

ZUARI CEMENT LIMITED

CORPORATE SOCIAL RESPONSIBILITY POLICY

1. Background

1.1 Corporate Social Responsibility (CSR) was made mandatory under the Companies Act, 2013 ("the Act") effective from 1st April 2014. Section 135 of the Act requires that the Board of every company to which this Section is applicable shall ensure that the company spends, in every financial year, at least two per cent of its average net profits (calculated as per Section 198 of the Act) in the three immediately preceding financial years, in pursuance of its CSR Policy. Schedule VII to the Act lists the activities that may be included by companies in their CSR policy. The Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time, ("the Rules"), govern the procedural aspects such as implementation, monitoring, reporting, assessment, display, etc. of annual action plans of CSR activities/projects. This Policy has been drawn up keeping these regulatory requirements in view.

2. Introduction

2.1 Zuari Cement Limited (ZCL) has been actively supporting local communities towards sustainable development even before the spending on CSR activities was made mandatory under the Companies Act, 2013. ZCL focusses on healthcare, education, rural development, drinking water facilitation, women empowerment and skill development benefitting rural communities living in the vicinity of ZCL's cement plants and mines. In compliance with the provisions of the Act, ZCL has formalised this CSR Policy to undertake various CSR activities / projects in a structured manner.

3. CSR Policy

3.1 Guiding Principles

3.1.1 Setting the objectives: The overall objective of the CSR Policy of ZCL is to promote sustainable, scalable and measurable development of the local communities with set targets and timeframes. ZCL's focus will be on mitigating the adversities faced by the communities and guiding them towards helping themselves.

3.1.2 Sectors and Programmes: Based on its past experience, ZCL takes up CSR activities in key sectors including but not limited to, healthcare, education, rural development, skill development and environment, giving maximum freedom to the local communities and employees to evolve meaningful initiatives. It is expected that such local autonomy will lead to a positive cycle of learning and identity.

3.1.3 Supplementing local effort: In ZCL's experience, supporting the development efforts of local communities addresses the felt needs of the community and in return leads to greater ownership and involvement in maintaining the assets created. In selecting the projects under CSR, the relative success or otherwise of the ongoing projects will be assessed realistically.

3.1.4 Using agencies: ZCL's CSR initiatives would preferably be implemented through its own employees. However, if required, ZCL may also deploy appropriate agencies which have obtained CSR Registration Number from the Ministry of Corporate Affairs and also have good track record and proven credentials in the area of rural development.

3.1.5 Monetary contribution / Donations: The Company may also extend its support by way of monetary contributions and donations for the development schemes of local authorities, Non-Government Organizations and/or other agencies and also to the Fund(s) specified in Schedule VII of the Act.

3.1.6 Creation of Capital Asset: The Company may spend CSR funds on creating or acquiring capital assets. However, the assets so created shall be held by:

- A company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number.
- Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities or a public authority.

3.1.7 Involving the beneficiaries: In projects that involve creation of community assets, attempts will be made to rope in the beneficiaries by way of creating user forums / associations and grooming them to undertake the task of maintaining the assets in future.

3.1.8 Delegated Implementation: ZCL's officials at plant locations will be given adequate authority to respond to the felt needs of the local

communities. This will go a long way in ensuring speed of implementation and result in sustainability of the projects undertaken.

3.1.9 Reporting & Accountability: Delegation of authority will be backed by accountability for ensuring proper implementation and timely reporting. Efforts will be made to collect base-line socio-economic data in respect of surrounding communities from agencies of standing so that the impact created over a period of time can be measured and evaluated. Accordingly resources will be allocated by ZCL for each project.

3.2 Implementation Mechanism

3.2.1 Implementation Committees: The CSR projects will be implemented through committees comprising senior officials at plant locations. The committees will be chaired by the Plant Heads and have key officials representing HR, Welfare and Administration functions at the local level as members.

3.2.2 Implementation Committees: Implementation Committees will draw up the list of proposed activities, prioritise them and forward them to the corporate office for approval with cost estimates. The mix of projects between those creating durable community assets, supporting income generation and providing services will be decided on the basis of the felt needs of the local communities and their time preferences. The Implementation Committees will indicate the overall cost of the projects, the year-wise allocation/phasing and the benefits expected.

3.2.3 Supervisory Committee: Proposals sent by the Implementation Committees will be vetted by a committee at the Corporate Office consisting of the Managing Director, Director (Technical), the CFO and Human Resource Director as its members. The proposals cleared by this Committee together with the financial allocation proposed will be placed before the CSR Committee of the Board in the beginning of each financial year for consideration and approval. The Committee will thereafter also supervise the implementation and provide guidance, wherever necessary.

3.2.4 CSR Committee of the Board: The CSR Committee of the Board, apart from formulating the CSR Policy, will also recommend the annual action plan, financial allocation, manner of execution, monitoring and reporting mechanism for the CSR activities for approval of the Board of Directors and thereafter monitor them from time to time. After approval by the Board, the approved CSR annual action plan and their financial allocations & execution will be communicated to the Plant Heads and others concerned by the Director (Technical).

3.2.5: Implementation Procedure: Once the CSR activities are finally approved with financial allocations, the officials concerned will implement them diligently. All the systems and procedures laid down for the day-to-day operations of ZCL in matters such as tendering, evaluation, award of contract, verification, payment, audit, etc. will, *mutatis mutandis*, apply to the activities taken up under CSR. Wherever necessary, the Implementation Committees may issue further specific guidelines.

3.3 Monitoring and Disclosure

3.3.1 ZCL will ensure that CSR activities are undertaken in keeping with the letter and spirit of the Companies Act, 2013 and the Rules made thereunder. Reports on the outcomes of CSR activities/projects will be uploaded on the website of ZCL and shared with the local communities through appropriate vernacular publications. The Board shall also ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

A certificate shall be presented by the Chief Financial Officer to the Board, certifying that all the funds allocated by the Board have been utilized in the manner as approved by the Board.

3.4 Adjustment of excess spent/unspent amount compared to CSR obligation : Any surplus arising out of the CSR activities, projects or programmes will not be taken into business profits and such surplus shall be dealt with as per provisions of the Act/Rules. The Board of Directors of ZCL may set-off any excess amount spent during any financial year against the amount to be spent during the next three succeeding financial years. However, such amount shall not include surplus arising out of CSR activities and the Board shall pass a specific resolution to set-off such amount.

On the contrary, if the amount spent on the CSR activities / projects during any financial year is lesser than the amount required to be spent as mandatory CSR obligation, such unspent amount shall be dealt with in accordance with the provisions of the Act/Rules.

3.5 Amendment / Policy Review

- (a) This Policy is framed based on the provisions of the Act and rules thereunder.
- (b) In case of any change in the provisions of the Act or rules thereunder, which renders any of the provisions of this Policy inconsistent with the Act, this Policy will be suitably amended.

(c) This Policy may be reviewed and amended from time to time by the CSR Committee. Any change or modification in the Policy as recommended by the CSR Committee shall be placed before the Board of Directors for approval.
