



CORPORATE SOCIAL RESPONSIBILITY POLICY

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**AARVEE DENIMS AND EXPORTS
LIMITED**

A. Introduction

Aarvee Denims And Exports Limited is one of the leading denim manufacturer Company of India, delivering superior and sustainable value to all our customers, business partners, shareholders, employee, workers and host community.

Our CSR initiatives focus on universal development of host communities, and create Social, Environmental and Economic value to the all class of the society:

With the implementation of the Companies Act, 2013, constitution of a Corporate Social Responsibility Committee (CSR Committee) of the Board and formulation of a Corporate Social Responsibility Policy became a mandatory requirement. Therefore, the Company requires to formulate a CSR Policy which encompasses its philosophy and guides its sustained efforts for undertaking and supporting socially useful programs for the welfare & sustainable development of the society.

B. CSR Object

The Company, firmly believes that CSR is primarily, the responsibility of the Company in relation to the impact of its decisions and activities on the society and also the environment, through a transparent and ethical behavior which is:

- (a) consistent with sustainable development and welfare of society,
- (b) takes into account the expectations of stakeholders,
- (c) is in compliance with applicable law, and
- (d) is uniformly integrated and practiced throughout the Company.

C. Scope

In furtherance of its CSR objects, the following are covered under this Policy:

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- i. CSR activities implemented by the Company on its own,
- ii. CSR activities implemented by the Company through own trust/society or group company trust/society,
- iii. CSR activities of the Company through an external trust/society.

D. Definitions

In this Policy, unless the context otherwise requires:

“**ACT**” shall mean the Companies Act 2013, 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.

“**APPROVED BUDGET**” shall mean the total budget as approved by the Board of the Company upon the recommendation of the CSR Committee, which is to be utilized for CSR Projects.

“**AREAS**” shall have the meaning as prescribed to them as per provision E of the Policy.

“**BOARD**” shall mean the Board of Directors of the Company.

“**COMPANY**” shall mean Aarvee Denims and Exports Limited and wherever the context requires, shall signify the Company acting through its Board.

“**CSR ANNUAL PLAN**” shall mean the annual plan detailing the CSR expenditure for the year.

“**CSR COMMITTEE**” shall mean the Corporate Social Responsibility Committee constituted by the Board of the Company in accordance with the Act, consisting of three or more directors, out of which at least one director shall be an independent director.

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“CSR EXPENDITURE” means all CSR expenditure of the Company as approved by the Board upon recommendation of the CSR committee, including the following:

- i. contribution to CSR Projects which shall be implemented and/or executed by the Company;
- ii. contribution to CSR Projects (including for corpus as required) which shall be implemented and/or executed by its Trust or Society; and
- iii. contribution to CSR Projects (including for corpus as required) which shall be implemented and/or executed by an Agency.
- iv. Any other contributions covered under Schedule VII.

Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR expenditure.

“CSR OFFICER” shall mean the whole time person engaged by the Company for activities envisaged in the CSR Policy; having due comprehension, understanding, drive and passion for such activities and designated as such.

“CSR POLICY” shall covers the activities to be undertaken by the Company as specified in Schedule VII to the Act and the CSR Expenditure thereon.

“CSR PROJECTS” or **“PROJECTS”** means Corporate Social Responsibility projects / activities / programs / initiatives, instituted in India, either new or ongoing, and include, but is 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.

“FINANCIAL YEAR” shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.

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“**NET PROFIT**” shall mean the net profit as per the Act and Rules based on which the specific percentage for CSR expenditure has to be calculated.

“**RULES**” shall mean the Companies (Corporate Social Responsibility) Rules 2014, including any re-enactment, modifications or amendments thereof.

“**SOCIETY**” means a Society registered under the Societies Registration act, 1860 by the Company.

“**TRUST**” means a Trust registered under the India Trusts Act, 1882 by the Company.

“**UNIT**” shall mean each of the following:

- Narol Unit
- Vijay Farm Unit
- Matoda Unit

Words and expressions used and not defined in the Policy shall have the same meanings respectively assigned to them in the Act and/or Rules.

