

H.P. COTTON TEXTILE MILLS LIMITED

Corporate Social Responsibility Policy

Approved by Board : 29.10.2021

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1. PREAMBLE

We, at H.P. Cotton Textile Mills Limited (“Company”), believe that our business is built around strong social relevance of inclusive growth by supporting the common man in meeting their financial needs. We equally believe that creation of large societal capital is as important as wealth creation for our shareholders. As a responsible human organization, we are committed towards the above objective and are keen on developing a sustainable business model, to ensure and activate our future growth drivers. Therefore, we are putting a policy as a guide towards our social commitment going forward.

2. SCOPE AND APPLICABILITY

The provisions related to Corporate Social Responsibility (“CSR”) are incorporated under Section 135 of Companies Act, 2013 (the “Act”) read with Schedule VII to the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 (the “Rules”) and amendments thereunder time to time.

This Policy has been formulated under the above provisions of the Act and shall be applicable to all CSR initiatives and activities undertaken by the Company, for the benefit of different segments of society.

3. OBJECTIVES

The objective of this Policy is threefold.

- a) Establish a guideline for compliance with the provisions of the Act and Rules related to CSR,
- b) Implement CSR initiatives in both letter and spirit through appropriate procedures and reporting, and
- c) Initiate projects that benefit the community at large.

4. TERMS AND DEFINITIONS

In this Policy, the following terms shall have the following meanings:

- i. “**Company**” means H.P. Cotton Textile Mills Limited
- ii. “**CSR**” means Corporate Social Responsibility as prescribed under section 135 of the Act and Rules made thereunder and further amendments thereto
- iii. “**Act**” means the Companies Act, 2013
- iv. “**Rules**” means the Companies (Corporate Social Responsibility Policy) Rules, 2014
- v. “**CSR Policy**” means Corporate Social Responsibility Policy
- vi. “**Board or Board of Directors**” means the collective body of Directors of the Company
- vii. “**Director**” means a director appointed to the Board of the Company

- viii. “**CSR Committee**” means the committee constituted by the Company’s Board in accordance with the provisions of Section 135 of the Companies Act, 2013

5. CSR COMMITTEE

5.1 Constitution

The CSR Committee shall consist of three or more Directors, out of which at least one director shall be an Independent Director, as may be deemed fit by the Board.

Quorum for the CSR Committee Meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.

The Committee members may attend the meeting physically or via such audio-visual means as permitted under the Act. The Committee shall have the authority to invite such employee(s), senior official(s) and or externals experts, as it may deem fit, to attend the CSR Committee Meeting(s). The Company Secretary shall act as Secretary to the Committee.

The Committee shall meet, whenever required, to discuss and review CSR activities and Policy.

5.2 Scope & Functions of CSR Committee

- a) To formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company in areas or subject, specified in Schedule VII;
- b) To recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
- c) To monitor the CSR Policy of the Company from time to time;
- d) To recommend any new CSR initiatives to be taken up by the Company including the selection/appointment of implementation agencies;
- e) To review the CSR activities of the Company and provide progress update to the Board of Directors at such interval as may be deemed fit;
- f) To review and recommend the CSR report to be included in the Board’s report; and
- g) Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors, from time to time.

6. ROLE AND RESPONSIBILITIES OF THE BOARD

- (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 CSR Policy approved by the Board on the Company’s website, if any, for public access.
- (iv) Ensure that Company 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 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.
- (vii) 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.

7. CSR ACTIVITIES / PROGRAMMES / PROJECTS

The Policy recognizes that CSR is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged section of the society by one or more of the focus areas as outlined in **Annexure-I** to this Policy.

8. CSR CONTRIBUTION / 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.

9. IMPLEMENTATION

The Company's CSR Programmes will be implemented through itself or through -

- a) 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 (43 of 1961), established by the Company, either singly or along with any other Company, or
- b) 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
- c) any entity established under an Act of Parliament or a State legislature; or
- d) 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.

10. MONITORING

CSR committee of the Company will be responsible for the monitoring of various CSR projects or programs undertaken by the Company directly or indirectly. The committee shall ensure that;

- (i) Company undertakes the CSR activities as provided in the CSR policy
- (ii) The projects/ programs are implemented as per the programmes approved by the Board
- (iii) The budget allocated for each of the project is utilized for the projects as per the approved plans.
- (iv) The objective of the projects/programmes is achieved as per the plans

11. REPORTING

At the end of every financial year, the CSR Committee will consider an Annual Report on CSR activities and recommend the same for the approval of the Board. The said Report will be disclosed as part of the Report.

The CSR Policy on being approved by the Board shall be displayed on the website of the Company and any modifications carried out from time to time shall also be updated on the website of the Company respectively.

12. AMENDMENT

The CSR policy of the Company may be amended at any time by the Board of the Company on the recommendation of the CSR committee.

This Policy is approved by the Board of Directors at their meeting held on October 29, 2021 and shall be effective from October 29, 2021

CSR ACTIVITIES / PROGRAMMES / PROJECTS

- (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.