

INNOVA CAPTAB LIMITED

CORPORATE SOCIAL RESPONSIBILITY POLICY

<i>Approving Authority</i>	<i>Board of Directors of the Company</i>
<i>Initial Version</i>	<i>(Version 1) & 18th August 2018</i>
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1. INTRODUCTION

Innova Captab Limited (“Innova”) (the “Company”) is a pharmaceutical company engaged in Research & Development, Manufacturing, Marketing and sale of finished formulations across the world. We are committed to develop, manufacture and deliver world-class products in Branded, Branded Generics and as CMO service provider. Innova offers high-quality yet affordable medicines for most of the diseases addressing unmet needs in many parts of the world.

2. INNOVA’S PHILOSOPHY

Innova Captab Limited have always believed that we exist to benefit the entire ecosystem, of which we are an integral part. We firmly believe that we belong to an interdependent ecosystem comprising shareholders, consumers, associates, employees, government, environment and society and that we have a commitment to all these stakeholders.

We believe that economic value and social value are interlinked. A firm creates economic value by creating social value – by playing a role in making a difference to the lives of its key stakeholders. Furthermore, a firm cannot do this in isolation; it needs the support and participation of other constituents of the ecosystem. Sustainability comes from win-win partnerships in the ecosystem.

The Government has notified various initiatives that qualify to be Corporate Social Responsibility (“CSR”) for the purpose of the mandatory spend applicable to companies. The CSR initiatives of Innova thus, for the purpose of such mandatory spend would exclude the benefits made by the Company exclusively or predominantly to its employees, shareholders, investors, creditors and business partners.

3. DEFINITIONS

“**Act**” means the Companies Act, 2013 and rules framed there under, amended from time to time.

“**Administrative overheads**” means the expenses incurred by the company for ‘general management and administration’ of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme.

“**Board**” means Board of Directors of Innova Captab Limited.

“**CSR Committee**” means the Corporate Social Responsibility Committee of the Board referred to in 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 Rules**” means Companies (Corporate Social Responsibility Policy) Rules, 2014 as notified by Ministry of Corporate Affairs and as amended from time to time.

“**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: Provided that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381, read with section 198 of the Act.

“Ongoing Project” means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.

“Unspent CSR Account” refers to an account opened as such by the Company with its Bank to transfer the amount remaining unspent at the end of Financial Year which relates to an ongoing project.

4. APPLICABILITY

The provisions of Corporate Social Responsibility as per Section 135 of the Act shall be applicable to the Company when:

- net worth is rupees five hundred crore or more, or
- turnover is rupees one thousand crore or more or
- a net profit is rupees five crore or more

during the immediately preceding financial year and shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more Directors, out of which at least one director shall be an independent director.

5. OBJECTIVE

This Policy has been formulated in compliance with Section 135 of the Companies Act, 2013 read along with the applicable rules thereto.

Innova’s CSR policy intends to:

- Strive for economic development that positively impacts the society at large with minimal resource footprint.
- Embrace responsibility for the Company’s actions and encourage a positive impact through its activities and contributions towards social and economic development of the communities in which we operate and building a better & sustainable way of life for the weaker sections of the society.
- Promotes community health care including preventive healthcare improves critical nutritional & health status of at-risk population of the society and making quality healthcare accessible and affordable for all.

This Policy will serve as a guiding document containing the approach and direction given by the Board, taking into account the recommendations of CSR Committee, defining the guiding principles for selection, implementation and monitoring of CSR Activities as well as formulation of annual action plan.

6. INNOVA'S VISION

"To improve the quality of life of the communities in which we operate and in doing so to build a better and sustainable way of life for the weaker sections of society."

7. COMPOSITION OF CSR COMMITTEE

The CSR Committee shall comprise of three or more directors, including at least one independent director and shall be in accordance with the requirements of the Companies Act, 2013 and the Rules made thereunder.

S. No.	Name of the Member	Designation in Committee
1.	Vinay Lohariwala	Chairman
2.	Manoj Kumar Lohariwala	Member
3.	Sudhir Bassi	Member

8. ROLES AND RESPONSIBILITY OF THE COMMITTEE

The roles and responsibilities of the CSR Committee include:

Formulate and recommend to the Board of Directors the CSR Policy and the annual action plan in pursuance of its CSR Policy and outline the activities to be undertaken by the Company as per the Companies Act.

Recommending the amount of expenditure for the CSR activities.

Monitoring CSR Activities from time to time.

Any other matter/thing as may be considered expedient by the Members of the Committee in furtherance of and to comply with the CSR Policy of the Company.

9. FORMULATION OF CSR POLICY

The CSR Committee shall formulate and recommend Corporate Social Responsibility Policy to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company and recommend the amount of expenditure to be incurred on the activities.