E. Areas:

While the Company is eligible to undertake any suitable/rightful activity as specified in Schedule VII of the Act, however, at present, it proposes to undertake the relevant activities in the following Areas:

1.1 Community health care, sanitation and hygiene, including, but not limited to:

- (1) Establishment and management of state-of-the-art healthcare infrastructure with high level of excellence.
- (2) Providing financial and/or other assistance to the Agencies involved in exclusive medical research, public health, nursing etc.
- (3) Providing financial assistance to deserving people for specialized medical treatment in any medical institution.
- (4) Activities concerning or promoting:

- a. General health care including preventive health care
- b. Safe motherhood
- c. Child survival support programs
- d. Health / medical camps
- e. Better hygiene and sanitation
- f. Adequate and potable water supply, etc.

1.2 Education and knowledge enhancement, including, but not limited to:

- (1) Establishment and management of educational and knowledge enhancement infrastructure.
- (2) Providing financial and/or other assistance to the needy and/or deserving students.
- (3) Providing financial assistance to any Agency involved in education, knowledge enhancement and sports.
- (4) Facilitate enhancement of knowledge and innovation in the educational Agencies.
- (5) Contribution to technology incubators located within academic institutions which are approved by the Central Government.

1.3 Social care and concern, including, but not limited to:

- (1) Creating Public awareness
- (2) Protection and upgradation of environment including ensuring ecological balance and related activities.
- (3) Rural development projects
- (4) Others:
 - a. Establishment and management of orphanages, old age homes, Sanatoriums, Dharmashalas and institutions of similar nature.

b. Providing assistance to institutes of credibility involved in areas of social care, including:

- ✓ Preservation of heritage
- ✓ Animal welfare, social welfare and related matters
- ✓ Orphanages, old age homes, Sanatoriums, Dharmashalas and institutions of similar nature.
- ✓ c. Other humanitarian activities.

F. Identification of CSR Projects:

1. CSR Projects need to be identified and planned for approval of the CSR Committee, with estimated expenditure and phase wise implementation schedules.
2. The Company shall ensure that in identifying its CSR Projects, preference shall be given to the local area and areas around which the Company (including its Units) operates. However, this shall not bar the Company from pursuing its CSR objects in other areas.
3. As a cardinal principle, the CSR Projects in prescribed Areas, shall be identified on the basis of a detailed assessment survey.
4. The CSR Officer may engage external professionals/firms/agencies, if required, for the purpose of identification of CSR Projects.

G. Implementation of CSR Projects

The Company shall implement the identified CSR Projects by the following means:

I. Direct Method

1. The Company may itself implement the identified CSR Projects presently within the scope and ambit of the Areas as defined in the Policy;
2. The Company may also implement the identified Projects presently through its Trust or Society which is involved in CSR activities, within the scope and ambit of the Areas as defined in the Policy.

3. The CSR Officer may engage external professionals/firms/agencies if required, for the purpose of implementation of its CSR Projects.
4. The Company, may collaborate with other companies, including its Associate Companies if required, for fulfilling its CSR objects through the Direct method, provided that the CSR Committees of respective companies are in a position to monitor separately such CSR Projects.

II. Indirect Method

1. The Company may implement the identified CSR Projects through Agencies, subject to the condition that:
 - The activities pursued by the Agency are covered within the scope and ambit of Schedule VII of the Act provided
 - The Agency has an established track record of at least three years in undertaking similar programs or projects, and
 - The Company has specified the Project to be undertaken through the Agency which shall be in prescribed Areas, the modalities of utilization of funds on such Projects and the monitoring and reporting mechanism which shall be at least once in three months.
2. The Company may collaborate with other companies, including its associate Companies, if required, for fulfilling its CSR objects through the Indirect method provided that the CSR Committees of respective companies are in a position to monitor separately such Projects.

