the Company shall 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.
- (iv) Where the Company spends an amount in excess of requirement provided under sub-section (5) of Act such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 of the Act up to the immediately succeeding three financial years’ subject to the conditions that –
 - a) the excess amount available for set off shall not include the surplus arising

out of the CSR activities, if any, in pursuance of (iii) above; and
b) the Board shall pass a resolution to that effect.

- (v) The CSR amount may be spent by the 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 in accordance with the Rules; 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 the 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 requirements set out above, which may be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.

- (vi) The CSR Committee will approve the expenditure on CSR activities within monetary limits sanctioned by the Board for such activities.
- (vii) In the event the Company undertakes impact assessment in accordance with the Act and the Rules, it may book the expenditure incurred on such impact assessment towards CSR 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.

IX. Implementation:

- (a) CSR activities may be initiated / implemented/ executed by the Company directly; or through-
- (i) 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
 - (ii) 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
 - (iii) Any entity established under an Act of Parliament or a State legislature; or
 - (iv) 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.

In the event the Company undertakes CSR activities through a third party entity as set out above, the Company shall ensure that such entities have obtained a unique CSR Registration Number in accordance with the Rules, if such CSR project or program is approved and undertaken after 1 April 2021.

- (b) The Company may also collaborate with other companies for undertaking CSR projects or programs or activities in such a manner that the CSR committees of the respective companies are in a position to report separately on such projects or programs in accordance with the Act and the Rules.
- (c) The Company may engage International Organizations for designing, monitoring and evaluation of the CSR projects or programs as per its CSR policy as well as for capacity building of their own personnel for CSR.
- (d) The Board 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 the same.
- (e) 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.

CSR Committee shall have full discretion to specify or modify the modalities of execution of CSR projects or programs and to determine implementation schedules

X. Monitoring:

It will be the responsibility of the CSR Committee to monitor periodically the implementation of the projects / programs / activities under this Policy and to ensure compliance of the provisions related to CSR mentioned in the Act and the Rules from time to time. The progress of CSR initiatives and activities will be reported by the CSR Committee to the Board on a regular basis.

XI. CSR reporting:

- (a) The Board's report pertaining to any financial year shall include an annual report on CSR containing particulars specified in Annexure I or Annexure II of the Rules, as applicable.
- (b) In the event the Company's average CSR obligation becomes ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years:
 - (i) the Company shall undertake an impact assessment, through an independent agency, of its 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; and
 - (ii) the impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

XII. Guiding Principles:

- (i) The company CSR contribution to support the activities for improving the quality of life of the people by focusing on the immediate/priority social causes. The specific activities will be decided each year and submitted for approval of the Board. However, the committee may decide to undertake other activities mentioned in Annexure-A
- (ii) The Company's CSR contributions shall be towards any activities undertaken within India. This Policy, the Company and the CSR Committee will give preference to the local area and areas around it where the Company and its offices operate, in spending the amount earmarked for CSR activities.

XIII. Amendments:

The Board of Directors as per the recommendations of CSR Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc. The Company Secretary is authorized to carry out necessary changes as required as per the Statutory amendments and the such amendments shall be notified to the Board/Committee at their next immediate meeting.

Annexure – A Schedule VII of the Companies Act, 2013

In accordance with the requirements under the Act, the key areas of focus for CSR activities of the Company shall 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 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 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).Rural development projects;

(x) Slum area development; and

Provided 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

(xi) Disaster management, including relief, rehabilitation and reconstruction activities;

Annexure B – Annual Action Plan

In pursuance of this CSR Policy, the CSR Committee of the Company shall formulate and recommend to the Board an annual action plan containing the following items:

- (i) A list of CSR projects approved to be undertaken by the committee:
 - Details on focus areas (as in Annexure A), target beneficiaries, and project geographical location(s).
- (ii) Manner of execution –
 - Modalities as specified in Section IX of the Policy.
- (iii) Modalities of utilization of the funds –
 - Details on funds allocation, disbursement, and utilization towards finalized projects.
- (iv) Implementation schedules –
 - Details on key milestones for completion of approved project activities within the agreed project duration.
- (v) Monitoring and reporting mechanisms –
 - Details on qualitative and quantitative indicators set for measuring the impact of the project.
 - Details on periodic project reviews to assess the progress.
- (vi) Details of need and impact assessment plan, if any:
 - Details on qualitative and quantitative impact achieved, measured through a study conducted by an independent third-party agency.

Footnotes

1 w.e.f. October 12, 2022, the name of the Company is changed from The Dharamsi Morarji Chemical Company Limited to **DMCC Speciality Chemicals Limited**. Hence the same is incorporated into the policy.