

CORPORATE SOCIAL RESPONSIBILITY POLICY

(Amended on 19.07.2021)

➤ **PREAMBLE TO THE POLICY:**

Essae Teraoka Private Limited has been actively participating in social responsibility initiatives through the Companies Act, 2013 in one of new initiatives, has made it mandatory for companies falling under certain threshold limits of turnover or paid up capital or net profit criteria to formulate a Corporate Social Responsibility(CSR) Policy and also spend a certain amount of average net profits on specified CSR activities. Hence, it has become imperative for the Company to formulate a policy to be compliant with law. This Policy is amended in accordance with the Companies (Corporate Social Responsibility) Amendment Rules, 2021.

The Company is already contributing to the society at large through a charitable Trust namely "Janani Trust" which helps poor and needy people for providing a good education and other social security services. This policy has been framed in the light of the provisions of the Companies Act, 2013, the rules and regulations framed there under.

➤ **TITTLE:**

This policy may be called as the Corporate Social Responsibility (CSR) Policy of Essae Teraoka Private Limited.

➤ **EFFECTIVE DATE:**

This policy shall be effective from the beginning of financial year 2021-22.

➤ **DEFINITIONS:**

In this policy, unless the context otherwise requires, -

- a) **"Act"** means the Companies Act, 2013.
- b) **"Company"** means Essae Teraoka Private Limited
- c) **"Board"** means the Board of Directors of Essae Teraoka Private Limited.
- d) **"CSR Rules"** mean the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 issued under Companies Act, 2014 by the Central Government of India.

- e) **“CSR Committee”** means the committee constituted by the Board of Directors of the Company from time to time to comply with the provisions of Act & the CSR Rules.
- f) **‘Net Profit’** means net profit as defined in Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 as set out below:
- Net Profit as per financial statements prepared in accordance with the applicable provisions of the Act, 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 Act.
- g) **“Implementing Agency”** means any entity registered with Ministry of Corporate Affairs for undertaking CSR Projects, which is engaged by the Company to implement various projects in pursuance to CSR Policy.

“Ongoing Projects” means a multi-year project undertaken by a Company in fulfillment 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;

Words and expressions used and not defined in this policy but defined in the Act and CSR Rules shall have meanings respectively assigned to them in the Act & CSR Rules.

➤ **PURPOSE OF THE POLICY:**

The purpose of this policy is to define the CSR policy of the Company, the projects and programs to be undertaken by the Company for the purpose of complying with the Company's' CSR obligations, to prescribe the methodologies of implementation of the policy and periodic monitoring of the same.

➤ **CSR ACTIVITIES, PROJECTS OR PROGRAMS TO BE UNDERTAKEN UNDER THIS POLICY:**

The projects or programs to be undertaken by the Company under this policy shall be in compliance with the subjects enumerated in Schedule VII of the Act (as amended from time to time).

➤ **ANNUAL ACTION PLAN:**

The CSR Committee shall formulate and recommend an Annual Action Plan every year to the Board, which shall include the following:

- ✓ The list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- ✓ the manner of execution of such projects or programmes ;
- ✓ the modalities of utilization of funds and implementation schedules for the projects or programmes;
- ✓ monitoring and reporting mechanism for the projects or programmes; and details of need and impact assessment, if any, for the projects undertaken by the company:

However, along with above details, the Annual Action Plan may include such other details as the CSR Committee or Board may require from time to time and also, the Board may alter such plan at any time during the financial year, as per the recommendation of CSR Committee, based on the reasonable justification to that effect.

➤ **IMPLEMENTING THE POLICY:**

The overall responsibility of administering, deciding the spend and monitoring the CSR Policy will vest with the CSR Committee. However, for the day to day effective implementation, actual spending, identifying the projects, liaising with identified agency/people, the CSR Committee, authorizes the Managing Director and Director of the Company (together shall be termed as "CSR Implementation Team") as persons responsible for implementing the CSR Policy. The Managing Director and Director are authorized to enlist the services of such personnel of the company (Administration/Finance/HR/Quality/Legal& other persons interested in doing CSR activity and work on voluntary basis) and also seek services of an external expert agency, as they deem fit and if found necessary for the purposes of effective implementation of this policy. The Managing Director and Director are authorized to make any decisions as they deem fit for the purposes of effective implementation of the policy.

➤ **MODE OF IMPLEMENTING THE POLICY:**

CSR programs, projects or activities of the company should be implemented through following methods:

- i. Directly by the company;
- ii. Implementing Agencies;
- iii. Any foundation or body incorporated by the company and eligible to undertake such CSR projects.
- iv. in collaboration with other organizations/group companies

While the company can engage suitable Implementing Agencies to undertake approved CSR projects. The company can also partner with local governance bodies, such as Gram Panchayats, Civic Bodies, Municipality to directly undertake approved CSR projects with the help and support of these bodies.

