DMI FINANCE

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

OF

DMI FINANCE PRIVATE LIMITED

SUMMARY OF POLICY:

Policy Name	Corporate Social Responsibility (CSR) Policy
Issue and Effective date	May 06, 2014
Periodicity of Review	Annual
Owner / Contact	Compliance Department
Approver	Board of Directors (recommended by CSR Committee)

Date of Review	Date of Next Review	Comments/Remarks/Changes
September 3, 2021	On or before September 2022	Annual Review

1. PREAMBLE:

Ministry of Corporate Affairs ('MCA') has issued guidelines on Corporate Social Responsibility under Section 135 of Companies Act, 2013 read with Schedule VII i.e., Companies (Corporate Social Responsibility Policy), Rules 2014 to companies meeting certain criteria.

While there may be no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them. Although the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations, globally, the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, philanthropy, strategic philanthropy, shared value, corporate sustainability and business responsibility.

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy.

2. APPLICABILITY OF THE CORPORATE SOCIAL RESPONSIBILITY POLICY ("POLICY") :

In India, the concept of CSR is governed by Section 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on August 29, 2013 and became applicable w.e.f April 01, 2014.

The CSR provisions within the Act is applicable to companies:

a. having net worth of rupees five hundred crore or more, or
b. turnover of rupees one thousand crore or more or
c. a net profit of rupees five crore or more during any financial year

DMI Finance Pvt. Ltd. ("DMI/the Company") falling within the ambit of the above-mentioned clauses needs to comply with the said section and rules related to CSR.

3. DEFINITIONS:

a. "Act" means Companies Act, 2013 and rules framed therein.

b. "**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;

c. "Average net profit" means:

- credit shall be given for the sums specified in sub-section (2) of Section 135 of the Act, and credit shall not be given for those specified in sub-section (3) of Section 135 of the Act; and

- the sums specified in sub-section (4) of Section 135 of the Act shall be deducted, and those specified in sub-section (5) of Section 135 of the Act shall not be deducted.

d. **"Board"** means Board of Directors of the Company

e. **"Company"** means DMI Finance Private Limited

f. "**Corporate Social Responsibility (CSR)**" means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in these rules, but shall not include the following, namely:-

i. activities undertaken in pursuance of normal course of business of the Company:
Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that:
   - such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;
   - details of such activity shall be disclosed separately in the Annual report on CSR included in the Board's Report;

ii. any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;

iii. contribution of any amount directly or indirectly to any political party under section 182 of the Act;

iv. activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019;

v. activities supported by the companies on sponsorship basis for deriving marketing benefit for its products or services;

vi. activities carried out for fulfilment of any other statutory obligations under any law in force in India.

g. **"CSR Committee"** means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act.

h. **"CSR Policy"** means a statement 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.

i. **"Directors"** means individual Director or Directors on the Board of the Company.

j. **"Net profit"** means the net profit of a company as per its financial statement 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:

Provided that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381, read with section 198 of the Act.

k. "**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.

4. ROLE OF BOARD OF DIRECTORS:

a) The Board of Directors of DMI will after considering the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the Company and disclose contents of such Policy in its report, if any, in such manner as prescribed in **Annexure-I or Annexure II,** as applicable; and also place it on the Company's website in a manner prescribed; and ensure that the activities as are included in CSR Policy of the Company are undertaken by the Company.
b) The Board of a Company 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 to the effect.
c) Approve the annual action plan of CSR as recommended by CSR Committee. Further, the Board may alter the said 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.
d) The Board shall ensure that the CSR activities and CSR expenditure are undertaken as per Sec 135 read with relevant rules as amended from time to time.
e) The Board shall monitor the implementation of the ongoing project with reference to the approved timelines and year-wise allocation and shall make modifications, if any, for smooth implementation of the project within the overall permissible time period.
f) The Board of Directors are required to disclose the reasons if the amount allocated for CSR activities are not spent during a financial year in the Board's Report.

