

HSIL Limited
Corporate Social Responsibility (CSR)
Policy

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1. CONTEXT

While HSIL continues its manufacturing activities related to building products and packaging, it has not lost sight of its commitment to play its role as an enlightened corporate citizen. Corporate Social Responsibility has always been on its agenda. Further pursuant to Section 135 of the Companies Act, 2013, and Companies (Corporate Social Responsibility Policy) Rules, 2014 every Company having net worth of Rs. 500 crore or more or turnover of Rs. 1,000 crore or more or net profit of Rs. 5 crore or more shall constitute Corporate Social Responsibility Committee ('CSR Committee') and the CSR Committee shall formulate and recommend Policy.

The CSR Committee so constituted formulated Policy on Corporate Social Responsibility (CSR Policy) and recommended the same to the Board of Directors of the Company ('Board') for its approval. The Board vide its resolution dated 11th August, 2014 approved and adopted the CSR Policy with retrospective effect from 1st April, 2014.

1.1. Objectives of the Policy

As a corporate entity, HSIL acknowledges its obligation to contribute to the economic development of the State and the country while improving the quality of life of its workforce and their immediate families as well as of the community and society at large. While undertaking statutorily required CSR projects / programmes within India, the Company will consistently strive for opportunities to meet the expectation of its stake holders by pursuing the concept of sustainable development with focus on improving the quality of life. The Company also places emphasis on development of knowledge and skills in the young, both male and female, in order to make them economically productive. This Policy shall be read in line with Section 135 of the Companies Act 2013, Companies (Corporate Social Responsibility Policy) Rules, 2014 and such other rules, regulations, circulars, and notifications (collectively referred hereinafter as 'Regulations') as may be applicable and as amended from time to time and will, inter-alia, provide for the following:

- Establishing a guideline for compliance with the provisions of Regulations to dedicate a percentage of Company's profits for social projects.
- Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting
- Creating opportunities for employees to participate in socially responsible initiatives.

1.2. Definitions

In this Policy unless the context otherwise requires:

- a) 'Act' means Companies Act, 2013;
- b) 'Corporate Social Responsibility' means Corporate Social Responsibility (CSR) as defined in Section 135 of the Companies Act 2013 and Companies Corporate Social Responsibility Policy) Rules 2014;
- c) 'Ministry' means the Ministry of Corporate Affairs
- d) 'Net Profit' means net profit as defined in Section 135 of the Companies Act 2013 and Companies Corporate Social Responsibility Policy) Rules 2014 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
- e) Words and expressions used in this CSR Policy and not defined herein but defined in the Act shall have the meaning respectively assigned to them in the Act.

1.3. CSR Activities

The Policy recognises one or more of the following focus areas as notified under Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014:

- (i) eradicating extreme hunger and poverty;
- (ii) promotion of education;
- (iii) promoting gender equality and empowering women;
- (iv) reducing child mortality and improving maternal health;
- (v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) ensuring environmental sustainability;
- (vii) employment enhancing vocational skills;
- (viii) social business projects;

- (ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

CSR activities shall be undertaken as projects, programs of activities (either new or ongoing) excluding activities undertaken in pursuance of the normal course of business of the Company.

1.4. The Geographic reach

The Act provides that the Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility. However, the Committee may identify such areas other than stated above, as it may deem fit, and recommend it to the Board for undertaking CSR activities.

1.5. Annual spends/Allocation of Funds

1.5.1 The Company would spend not less than 2% of the average Net Profits of the Company made during the three immediately preceding financial years. The surplus arising out of the CSR activity will not be part of business profits of the Company. The Corpus would thus include the 2% of average net profits, as aforesaid, any income arising there from and surplus arising out of CSR activities.

1.5.2 The Company may build CSR capacities of its personnel and/or those of its implementing agencies through Institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overheads shall not exceed five percent of total CSR expenditure of the Company in one financial year.

1.5.3 However if the Company ceases to be covered under sub-section (1) of Section 135 of the Act for three financial years, then it shall not be required to, comply with the provisions laid down under sub-section (2) to (5) of the said section, till such time it meets the criteria specified in sub-section (1) of the Act.