10. CSR REPORTING

The Board's Report shall include an annual report on CSR containing particulars as prescribed in CSR Rules.

11. LOCATION OF CSR ACTIVITIES

The CSR Committee will decide on the locations for CSR activities.

12. INNOVA'S CSR POLICY

Innova has identified following areas for CSR activities:

Education:

One of the most significant indicators of social progress is education, which also plays a decisive role for a society to achieve self-sustainable and equal development. With an increasing global realization of how the business community can (and should) contribute to social objectives, education deserves a higher level of corporate involvement than status quo. While the definition of education is broad, involving multiple levels and largely differs among countries of different development levels, the Company chooses to focus on the primary education issues, which has tight links with entire social progress and poverty reduction.

The Company proposes to give his support and invest his time and funds in achieving the following:

- Formal schools;
- Quality primary education;
- Girl child education;
- Health and Nutrition for children and
- Basic Infrastructure for Schools/ Colleges. Provide grants to various colleges in India for improving their infrastructure. Sponsor computers, chairs, laboratory equipment's, books for library and create endowment funds for the colleges/universities to assist students with their studies.

Community Health Care:

There are numerous epidemic diseases and other serious diseases in the world which needs close attention, both from public sector and private sector (i.e. HIV/AIDS, Avian Influenza, Covid etc.). For the authorities to take strong measures and keep the diseases under control, critical amount of resource is essential.

This is where the Company's role and support is required. The Company's goal is to render quality health care facilities to under privileged class of the society and people living in the villages by opening Medical Centers, Health care for visually impaired, setting up health camps, health and immunization awareness programme and other medical aids.

Environment Initiatives for the Community:

The Company focuses on elimination of waste, maximizing energy efficiency and productivity and minimizing practices that may adversely affect use of natural resources by coming generations.

The Company also aims at undertaking afforestation/social forestry, other welfare activities etc. and to conserve natural resources and energy by minimizing their consumption and wastage. It also intends to organize and arrange training programs for the public at large for making them understand the need and necessity to save the environment for human good and to also to make them know about the efficient and effective utilization of resources which are very scare in nature.

Environment friendly business practices can reduce business risk, improve reputation, and drive market opportunities. The Company aims to provide monetary donations and aid to non-profit organizations and communities in areas such as the arts, education, housing, health, social welfare and the environment, among others, but excluding political contributions and commercial event sponsorship. The Company aims to produce environment- friendly, ecological, and non-harmful products.

Livelihood Support Program:

In Sustainable Livelihood the company aims at setting up old age homes and providing livelihood in a locally appropriate and environment sustainable manner through the self-help group (SHG) program for women and youth generation in order to enhance their quality life while being “self-sustaining” to support their families.

13. GOVERNANCE

Overall governance of CSR and approving the CSR Policy will be the responsibility of the Board through the CSR Committee.

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy.

The Board shall ensure proper implementation of the CSR Policy along with monitoring and reviewing CSR Activities undertaken by the Company and provide inputs as and when required. The Board shall satisfy itself that the CSR funds disbursed are aligned to the CSR Policy of the Company and have been utilized for the purposes and in the manner approved by it. The Chief Financial Officer is appropriate authority as may be determined by the Board of Directors shall certify the same to the effect.

The Board shall also ensure appropriate disclosures pursuant to the Act and Amendments thereof in the Annual Report and Company’s Website in prescribed formats.

In case of ongoing project, the Board of a Company shall monitor the implementation of the project 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.

The CSR Committee will be responsible for administering and executing the policy. As the Company’s CSR activities evolve further, the policy may be revised with the approval of the Board as per the recommendations of the CSR Committee of the Board.

14. CSR ANNUAL ACTION PLAN

The CSR Committee shall formulate and recommend to the Board of Directors, a CSR Annual Action Plan in pursuance of this Policy, which shall include focus areas for the year, the list of projects to be undertaken, manner of execution, fund utilization, monitoring mechanism, etc.

The Board of Directors may approve the Annual Action Plan with such further conditions as it deems fit and further alter Annual Action Plan at any time during the financial year, as per the recommendation of the CSR Committee, based on the reasonable justification to that effect.

15. FUND ALLOCATION

CSR Funds

The corpus for the purpose of carrying on the aforesaid activities would include the followings:

2% of the average Net Profits of the Company made during the three immediately preceding financial years (calculated in accordance with the provisions of Section 198, excluding any profit arising from any overseas branch or branches in the Company, whether operated as a separate company or otherwise);

Any income arising there from; and
Surplus arising out of the CSR activities carried out by the Company and such surplus shall not form a part of the business profit of the Company.