H. Monitoring

Monitoring process for CSR Projects shall include the following:

- Evaluation of Planned progress V/s Actual Progress
- Actual expenditure V/s expenditure as per Approved Budget

I. Fund allocation and Others

A. Fund allocation

1. The Company, in every Financial Year, shall endeavor to spend the feasible amount, which shall not be restricted by the statutory limit of a specified percentage of its average net profits of the immediately preceding three Financial Years. However, the aforementioned expenditure

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in any Financial Year shall be at least 2% of Company's average Net profits for the three immediately preceding Financial Years.

2. The CSR Committee shall prepare a CSR Annual Plan for the above which shall include:

- a. Identified CSR Projects
- b. CSR expenditure
- c. Implementation Schedules

3. Total expenditure in the CSR Annual Plan shall be approved by the Board upon recommendation by the CSR Committee

4. In case the Company fails to spend the statutory minimum limit of 2% of Company's average net profits of the immediately preceding three years, in any given financial year, the Board shall specify the reasons for the same in its report in terms of clause (o) of sub-section (3) of section 134.

B. Others

1. The CSR Committee shall ensure that the CSR expenditure in the Annual Plan shall be for the Projects in the prescribed Areas. However, there shall not be any preference given to any particular Area for budgetary allocation and it shall be made purely as per the identified CSR Projects on need basis.

2. The Chairman and Managing Director, Managing Director and Whole Time Director of the Company are authorized severally to decide on Projects to be implemented through the Indirect Method within the allocation as per the Annual Plan.

3. Any surplus arising out of the CSR Projects shall not form a part of the business profit of the Company.

4. The Company may build CSR capacities of their own personnel or personnel of its Trust or Society, as well as those of the Agencies through institutions with established track records of at least three Financial Years but such expenditure shall not exceed 5% of the Approved Budget of the Company in one Financial Year.

J. Duties and responsibilities

i. Board of Directors

The Board shall include in its Report the annual report on CSR Projects as per the format provided in the Annexure to the Rules.

ii. CSR Committee

a. The CSR Committee shall monitor the implementation of the CSR Policy and CSR Plan. For this purpose, the CSR Committee shall meet at least twice a year.

b. In discharge of CSR functions of the Company, the CSR Committee shall be directly responsible to the Board for any act that may be required to be done by the CSR Committee in furtherance of its statutory obligations, or as required by the Board.

c. The CSR Committee shall place before the Board the draft annual report as per the format in annexure to the Rules in Board meeting in April/May of the following year for Board review and finalization.

d. The CSR Committee shall place before the Board in April/May every year 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 for inclusion in the Board's Report.

e. The CSR Committee shall ensure that the CSR Policy and finalized Annual Plan is displayed on the Company's website.

iii. CSR Officer

i. The CSR Officer shall be responsible for the proper implementation and execution of CSR Projects of the Company and following will be considered as CSR Officers:

- a. Mr. Vinod P. Arora, Chairman and Managing Director
- b. Mr. Nipun Arora, VP

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- c. Mr. Karan singh Amera, General Manager
- d. Mr. Sanjay Majmudar, Independent Director
- e. Mr. Ketan Desai, CFO

ii. The CSR Officer shall be responsible for monitoring the Projects vis-à-vis the Annual Plan.

iii. The CSR Officer shall send the half yearly CSR report for the CSR Committee meeting in October and CSR Annual Plan and the draft annual report as per the format in Rules for the CSR Committee meeting in April/May of the following year.

iv. The CSR Officer shall communicate the relevant feedbacks received by him/her to the CSR Committee.

v. The CSR Officer shall be directly responsible to the CSR Committee for any act that may be required to be done by the CSR Committee in accordance with the Policy.

vi. The CSR Officer shall be assisted by a select group of individuals who shall be exclusively dedicated and/or available on priority basis to the CSR Officer, including in Units, as and when required in discharge of all or any of his functions as required under the CSR Policy.

K. Review Periodicity and amendment:

i. CSR Plan may be revised/modified/amended by the CSR Committee at such intervals as it may deem fit.

ii. The CSR Committee shall review the Policy every two years unless such revision is necessitated earlier.