➤ **METHODOLOGY & GUIDELINES FOR SELECTION OF PROJECTS FOR CSR ACTIVITIES:**

The CSR Implementation Team shall select the projects keeping in view the following guidelines:

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1. The subjects and projects shall be such which are covered in Schedule VII (as amended from time to time) of the Act.
2. The CSR activity shall comply with all the rules prescribed under the CSR Rules.
3. A proper due diligence shall be performed before selecting the organization/projects/agency.
4. The CSR activity shall not be in the ordinary course of the business of the Company.
5. There shall not be any contribution directly or indirectly to any political party.
6. The CSR projects or programs or activities should not benefit only the employees of the Company and their families.
7. One or more activity or programmes or organization may be selected for CSR spend but within overall limit of amount determined by CSR Committee for the year. The amount to be distributed between various projects or programmes or organization shall be decided by the CSR Implementation Team.

8. The CSR Implementation Team or personnel authorized by it shall, wherever required make personal visits to the Organization/entity to be selected for CSR activities before selection of the project for the CSR activity.

➤ **DETERMINATION OF THE AMOUNT TO BE SPENT IN ANY FINANCIAL YEAR:**

The amount to be spent on CSR activity shall be determined and recommended by the CSR Committee to the Board of Directors of the Company. The CSR Committee shall determine and recommend the amount to be spent for a particular financial year based on the audited accounts of the previous financial years. The amount to be determined shall be in accordance with the provisions of the Act and the CSR Rules. Upon approval by the Board of Directors of the amount to be spent for the financial year, the amount shall become available for actual spend.

➤ **MEETINGS OF CSR COMMITTEE:**

The CSR Committee shall meet at least once in a year or as many times as required to decide, implement and monitor the CSR activities. Such meetings shall precede the meetings of the Board of Directors.

➤ **FUNCTIONS OF CSR COMMITTEE:**

CSR Committee constituted by the Board of Directors shall undertake the following:

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of 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 CSR Rules
- 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:

➤ **APPROVAL MECHANISM FOR PROJECTS SELECTED:**

The projects or programs or organization selected for the purpose of CSR spends shall initially be made by the CSR Implementation team. The CSR Implementation Team shall submit a report to CSR Committee with the basis and reasons for selecting a particular project, its recommendation of the amount to be spent and such other matters as may be required/necessary. After selection by the CSR Implementation Team, the same shall be placed before the CSR Committee for its final approval. The CSR Committee shall approve and recommend to the Board the project/programme/organization project can be undertaken.

➤ **ACTUAL SPEND, FUNDS ALLOCATION, MAINTENANCE OF ACCOUNTS ETC.:**

The actual spend for the year shall be such as may be determined by the CSR Committee. The amount shall become available for spend after determination by CSR Committee and its approval by the Board of Directors. The finance department of the Company shall transfer the amount determined by the CSR Committee to a separate account in the books of account. All expenses of CSR shall be defrayed from the normal bank accounts of the Company upon approval by the CSR implementation Team. The finance team of the Company shall keep proper accounts of the CSR expenditure and also vouchers/bills/invoices etc.

➤ **AREA OF ACTIVITY:**

The registered office of the Company is situated in Kormangala, Bangalore. The provisions of the Act and CSR Rules prescribe that the CSR activities shall be performed by giving preference to the local area and areas around it where the Company operates. Hence, the area of activity for CSR activities shall be the state of Karnataka.

➤ **MONITORING OF THE CSR ACTIVITY:**

The CSR Committee shall monitor the CSR activity to be undertaken by the Company. In this process the CSR Committee shall be assisted by the CSR implementation Team. The CSR Implementation Team shall provide quarterly reports to CSR Committee to be placed in CSR Committee Quarterly meetings which shall cover the following matters: -

- a) The project or program selected for the CSR activity for the year.
- b) A brief write-up about the activity or organization selected for CSR activity and the basis and reasons for selection of a specific activity.

- c) Photographs of the activity undertaken.
- d) A report on the CSR activities every quarter and an annual report with all points as required to be placed before the Board of Directors and in its report as per the provisions of the Act and the CSR Rules.
- e) A proper account of the amounts allocated and the amounts spent for the year.

➤ **SPEND:**

The amount allocated by the CSR Committee shall be spent by the CSR Implementation Team within the same financial year. If there is any unspent amount for any reason out of the determined amount for the year, the same should be transferred to specified funds as provided in Schedule VII of the Act, within six months from the closure of that financial year.

➤ **SURPLUS ARISING OUT OF CSR ACTIVITY:**

The surplus, if any, arising out of CSR activities or projects 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 and spent in pursuance of CSR policy and annual action plan of the company 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.

➤ **CAPITAL ASSETS:**

Capital asset acquired or created by CSR projects should be held by the beneficiaries of the said CSR project or a trust or a public authority for the benefits of all. The company should take appropriate measure to ensure that such assets are utilized for the purpose it was meant for and should not be transferred or disposed off without prior permission of the company.

➤ **IMPACT ASSESSMENT:**

CSR activities undertaken should be in the interest of the society and the local population where the company operates. Before undertaking any project or activities the company shall conduct need assessment for the project and its utility in the demography where project is proposed. If Company is having average CSR obligation of Rupees Ten Crores or more in the three immediately preceding financial years shall undertake impact assessment through an independent agency for projects of Rs. One Crore or more which have been completed not less than one year before undertaking the impact study and place a report for consideration of the Board.

➤ **OTHER MATTERS/DIFFICULTIES:**

If there are any matters which are not covered by this policy or in the Act or in the CSR Rules, the same shall be brought to the notice of the CSR Committee by the CSR Implementation team and thereafter the CSR Committee shall take a final decision on those matters.