2. CSR COMMITTEE

2.1. Guiding Principles for Constitution of Guiding Principles for Constitution of CSR Committee

The CSR Committee will consist of three directors, out of which at least one director shall be independent director.

The Committee will meet atleast twice in a year to discuss and review CSR activities and Policy. A quorum of two members is required to be present for the proceedings to take place. Such other meetings of the Committee can be convened as and when deemed appropriate. 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 call such employee(s), senior official (s) and or externals, as it deems fit. The Company Secretary shall act as Secretary to the Committee.

2.2 Committee Members

S.No	Names	Chairman/ Member
1	Mr. Salil Bhandari	Chairman
2	Mr. Rajendra Kumar Somany	Member
3	Mr. Sandip Somany	Member

2.3 Scope of Functions of CSR Committee

2.3.1. Notified CSR Activities

The functions of CSR Committee will, inter-alia, include the following:

- (i) eradicating extreme hunger and poverty;
- (ii) promotion of education;
- (iii) promoting gender equality and empowering women;
- (iv) reducing child mortality and improving maternal health;
- (v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) ensuring environmental sustainability;
- (vii) employment enhancing vocational skills;
- (viii) social business projects;
- (ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the

Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

2.3.2 Ancilliary Activities:

- i) To publicise the CSR Policy and initiatives org-wide, especially through mailers, screensaver and Policy documentation and upload(s) on website.
- ii) To plan and carry out workshops to increase employee awareness on various projects and initiatives.
- iii) Such other activities as directed by the Board of Directors of the Company and/or as deemed appropriate and expedient by the Committee for the furtherance of CSR objectives of the Company, in pursuance with the Regulations.

2.3.3 Transparent Monitoring Mechanism

The CSR Committee, shall prepare a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by the Company.

The CSR Committee shall have the authority to obtain professional advice from external sources and have full access to information contained in the records of the Company as well as the powers to call any employee / external consultant or such other person(s) and for such purpose as may be deemed expedient for the purpose of accomplishments of overall CSR objectives laid down under the Act.

3. PROCEDURES

3.1 Funding

1. As per the Regulations the Company will set aside, for annual CSR activities, an amount equal to 2% of the average Net Profits of the Company made during the three immediately preceding financial years. Any unutilized CSR allocation of a particular year, will be carried forward to the following year, i.e. the CSR budget will be non-lapsable in nature.

Provided that all reasonable efforts will be made to ensure that the annual CSR allocation is fully utilized in the respective year. However, if the Company fails to spend such amount, the Board of Directors shall, in its report under clause (o) of sub-section (3) of section 134 of the Act, shall specify the reasons for not

spending the amount

2. The approved projects shall contain the details of the proposed expenditure for respective Financial Year, towards CSR activities. The same shall be amended annually according to the Financial Year after the review by the Committee or at such time, as the Committee may deem fit.
3. Tax treatment of CSR spend will be in accordance with the Income Tax Act, 1961 as may be notified by Central Board of Direct Taxes (CBDT).

3.2 Planning and Implementation

1. A list of CSR projects/programmes which the Company plans to undertake during the implementation year will be laid down before the Committee at the beginning of each year, specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same.
2. Identification of projects and the executing agency/NGO will be made, inter-alia, by assessing the following:
 - a) Project Objectives
 - b) Baseline survey – As-is and To-be state basis, accordingly the outcome of the project will be measured.
 - c) Implementation schedules – Timelines for milestones of the project will need to be prescribed and agreed upon
 - d) Responsibilities and authorities
 - e) Major results expected and measurable outcome including the expenses/charges ratio as against the actual CSR spend.
3. If the Company decides to set up a Trust or Section 8 Company, or Society or Foundation or any other form of entity operating within India to facilitate implementation of its CSR activities in accordance with its stated CSR Policy, the following shall apply:
 - a) The Company would need to specify the projects/programmes to be undertaken by such an organization, for utilizing funds provided by it;
 - b) The Company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only;
4. The Company may also conduct/implement its CSR programmes through Trusts, Societies, or Section 8 companies operating in India, which are not set up by the

Company itself, herein collectively referred to as 'CSR Partner' or 'CSR Partner(s)'.

