

KENT R O SYSTEMS LIMITED

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

INTRODUCTION

In compliance with Section 135 of the Companies Act, 2013, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, Kent R O Systems Limited (“**the Company**”) is required to:

1. Constitute a Board Committee:

The Committee shall:

- Formulate and recommend a Corporate Social Responsibility (CSR) Policy to the Board.
- Recommend the amount of expenditure for CSR.
- Monitor the CSR activities of the Company from time to time.

2. Ensure CSR Spending:

The Company must spend at least 2% of the average net profits (before tax) made during the three immediately preceding financial years on CSR activities in pursuance of its CSR Policy. Provided that the Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for.

PHILOSOPHY

Corporate Social Responsibility (CSR) is an essential aspect of business, reflecting a company's commitment to contribute to societal and environmental welfare. It aligns with the moral obligations and philanthropic spirit embedded in the Company's policy, fostering a mutually beneficial relationship between the Company, society, and the environment.

RESPONSIBILITIES OF THE BOARD

The Board shall:

1. Form a CSR Committee and disclose its composition.
2. Approve the CSR Policy based on the recommendations of the CSR Committee.
3. Publish the CSR Policy on the Company's website in the manner prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014.
4. Oversee and ensure implementation of CSR activities.
5. Ensure expenditure of the requisite amount on CSR every year, as mandated by law.
6. Disclose in the Annual Report any unspent CSR funds, along with reasons.
7. Ensure administrative overheads do not exceed 5% of the total CSR expenditure.
8. Ensure funds are utilized as approved, with certification by the Chief Financial Officer (CFO).
9. Approve the transfer of unspent CSR amounts to the unspent CSR account, as per the provisions of the Act.

The Accounts and Finance Team shall prepare the statement of spent and unspent CSR amounts and facilitate any requisite transfers.

OBJECTIVE OF THE CSR POLICY

The objectives of the CSR Policy include:

1. Operating the business in an economically, socially, and environmentally sustainable manner, while considering the interests of all stakeholders.
2. Undertaking programs that benefit the communities in and around the Company's operational areas, improving the quality of life.
3. Building goodwill for the Company and establishing it as a socially responsible corporate citizen.

ROLE OF THE CSR COMMITTEE

The CSR Committee shall:

1. Formulate and recommend a CSR Policy, outlining activities in line with Schedule VII of the Companies Act, 2013.
2. Recommend the annual expenditure for CSR activities.
3. Disclose reasons for not spending the prescribed amount for CSR (if applicable) in the annual report to the shareholders of the Company
4. Monitor the implementation of the CSR Policy.
5. Address and manage any other matters necessary for compliance with CSR policies and applicable law.

CONSTITUTION OF THE CSR COMMITTEE

Eligibility for Constitution

In accordance with Section 135(1) of the Companies Act, 2013:

- Every company with:
 - Net worth of ₹500 crore or more, or
 - Turnover of ₹1,000 crore or more, or
 - Net profit of ₹5 crore or more during the immediately preceding financial year shall constitute a CSR Committee of the Board, consisting of at least three directors, with one independent director (if applicable).
- If the company is not required to appoint an independent director under Section 149(4), the CSR Committee shall comprise at least two directors.
- For companies with a CSR spend not exceeding ₹50 lakh in a financial year, constitution of the CSR Committee is not mandatory. In such cases, the Board shall perform the functions of the CSR Committee.

Powers of the Committee

The Committee shall have the following powers:

1. Formulate the CSR Policy.
2. Discuss and approve CSR activities as per Schedule VII of the Act.
3. Undertake CSR activities in collaboration with group companies, firms, NGOs, or others, and ensure separate reporting as per CSR Rules.
4. Prepare the CSR Budget.
5. Ensure allocated CSR funds are spent in line with the approved CSR activities.
6. Monitor the implementation of CSR initiatives through a transparent mechanism.
7. Review reports on CSR activities.
8. Periodically monitor the CSR Policy and its implementation.

MEETINGS

The CSR Committee shall convene as needed to:

1. Discuss issues related to implementation of the CSR Policy.
2. Periodically review CSR programs and activities.
3. Provide recommendations and issue directions to ensure proper and efficient execution of CSR activities.

The CSR Committee shall report to the Board on the status of CSR activities.

CSR BUDGET / CSR SPEND

CSR Expenditure

The Company shall allocate at least 2% of its average net profit (before tax) of the three immediately preceding financial years to CSR activities, as per Schedule VII of the Act.

CSR expenditure shall include:

- Contributions to projects or programs related to CSR activities approved by the Board.
- Expenditures aligned with CSR objectives under Schedule VII of the Act.

Failure to Spend CSR Amounts

In case of failure to spend the allocated CSR funds:

- The CSR Committee shall submit a report to the Board explaining the reasons.
- The Board shall disclose the reasons in the Directors' Report for that financial year.
- Unspent funds shall be transferred to the Unspent CSR Account or a Fund specified in Schedule VII within the prescribed timeline under applicable law and spent in pursuance of the Policy and Annual CSR Plan of the Company 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 of the Companies Act, 2013, within a period of thirty days from the date of completion of the third financial year. Alternatively, such surplus shall be transferred to a fund specified in Schedule VII of the Companies Act, 2013, within a period of six months of the expiry of the financial year.

CSR INITIATIVES

CSR initiatives shall align with Schedule VII of the Act and include projects approved by the CSR Committee. Further, an Annual CSR Plan, i.e. a yearly plan of CSR activities shall be placed before the Board of Directors of the Company based on recommendation of the CSR Committee which outlines the following aspects of CSR initiatives of the Company:

1. CSR projects tailored to allocated budgets and geographical areas to be undertaken in accordance with Schedule VII of the Companies Act, 2013.
2. Identified project goals, timelines, and milestones.
3. Manner of execution and partnering agencies/firms.
4. Modalities of utilization of funds and implementation schedules
5. Need and impact assessment of projects.
6. Targeted beneficiaries and their key needs.
7. Monitoring and reporting mechanisms.

The Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect. The Company may

collaborate with subsidiaries, other companies, or NGOs to implement its CSR activities in accordance with applicable law.

DISQUALIFIED ACTIVITIES FOR CSR

The following activities shall not qualify as CSR expenditures:

1. Activities undertaken solely for employees and their families.
2. Activities outside India.
3. Contributions to political parties under Section 182 of the Act.
4. Activities in the normal course of business.

MONITORING MECHANISM & REPORTING

The Company shall establish a robust monitoring framework to evaluate the progress and impact of CSR activities. Reports on all the ongoing projects will be shared by the company employees (CSR Team) / CSR Agencies, every three months with the CSR Committee, and a review of the CSR activities shall be done by the CSR Committee every six months. The CSR Committee shall review and assess these reports to ensure compliance.

The Board of the Company shall monitor the implementation of the CSR ongoing projects with reference to the approved timelines and year wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

In case the Company has an average CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 of the Companies Act, 2013, in the three immediately preceding financial years, it shall undertake impact assessment, through an independent agency, of CSR projects having outlays of one crore rupees 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. The Company may book the expenditure on the impact assessment towards CSR for that financial year, provided it shall not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.

The Board shall, at least once a financial year at an appropriate point of time, review the performance of the CSR activities of the Company, and ensure compliance with the provisions of the Companies Act, 2013 and Rules made thereunder.

AMENDMENTS TO THE POLICY

The Company is committed to regularly reviewing and updating this policy. Amendments shall be approved by the Board of Directors through a resolution and updated on the Company's website promptly. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy. In the event of any conflict between the provisions of this Policy and of the applicable law, such applicable law in force from time to time shall prevail over this Policy.