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Amendment in CSR:

In exercise of the powers conferred by section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014, namely:-

The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 MCA Notification Dated 22nd January 2021.

Key points in CSR matter:

1. Now with effect from 22nd January, 2021, CSR Spending has been made Mandatory by the Ministry of Corporate Affairs (MCA).
2. New definition of 'Administrative Overheads', 'International Organization' and 'Ongoing project' has been given. Further, definition of 'Corporate Social Responsibility (CSR)' has been expanded and now it is excluding one.
3. If Company has not spent the required amount towards CSR then unspent amount shall have to be transferred on or before 30th September, 2021 to the fund specified under scheduled VII of the Companies Act, 2013.

The lists of funds specified under Schedule VII are as under:

- Prime Minister's National Relief Fund (PMNRF)
 - Prime Minister's Central Assistance and Relief in Emergency Situations Fund (PM CARES Fund)
 - Swachh Bharat Kosh
 - Clean Ganga Fund
4. Amount required to spent on CSR for the FY 2020-21 remains unspent for "ON GOING PROJECT", then need to transfer in 30 days to separate Bank Account with Scheduled Bank to be called "THE UNSPENT CORPORATE SOCIAL RESPONSIBILITY ACCOUNT" and Company will be required to spend the said amount with in 3 financial years from the date of transfer of unspent amount, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of 30 days from the date of completion of the third financial year.
 5. ON GOING PROJECT means a multi-year project having timelines not exceeding the 3 financial years excluding the financial year in which it was commenced.
 6. No need of CSR Committee, if the amount to be spent on CSR is less than Rs. 50

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lakhs (i.e. amount of average net profits of the company made during the three immediately preceding financial year is less than Rs. 25 Crore), in such case Board shall discharge all the functions of CSR Committee.

7. Company can spend CSR either on its own or through implementing agency:

- W.e.f. 1st April, 2021 registration of such entity shall be mandatory by filing of form CSR -1 and Unique CSR Registration number shall be generated for each entity.
- Only Section 8 Company or Registered public trust or registered society now allowed as against any registered trust, except in case established by CG/SG.
- In addition to registration under respective act, registration under the provisions of section 12A & 80G of the Income Tax has been made mandatory.

For Section 8 Company or Registered public trust or registered society, established track record of at least 3 years in undertaking similar activities will apply, if it is not established by the Company, either singly or along with any other company.

8. Where a company spends an amount in excess of the required amount of CSR, such excess amount could be used in subsequent three financial years, subject to certain conditions.

9. The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy. Annual Action Plan to include:

- i. List of CSR Projects approved
 - ii. Manner of execution
 - iii. modalities of utilisation of funds and implementation schedules
 - iv. monitoring and reporting mechanism
- On recommendation of CSR Committee Annual Action Plan may be altered by the Board.

10. CSR Committee to formulate and recommended Annual action plan as per Rule 5 of Companies(Corporate Social Responsibility Policy) Rules, 2014.

11. CSR Committee to suggest to have standard operating process (SOP) for better monitoring, implementing and evaluating.

12. CSR expenditure towards administrative overheads shall not exceed 5% of total CSR expenditure of the Company for the financial year.

13. Annual report on CSR, being part of Director's report, format has been changed and it is very exhaustive with many details for CSR. This will apply from FY.

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2020-21 annual accounts.

14. The Board of a Company shall satisfy itself that the CSR funds so disbursed have been utilized for the purpose and in the manner as approved by it and CFO or the person responsible for the financial management shall certify for the same.

15. Statutory Auditor shall also state various details of CSR, including unspent amount and transfer of unspent amount, as a part of their CARO,2020 report.

16. Company to display on its website:

- Composition of CSR Committee.
- CSR policy.
- Projects of CSR approved by Board.

17. Consequence of non-transfer in aforesaid manner:

- Offence decriminalised vide CAA, 2020
- Company liable to pay penalty twice the amount of default or Rs. 1 crore, whichever is less

Every officer liable to pay penalty @ 10% of default or Rs. 2 lacs, whichever is less.