5. Such spends may be included as part of its prescribed CSR spend only if such organizations have an established track record of at least three years in carrying on activities in related areas.
6. Company may collaborate or pool resources with other companies to undertake CSR activities within India.

3.3 Projects / Partners

CSR Committee in consultation of the Board of Directors of the Company will identify suitable projects for implementation in line with the objectives of the Company and requirements laid down under the Regulations. These projects would be executed either directly by the Company and/or through CSR Partner(s).

3.4 Criterion for CSR Partner(s) and Agreement

1. While identifying projects, CSR Committee will assess CSR Partner(s) organizations who would execute the projects at the grass root level. At a minimum they need to meet the following criteria:
 - a) CSR Partner has a permanent office/address in India;
 - b) The CSR Partner is a Trust, Society, or Section 8 Company having an established track record of three years in undertaking similar CSR programs or projects in pursuance with the relevant regulations;
 - c) Possesses a valid income-tax Exemption Certificate
 - d) The antecedents of the CSR Partner are verifiable
 - e) Have requisite framework to report progress/status of the projects on a quarterly basis on agreed parameters
 - f) Maintain a required level of auditable records on the CSR initiatives conducted in conjunction with HSIL as agreed mutually
2. Once the project/program is approved, HSIL and the CSR Partner will be required to enter into an agreement as per the standard MOU requirements.

3.5 Review and Reporting

The CSR Committee will review the philanthropic activities of the Company and will provide progress update to the Board of Directors every six months/such other intervals as deemed fit.

The Company will report, in the prescribed format as set out herein as Annexure I, the details of CSR initiatives and activities of the Company in the Directors' Report and on the website of the Company, as required under the Regulations. Such reporting will be done, pertaining to financial year(s) commencing on or after the 1st day of April 2014.

4. Monitoring

1. Appropriate documentation and amendments of the CSR Policy, annual CSR activities, reports on execution by CSR Partner(s) and expenditures will be undertaken on a regular basis and same will be available to the Board of Directors of the Company.
2. Initiatives undertaken on the CSR front will be reported in the Annual Report of the Company.
3. The CSR Committee and persons / entities authorised by it, will conduct due diligence checks on the current projects/partners on a quarterly basis and report anomalies, if any, immediately.
4. Based on analysis of current projects, carry out roadmap planning for allocation of budget and selection of projects. The same will be done atleast once in a financial year.
5. Plan and publish an annual calendar of major events so as strive for maximum participation of stakeholders.

5. Amendments to the Policy

The Board of Directors on its own and/or as per the recommendations of CSR Committee can amend this Policy, as and when required as deemed fit. Any or all provisions of the CSR Policy would be subject to revision/amendment in accordance with the Regulations on the subject as may be issued from relevant statutory authorities, from time to time.

Annexure I

Format for the Board of Directors report on CSR to form part of the Annual Report and website of the Company

1. Brief outline of Company's CSR Policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs.
2. The composition of the CSR Committee.
3. Average Net Profit of the company for last three financial years
4. Prescribed CSR Expenditure (two percent of the amount as in item No. 3 above)
5. Details of CSR spent during the financial year:
 - a. total amount to be spent for the financial year:
 - b. Amount unspent:
 - c. Manner in which the amount spent during the financial year is detailed below:

S. No	CSR Project/ Activity identified	Sector in which the project is covered	Projects/ programmes 1 Local area/others 2 Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project/ programs wise	Amount spent on the project/ programs Subheads: 1. Direct expenditure on project 2. Overheads	Cumulative expenditure upto to the reporting period	Amount Spent: Direct/ through implementing agency*

*Details of Implementing Agency:

6. In case the Company fails to spend the 2% of the Average Net Profit (INR) of the last financial years, the reasons for not spending the amount shall be stated in the Board report.

7. Responsibility statement, of the CSR Committee, that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

As approved by the Board of Directors of the Company in their meeting held on 11th August, 2014.

Sd/-

**R.K Somany
Chairman and Managing Director**

Sd/-

**Salil Bhandari
Chairman of Corporate Social
Responsibility (CSR)
Committee**