5. CSR COMMITTEE:

DMI shall constitute a Corporate Social Responsibility (CSR) Committee of the Board as per details mentioned below:

Name of Committee	Responsibilities	Composition of CSR Committee	Periodicity of Meetings
Corporate Social Responsibility (CSR) Committee	a. Formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy. b. Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company including the activities as specified in Schedule VII of Companies Act, 2013. c. Approve the implementing agency as per the eligibility criteria mentioned in Sec 135	Minimum 3 Directors of the Company including 1 director from the Investors (as per Investment Agreement)	Half yearly

	of Companies Act 2013 and relevant rules as amended from time to time. d. Recommend the manner of execution of such projects or programmes. e. Recommend the modalities of utilisation of funds and implementation schedules for the projects or programmes. f. Monitoring and reporting mechanism for the projects or programmes.		

6. <u>CSR ACTIVITIES:</u>

Activities to be undertaken by the CSR committee as per Schedule VII of Companies Act, 2013 as amended from time to time. Below mentioned is the illustrative list of Schedule VII:

- Eradicating hunger, poverty, and malnutrition, promoting preventive health care and sanitation and making available safe drinking water.
- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care center and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water.
- 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 arts and handicrafts.
- Measures for the benefit of armed forces veterans, war widows and their dependents.
- Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports.
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the central government for socio-economic development and relief and welfare of the scheduled castes, the scheduled tribes, other backward classes, minorities and women.
- Rural development projects.

a. The Board of Directors of DMI may take up the above-mentioned activities through the following manner:
    - 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, established by the Company, either singly or along with any other Company, or
    - 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.

- 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
- any entity established under an Act of Parliament or a State legislature; or

b. CSR committee shall review the status of the CSR activities every half year and report the same to the Board for their review.

7. CSR EXPENDITURE:

The Board shall ensure that the Company spends, in every financial year, at least **two per cent of the "Average Net Profits" of the Company made during the three immediately preceding financial years**, in pursuance of its Corporate Social Responsibility Policy.

1) Administrative overheads shall not exceed 5% of total CSR expenditure for the financial year
2) Any surplus arising out of CSR Project-
   - shall not form part of the business profit; and
   - shall be ploughed back into the same project; or
   - shall be transferred to the Unspent CSR Account within 1 month of end of FY and spent as per CSR Policy; or
   - shall be transferred to Fund specified in Schedule VII, within 6 months of end of FY
3) If a Company spends on CSR in excess of the requirement, such excess amount may be set-off against the requirement of the CSR Spending u/s 135(5) up to the immediate succeeding 3 financial years subject to condition that-
   - the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of this rule.
   - the Board of the Company shall pass a resolution to that effect

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 activities

- CSR expenditure to be undertaken in India only
- Activities that benefit only the employees of the Company and their families shall not be considered CSR activities
- Expenditure related to CSR capacity building of own personnel and implementing not to exceed 5% of the total CSR expenditure.

8. CSR REPORTING AND MONITORING:

- The Company shall annex with its Board Report an annual report on CSR in the format prescribed for FY 2020-21 and thereafter in a new format prescribed w.e.f. FY 2021-22, in **Annexure I or Annexure II**, as applicable.
- Every Company having average CSR obligation of Rs. 10 Crores or more in the 3 immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of Rs. 1 Crore or more and which have been completed not less than one year before undertaking the impact study.
- The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

- Impact assessment expenditure for a financial year shall not exceed 5% of the total CSR expenditure for that financial year or Rs. 50 lakhs, whichever is less.

9. DISPLAY OF CSR ACTIVITIES ON WEBSITE:

The Company will display on its website:

a. Projects approved by the Board;
b. Composition of CSR committee; and
c. CSR Policy.

10. REVIEW OF THE POLICY:

The Policy shall be amended or modified with approval of the Board on the recommendation of the Corporate Social Responsibility Committee. The Policy shall be reviewed by the Board on an annual basis. Consequent upon any amendments in RBI guidelines or any change in the position of the Company, necessary changes in this Policy shall be incorporated and approved by the Board on the recommendation of the Corporate Social Responsibility Committee.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.

