

SHILPA MEDICARE LIMITED
CORPORATE SOCIAL RESPONSIBILITY POLICY

Preliminary:

Shilpa Medicare Limited (henceforth called SHILPAMED) is committed to good corporate citizenship and makes constant efforts to build and nurture long lasting relationships with members of the society in general and the communities around its manufacturing facilities in particular.

The management of the Company is keen to implement CSR activities vigorously and in a planned and time bound manner. For the overall guidance of all concerned, a Policy is necessary which is also mandatory as per the provisions of Sec.135 of the Companies Act, 2013 (Act).

Preamble:

CSR is an essential ingredient of Corporate Governance. It is fundamentally a philosophy or a vision about the relationship of business and society. It is the continuing commitment of business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families, more specifically of the local community and society at large.

Fulfilling Corporate Social Responsibility (CSR) is a vital and integral part of the overall business strategy of SHILPAMED. The several initiatives taken by the Company demonstrate the core philosophy that various stakeholders, including the society at large, contribute to the Company's sustained success and growth.

Effective Corporate Responsibility requires a good level of commitment from the entire organization and especially the top management, who can ensure that CSR Policy is not only practised but also practised well.

CSR Policy:

(1) The CSR Policy of the Company, inter alia, includes the following, namely:

(a) a list of CSR projects or programs which the Company plans to undertake falling within the purview of the Schedule VII of the Act, specifying modalities of execution of such projects or programs and implementation schedules for the same; and

(b) monitoring process of such projects or programs:

Provided that the CSR activities do not include the activities undertaken in pursuance of normal course of business of the Company.

Provided further that the Board of Directors shall ensure that activities included by the Company in its Corporate Social Responsibility Policy are related to the activities included in Schedule VII of the Act.

(2) The CSR Policy of the Company hereby specifies that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of the Company.

Objective:

The main objective of CSR Policy is to lay down guidelines for the Company to make CSR a key business process for substantial development of the society. SHILPAMED envisages CSR as a commitment to meet its social obligations by playing an active role to improve the quality of life of the communities and stakeholders on a sustainable basis, preferably in the project/plant areas where it is operating.

The main thrust of the CSR Activities would be to improve the living standards, be it economic or social, of the living beings in general and those of the project areas in particular.

Implementation of CSR by SHILPAMED:

SHILPAMED has been conscious of its CSR obligations and the fulfilment of the same. SHILPAMED has been undertaking and implementing CSR activities by establishing a trust called Shilpa Foundation to provide financial assistance to the poor and needy and

to give donations to promote various social, cultural and philanthropic activities. Now in view of the latest provisions made in the Companies Act, 2013, SHILPAMED is committed to carry out CSR activities/programmes more vigorously, in an integrated, planned and time bound manner.

“Corporate Social Responsibility (CSR)” means and includes but is not limited to:

- (i) Projects or programs relating to activities specified in Schedule VII to the Act; or
- (ii) Projects or programs relating to activities undertaken by the Board of Directors of a Company (Board) in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the Company subject to the condition that such Policy will cover activities enumerated in Schedule VII of the Act or activities that may be incorporated in Schedule VII any time in future.

RESIVED SCHEDULE VII:

- (i) eradicating hunger, poverty and malnutrition, promoting preventive health care and 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;
- (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 arts and handicrafts;

- (vi) measures for the benefit of armed forces veterans, war widows and their dependents;
- (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 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;
- (ix) contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- (x) rural development projects.
- (xi) slum area development.

CSR Activities:-

(1) The CSR activities shall be undertaken by the Company, as per its stated CSR Policy, as projects or programs or activities (either new or on-going), excluding activities undertaken in pursuance of its normal course of business.

(2) The Board of the Company may decide to undertake its CSR activities approved by the CSR Committee, through its trust or a society established by the Company or its holding or Subsidiary or Associate Company or non-profit Company incorporated under Section 8 of the Act (Section 25 of Companies Act, 1956) or otherwise:

Provided that –

(i) if such trust, society is not established by the Company or its Holding or Subsidiary or Associate Company, it shall have an established track record of three years in undertaking similar programs or projects;

(ii) the Company has specified the project or programs to be undertaken through these entities, the modalities of utilisation of funds on such projects and programs and the monitoring and reporting mechanism.

(3) The Company may also collaborate with other Companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective Companies are in a position to report separately on such projects or programs in accordance with the rules.

(4) Subject to provisions of Sub-Section (5) of Section 135 of the Act, the CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure.

(5) The CSR projects or programs or activities that benefit only the employees of the Company and their families shall not be considered as CSR activities in accordance with Section 135 of the Act.

(6) Company may build CSR capacities of its own personnel as well as those of its Implementing Agencies through Institutions with established track records of at least three financial years including expenditure on administrative overheads shall not exceed five percent of total CSR expenditure of the Company in one financial year.

(7) Contribution of any amount directly or indirectly to any political party under Section 182 of the Act, shall not be considered as CSR activity.

The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company.

The process of identification of projects:

All projects are identified in a participatory manner, in consultation with the community, literally sitting with them and gauging their basic needs. Subsequently, based on a consensus and in discussion with the inhabitants of respective surrounding villages, projects are prioritized.

The core theme of SHILPAMED's CSR Policy is giving back to the society from which it draws its resources. This manifests as stated below.