CSR Expenditure

Administrative overheads shall not exceed five percent of the total CSR expenditure of the Company for any financial year (or such expenditure as may be prescribed by law from time to time)

Any surplus arising out of the CSR projects or programs shall not form part of the business profit of the Company and shall be treated as follows:

ploughed back into the same project; or shall be transferred to the Unspent CSR Account and spent in pursuance of this CSR policy and annual action plan of the Company; or Transferred to a fund specified in Schedule VII, within the prescribed timelines as Specified in the CSR Rules.

Any unspent amount shall be reported by the Board in its report specifying the reasons for not spending the amount and shall be dealt with in accordance with Section 135 of the Act and rules under Amendments thereof.

Where the Company spends an amount in excess of the requirement provided under Section 135 of the Act, such excess amount shall be set off against the requirement to spend under Section 135 of the Act, up to immediate succeeding three financial years subject to the conditions that:

the excess amount available for set off shall not include the surplus arising out of the CSR activities; and the Board of the Company shall pass a resolution to that effect.

The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by -

- (a) a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or
- (b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
- (c) a public authority:

16. SELECTION, IMPLEMENTATION OF CSR ACTIVITIES

The Board shall ensure that the CSR activities are undertaken by the Company itself in the manner prescribed under the CSR Regulations and as amended from time to time or through an entity as one of the below:

a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company;

a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government;

any entity established under an Act of Parliament or a State legislature; or

a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

The Company may engage with international organisations to design, monitor and evaluate the CSR programme as per its Policy and scope.

The Company may also collaborate with other companies for undertaking projects or programmes 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 programmes in accordance with these rules.

The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.

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

The CSR Committee shall put together and recommend to the Board, an annual action plan in pursuance of its Policy, which shall include the following:

- the list of approved CSR projects or programmes to be undertaken in areas or subjects specified in Schedule VII of the Companies Act;
- the manner of execution of such projects or programmes as specified in the CSR Rules;
- the methods of funds utilisation and implementation schedules for the projects or programmes;
- monitoring and reporting mechanism for the projects or programmes; and
- details of need and impact assessment, if any, for the projects undertaken by the company,

Provided that the Board may alter the plan at any time during the financial year, as per the CSR Committee's recommendations with reasonable justifications for the same.

17. MONITORING

A transparent and effective monitoring mechanism needs to be adopted by the CSR Committee to monitor the implementation of proposed CSR programmes:

CSR activities' progress shall be regularly reviewed by the CSR Committee.

The Chief Financial Officer shall be responsible for monitoring CSR expenses with respect to the plan and submission of the same to the CSR Committee and the Board.

The Board of Directors shall review the progress of CSR activities, at least once a year.

The CSR Committee shall regularly report to the Board on the progress made by the Company about the implementation of its CSR activities.

18. DISQUALIFYING ACTIVITIES FOR CSR

Activities that are undertaken by the Company in pursuance of its normal course of business will not be considered as CSR activities.

The CSR Rules disqualifies the CSR projects and programs that are implemented by the Company for benefit of the employees of the Company and their families.

The CSR activities implemented outside India also fall outside the purview of the Rules and hence

CSR expenditure on such activities will not be considered for inclusion in the CSR Report.

Any amount directly or indirectly contributed towards any political party under Section 182 of the Act shall not be considered as CSR Spend.

19. IMPACT ASSESSMENT

APPLICABILITY:

If Company reaches the average CSR Obligation of ten crore rupees or more in pursuance of sub section (5) of section 135 of the Act, in the three immediately preceding financial years, the Company 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 of Directors and shall be annexed the annual report on CSR.

A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed 5% of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.

The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

Following key steps will be taken by CSR team to assess the impact of CSR activities:-

ASSESSMENT OF NEEDS:

Prior to undertaking a CSR project, Company will conduct an unbiased needs assessment in that area, in order to ascertain the specific needs, problems and relevant solutions from the community perspective, as also gain an understanding from the perspectives of the village authorities, school, health officials and the society at large.

BASELINE STATISTICS:

The Company will ensure that baseline statistics are collected before each program is rolled out and data is collected on an ongoing basis to track impact. As a first step, to assess the impact of CSR activities, there is a need to establish the base. This base establishment will help the company to see the changes after intervening in a specific area. Baseline Survey can be undertaken by an expert agency to assess the needs as well as establish the baseline information and statistics so as to allow a comparison of the 'then' and 'now' situation in the future. This will clearly show the 'impact' the project has created.

20. DISCLOSURES:

This Policy, composition of CSR Committee and projects approved by the Board will be posted on the Company's corporate website.

In the event of any inconsistency between this Policy and the applicable laws, the applicable laws will prevail. This Policy will be reviewed by the Board, on the recommendation of the CSR Committee, as and when deemed necessary.