

CORPORATE SOCIAL RESPONSIBILITY POLICY

1. Preamble

The Board of Directors (“**Board**”) of Capillary Technologies India Limited (hereby referred to as ‘The Company’) has hereby developed the Corporate Social Responsibility Policy (hereby referred to as ‘The CSR Policy’) in accordance with Section 135 of the Companies Act 2013 and the Companies (Corporate Social Responsibility) Rules, 2014 (hereby collectively referred to as the ‘Act’) notified by the Ministry of Corporate Affairs, Government of India on November 20, 2021.

2. Definitions

“**Act**” shall mean the Companies Act, 2013 and the rules made thereunder, including any modifications, amendments or re-enactment thereof.

“**Agency**” (or **Agencies**) means any Section 8 Company or a registered trust/society/NGO/ institution, performing social services for the benefit of the society and excluding a registered trust/society/ NGO/institution/ Section 8 Company which is formed by the Company or its holding or subsidiary company/companies.

“**Corporate Social Responsibility**” or “**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 Companies (Corporate Social Responsibility Policy) Rules, 2014.

“**CSR Committee**” means the Committee constituted under the provisions of Section 135 of the Act

“**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

“**CSR Projects**” or “**Projects**” means Corporate Social Responsibility projects/activities/ programs/ initiatives instituted in India, either new or ongoing, and include but not limited to those undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR Policy of the Company.



Projects/activities/ programs/ initiatives undertaken in pursuance of normal course of business of the Company and projects which benefit only the employees of the Company and their families shall not be considered as CSR Projects

“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.

3. CSR Vision

The Company is committed to improving the lives of the communities in which it operates in a sustainable way. It aspires to be a responsible corporate citizen, by contributing to the nation building through its CSR Projects / Programs, in true letter and spirit.



The CSR Vision of the Company is to build relationships of trust with local communities, societies and stakeholders as good corporate citizens and to contribute to developing a sustainable society for future generations.

4. Objectives of CSR Policy

The CSR Policy, formulated in alignment with the Vision of the Company, lays down guidelines and mechanisms to be adopted by the Company in order to carry out CSR Projects / Programs.

All CSR Projects / Programs will be conceived and implemented through a focused approach towards target beneficiaries for generating maximum impact.

CSR Projects / Programs of the Company may be carried out in partnership with credible implementing agencies.

5. Applicability, Validity & Review

The CSR Policy shall apply to all CSR Projects / Programs undertaken/ to be undertaken by the Company. The Board shall review the CSR policy periodically and may amend the same as per the requirement of the Company. The Board may review and make changes to the policy at any other intervals in case of any change in the Act.

6. Local Area

The company is based out of Bangalore, Karnataka. The term 'Local Area' though referred has not defined under Section 135 of the Act.

The company accordingly would like to declare Local Area as area covering the entire state of Karnataka.

7. CSR Budget

The CSR Budget will be allocated as per the provisions of the Act i.e. at least two per cent of the average net profit calculated as per Section 198 of the Act read with the Companies (Corporate Social Responsibility) Rules, 2014 thereof.

The Board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.



The Board of the Company shall ensure to spend in each Financial Year, at least two per cent of the average net profit in the preceding three financial years on CSR Projects / Programs.

CSR Projects / Programs will be identified and budgets will be allocated through a process incorporating identification of suitable implementing agencies, need assessment (where required) and clear outlining of desired outcomes.

In the event that the amount indicated above is not spent in its entirety in that Financial Year, the reasons thereof will be outlined as per Section 134(3) (o) of the Act and the Company shall also adopt any one option from the below mentioned, as provided in the Act:

- **In case the project is not an 'on – going' project**

- a. Transfer such unspent amount to the Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

- **In case the project is or is to be considered as 'Ongoing project'**

- a. Pass a Board Resolution to approve the project as 'on-going' if it has not been already identified as an ongoing project;

- b. Open an 'Unspent CSR bank account' and transfer the amount which is unspent/unutilized on the approved CSR project within a period of 30 days from the end of the Financial Year;

- c. Ensure such amount is spent by the Company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

In implementing its CSR Projects/Programs, the Company should choose to partner with a registered trust, society or a Section 8 company that fulfills all requirements of Section 135 of Companies Act, 2013. The Company may collaborate or pool resources with other entities within the Group to undertake CSR Projects / Programs. The Company may also enter into partnerships with the government, business partners and communities to achieve a significant impact of the social projects.