In Education, SHILPAMED's goal is to motivate the students of rural area by providing scholarships

In Health care, SHILPAMED's goal is to provide purified drinking water to people living in the villages and areas surrounding its manufacturing facilities

In Sanitation, SHILPAMED's goal is to construct toilets in primary schools and build-up healthy environment in the same areas

In Senior Citizen Welfare, SHILPAMED's programmes aim at providing old age home to those people who do not have any moral support from close relatives

CSR Expenditure:

CSR expenditure shall include all expenditure including contribution to corpus, or on projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Act.

Funding:

Parameters applicable in case of SHILPAMED:

- The Company will mandatorily create a CSR Budget as recommended by the CSR Committee through a Board resolution.
- Since the Net worth of the Company is more than Rs.500 crore or more and Net Profit is more than Rs.5 crore or more, it will ensure CSR spending per annum shall be at the rate of at least 2% of its average net profits of three immediately preceeding financial years calculated as per Sec.198, Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014.
- The Committee and Board will endeavour to spend the stipulated amount on CSR in a time bound manner.
- For different Centres like Factories/Plant locations, broadly separate CSR Budgets may be allocated and spent.

- CSR Budget will be fixed for each financial year and this funding will be utilised in the same Financial Year.

Arrangements for Implementation:

The CSR Committee monitors the successful and time-bound implementation of the CSR Projects at various operational locations of the Company and ascertains the impact of the work done.

Constitution of CSR Committee:

“CSR Committee” means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Companies Act, 2013.

The Committee is constituted at the level of the Board of Directors of the Company.

The Committee is constituted under the Chairmanship of an Independent Director and has two other members of the Board.

The Company Secretary will act as its Secretary and the Vice President (Projects) will assist the Committee.

The Scope, Terms of reference and Powers, etc., of the Committee will be as specified in Sec.135 of the Companies Act, 2013.

The Committee consists of:

1. Sri Venugopal Loya, Chairman
2. Vishnukanth C Bhutada, Member
3. Omprakash Inani, Member

“CSR Policy” relates to the activities to be undertaken by the Company as specified in Schedule VII to the Act and the expenditure thereon excluding activities undertaken in pursuance of normal course of business of the Company.

Meetings of the Committee:

The Committee shall meet at least two times in a year.

The Quorum shall be two members.

Functions and Duties of the Committee:

The Corporate Social Responsibility Committee shall:

- (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in the revised Schedule VII under the Companies Act, 2013 and as may be amended from time to time;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) monitor the Corporate Social Responsibility Policy of the Company from time to time;

The Board of the Company shall, after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy of the Company and disclose the contents of such Policy in the Board's report and also place it on the Company's website.

The Board shall ensure that the activities included in Corporate Social Responsibility Policy of the Company are undertaken by the Company; and

- (d) 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 calculated as per Section 198 of the Companies Act, 2013, and in accordance with Section 135 read with Companies (Corporate Social Responsibility Policy) Rules 2014 in pursuance of this Corporate Social Responsibility Policy:

Provided that the Company shall give preference to the local area and areas around its operations, for spending the amount earmarked for Corporate Social Responsibility activities.

Monitoring and Evaluation:

- a) As monitoring of activities is of paramount importance, the CSR Committee will keep a watchful eye on the implementation. Periodic review of progress will also be ensured.
- b) Similarly the Board of Directors will also be apprised of the implementation progress from time to time.
- c) The impact of the activities may be evaluated in general by the Board of Directors.

Reporting/Transparency:

- a) The details of the CSR Policy developed and the initiatives implemented by the Company during the year, will be disclosed in the Directors' Report.
- b) The CSR approaches, policies, programmes, major milestones etc., should be disclosed to the stakeholders of the Company.
- c) The policy on CSR and the activities carried out under it may also be uploaded on the website of the Company. Efforts will be made to make the whole process transparent as far as possible.

Amendment:

Any modification/amendment to the CSR policy may be carried out by the Board of Directors of the Company as recommended by or in consultation with the Committee.

Partnership:

The Company may associate with the respective expert bodies for setting-up of Schools, Hospitals, Clinics and the like wherever feasible, as may be decided by the Committee / Board, subject to compliance of Rule 4 of Companies (Corporate Social Responsibility Policy) Rules 2014.

Monitoring process:

The General Manager (Projects) will coordinate with the respective Officers of the local areas for which the CSR activities are undertaken and submit a report on quarterly basis

to the Chairman of the Committee. The Committee will also review and monitor the implementation of the same on quarterly basis.

Budget:

A Specific budget may be allocated for CSR activities. This budget is project driven with need based allocation of funds from the Company's earnings.

Information Dissemination:

The information dissemination would be through Company's website and through Annual Reports.

Display of CSR activities on website:

The Board of Directors of the Company shall, after taking into account the recommendations of CSR Committee, approve the CSR policy for the Company and disclose contents of such policy in its report and the same shall be displayed on the Company's website, as per the format, as nearly as possible, as specified in the Annexure to the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Management Commitment:

The Board of Directors, Management and all employees subscribe to the philosophy of SHILPAMED's CSR policy.

The Corporate Social Responsibility Policy of the Company conforms to the rules made by the Ministry of Corporate Affairs, Government of India, and also the provisions of Sec.135 of the Companies Act, 2013.

**OMPRAKASH INANI
CHAIRMAN**