Annexure-I

Format for the Annual Report on CSR Activities to be included in Board's Report for financial year commenced prior to April 01, 2020:

1. A brief outline of the 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 and programs
2. The composition of CSR Committee
3. Average net profit of the company for last 3 financial years.
4. Prescribed CSR expenditure (2% of the amount as in item 3 above)
5. Details of CSR spent during the financial year:

    a. Total amount to be spent for the financial year
    b. Amount unspent, if any;
    c. Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S.no.	**CSR project or activity defined**	**Sector in which the project is covered**	**Projects or programs** **1) Local area or other** **2) Specify the state and district where projects or programs were undertaken**	**Amount outlay(budget) project or program wise**	**Amount spent on the projects or programs** **Sub-heads:** **(1) Direct expenditure on projects or programs.** **(2) Overheads:**	**Cumulative expenditure upto the reporting the period.**	**Amount spent: Direct or through implementing agency:**

6. In case the company has failed to spend the two percent of the average net profit of the last 3 financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board Report
7. A 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.

Sd/- **(CEO or MD or Director)**	**Sd/-** **(Chairman of CSR committee)**	**Sd/-** **(Person specified under clause (d) of section 380(1) of the Act)** **(wherever applicable)**

Annexure-II

Format for the Annual Report on CSR Activities to be included in Board's Report for financial year commencing on or after April 01, 2020:

1. A brief outline on CSR Policy of the Company
2. The composition of CSR Committee

S.no	Name of Director	Designation /Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.
4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report).
5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

S.No	Financial Year	Amount available for set-off from preceding financial years (in Rs)	Amount required to be setoff for the financial year, if any (in Rs)

6. Average net profit of the company as per section 135(5).
7. (a) Two percent of average net profit of the company as per section 135(5)
   (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.
   (c) Amount required to be set off for the financial year, if any
   (d) Total CSR obligation for the financial year (7a+7b-7c)
8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in Rs.)	Amount Unspent (In Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of Transfer	Name of Fund	Amount	Date of Transfer

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
S. No	**Name of the Project**	**Item from the list of activities in Schedule VII to the Act.**	**Local Area (Yes/ No)**	**Location of the Project (State/District)**	**Project Duration**	**Amount allocated for the project (in Rs.).**	**Amount spent in the current financial year (in Rs.)**	**Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.).**	**Mode of Implementation-Direct (Yes/No)**	**Mode of Implementation-Through Implementing Agency (Name and CSR Reg No.)**

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S.no.	**Name of the Project**	**Item from the list of activities in Schedule VII to the Act.**	**Local Area (Yes/No)**	**Location of the Project (State/District)**	**Amount Spent for the project (in Rs.).**	**Mode of Implementation-Direct (Yes/No)**	**Mode of Implementation-Through Implementing Agency (Name and CSR Reg No.)**

(d) Amount Spent in Administrative Overheads

(e) Amount spent on Impact Assessment, if applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e)

(g) Excess amount for set off, if any

S.No	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	
(ii)	Total amount spent for the Financial Year	
(iii)	Excess amount spent for the financial year [(ii)-(i)]	
(iv)	Surplus arising out of the CSR projects or programmes or	

	activities of the previous financial years, if any	
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	

9. (a) Details of Unspent CSR amount for the preceding three financial years:

S.no.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in Rs.)
				Name of Fund	Amount (in Rs.)	Date of Transfer	

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
S.no.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project Duration	Total amount allocated for the project (in Rs.).	Amount Spent for the project in reporting financial year (in Rs.).	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed/Ongoing.

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details)
    (a) Date of creation or acquisition of the capital asset(s).
    (b) Amount of CSR spent for creation or acquisition of capital asset.
    (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.
    (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).
11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).

Sd/- **(CEO or MD or Director)**	**Sd/-** **(Chairman of CSR committee)**	**Sd/-** **(Person specified under clause (d) of section 380(1) of the Act)** **(wherever applicable)**

*****