8. Treatment of Surplus



In the event that the Company makes any surplus or profit from pursuing its CSR Projects / Programs, these will not form part of the business profit and will be invested back into CSR Projects 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

Any amount spent in excess of requirement provided under the Companies Act, such excess amount may be set off against the requirement to spend up to immediate succeeding three financial years, subject to the conditions that –

- (i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, and
- (ii) the Board of the Company shall pass a resolution to that effect.

9. **Focus Areas**

The Company shall undertake CSR Projects / Programs that are aligned with areas listed in Schedule VII of the Act, within the geographical limits specified under the Act, for the benefit of marginalized, disadvantaged and underserved sections of the community and the environment.

10. **Responsibilities**

Board of Directors - The Board of Directors of the Company will be responsible for:

1. Setting up the CSR Committee as and when required as per the Act;
2. Approving the CSR policy and list of activities as formulated by the CSR Committee;
3. Ensuring that in each financial year the Company spends at least 2% of the average net profit made during the three immediately preceding financial years;
4. Ensuring that every financial year, funds committed by the Company for CSR Projects / Programs are utilized effectively, and regularly monitoring implementation;



5. Disclosing in its Annual Report the names of CSR Committee members, the content of the CSR policy and ensuring annual reporting of its CSR Projects / Programs on the Company website;
6. Ensuring annual reporting of CSR Policy to the Ministry of Corporate Affairs, Government of India, as per the prescribed format, if required;
7. Reviewing and amending the Annual Action Plan, during the course of the financial year based on reasonable justification to that effect;
8. Ensuring that reasons for not spending of earmarked amount are disclosed in the Board's report in case the Company fails to spend such amount; and
9. Ensuring that the Company gives preference to the local areas around its operations for spending the amount earmarked for CSR projects.

Chief Financial Officer (CFO): The CFO of the Company or the person responsible for financial management of affairs of the Company shall certify that the funds disbursed have been utilized for the purpose in the manner approved by the Board on a periodic basis.

CSR Committee - as and when committee is constituted by Board, the CSR Committee will consist of such number of directors as may be required under the Companies Act, 2013.

The CSR Committee will be responsible for:

- Formulating and recommending the CSR Policy in compliance with the Act;
- Identifying Projects / Programs to be undertaken as per Schedule VII of the Act;
- recommending to the Board the CSR expenditure to be incurred;
- regularly monitoring the implementation of the CSR Policy;
- Identifying and engaging with partners such as NGOs, business partners etc. for effective implementation of the CSR Policy;
- constituting a transparent monitoring mechanism to ensure implementation of the CSR Projects / Programs undertaken by the Company;
- Reporting to the Board on the progress of the various CSR Projects / Programs and spends on a regular basis; and



- Recommending to the Board, modifications to the CSR policy as and when required.

Till the time CSR Committee is constituted, the above said CSR Committee responsibilities will be assigned to Board or such other person as may be decided by the Board from time to time.

11. Formulating the Annual Action Plan

The CSR Committee shall, at the beginning of each financial year, submit an annual action plan to the Board, detailing the list of CSR activities planned for that financial year, along with the proposed implementation schedules, monitoring mechanism and whether impact assessment is required to be undertaken in case of applicable projects.

12. Planning & Implementation

The Company's CSR Projects / Programs will, to the extent possible, include components such as:

- Clearly defined objectives developed out of existing societal needs or determined through baselines / studies / research, where considered necessary / feasible
- Identified sectors, geographies and target group / beneficiaries
- Milestones / Targets and timelines
- Specification of annual financial allocation
- Robust monitoring system
- Reporting framework and system

The mode of implementation of CSR programs will include a combination of direct implementation and indirect implementation through implementing agencies. The Company will select its implementing agencies after appropriate due diligence in accordance with applicable laws.

The Company may use services of expert agencies, consultancy firms, international agencies as defined under the CSR Rules 2021, etc. wherever required for carrying out surveys, guidance on project design and implementation, impact assessment surveys, etc.



13. Monitoring & Reporting

A comprehensive monitoring framework shall be devised by the Company to ensure that all Projects / Programs are duly implemented as per the CSR Policy. The Company's CSR Committee or Board shall monitor the approved projects. The monitoring and reporting mechanism will include program review, evaluation, documentation and reporting.

14. Impact Assessment

Mandatory impact assessment will be undertaken as per the criteria specified under applicable law, and that the impact assessment reports will be placed before the Board and disclosed as per the Act and CSR Rules.

