

KARNATAKA STATE MARKETING COMMUNICATION & ADVERTISING LIMITED
(Formerly known as "Marketing Communication & Advertising Limited")

CORPORATE SOCIAL RESPONSIBILITY POLICY

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I. INTRODUCTION:

- a. CSR in India has traditionally been seen as a philanthropic activity and confines to only few successful business houses. Now, many corporates in India and abroad have made it as a matter of their integral business policy to accommodate social development, environment protection, sustainable growth and the wellbeing of all stakeholders who bear direct or indirect impact on their lives on account of the business operations of the enterprises.
- b. Karnataka State Marketing Communication and Advertising Limited (hereinafter referred as 'KSMCA' or 'the Company') strongly believes that it is the integral business policy to accommodate social development, environment protection, sustainable growth and wellbeing of all the stakeholders who were directly or indirectly involved in the business activities of the Company.
- c. The philosophy of "Giving Back to the Society" from where the resources have been drawn by the Enterprise has been gaining momentum ever since the new Companies Act, 2013 mandates certain class of Companies to earmark minimum required allocation for CSR Activities/Programmes and the disclosures required to be made in the Annual Reports with regard to the CSR spending.

II. OBJECTIVES:

- a. Embrace responsibility for the company's actions and encourage a positive impact through its activities to promote education; to promote healthcare and sanitation; to protect the environment; and to support communities, stakeholders and society.
- b. Help the under privileged and the under-developed areas in and around the operational areas of the Company in particular, and other parts of the State of Karnataka, in general.

III. DEFINITIONS:

- a. 'Act' means the Companies Act, 2013 and the rules framed thereunder, as amended from time to time.
- b. 'Company' means Karnataka State Marketing Communication & Advertising limited(formally known as Marketing Communication & Advertising Limited).
- c. 'Committee' means Corporate Social Responsibility Committee of the Company as constituted or reconstituted by the Board, in accordance with Companies Act, 2013 and applicable rules made thereunder.
- d. 'Policy' means Corporate Social Responsibility Policy.
- e. '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,

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and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.

- f. '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.
- g. Net Profit means net profit as defined in Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 as set out below

Net Profit as per financial statements 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;
- h. 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.

IV. BOARD OF DIRECTORS:

The responsibilities and duties of the Board of Directors are as below:

- a. To constitute and/or re-constitute the CSR Committee.
- b. On recommendations of the CSR Committee, to frame, formulate, approve, amend and/or repeal the CSR policy for the Company, as and when required.
- c. On recommendations of the CSR Committee, to approve the CSR Budget, programmes, projects, activities, and to monitor the CSR spending.
- d. On recommendations of the CSR Committee, prepare, approve, amend the CSR Annual Action Plan, which shall include:
 - i. the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act,
 - ii. the manner of execution of such projects or programmes,
 - iii. the modalities of utilisation of funds and implementation schedules for the projects or programmes,
 - iv. monitoring and reporting mechanism for the projects or programmes and

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- v. details of need and impact assessment, if applicable under the Act, for the projects undertaken by the company.
- e. 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.

V. CSR COMMITTEE:

The Committee shall play the following role in fulfilling the company's CSR objectives:

- a. Convene and hold the committee meeting at regular intervals, as and when be necessary.
- b. Recommend the amount of expenditure to be incurred on the activities under Schedule VII of the Act;
- c. Formulate and recommend to the Board, a policy indicating the activities to be undertaken by the company as specified in Schedule VII forming part of Section 135 of the Companies Act, 2013 and the Rules made thereunder;
- d. Collaborate, communicate with the external agencies/ organisations/ institutions or such other body corporates to arrange for the spending for CSR activities, as budgeted and approved by the Board or authorize any employee/ official of the Company for this purpose or such other acts, deeds, things or matters as and when necessary to give effect to the Committee and the Board decisions.
- e. Monitor the policy of the company from time to time;
- f. Prepare a transparent monitoring mechanism for ensuring implementation of the projects/programmes/activities proposed to be undertaken by the Company.
- g. The contribution shall be made for any activities undertaken within India. The committee shall give preference to local area around it where it operates in spending the amount earmarked for CSR activities.
- h. The Quorum of meetings of CSR Committee shall be one third of the total strength or two directors, whichever is higher.
- i. The CSR Committee may invite Executives, Advisors, representatives of Social Organizations, Auditors of the Company as it may consider necessary to attend the meeting.

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VI. QUANTUM OF ALLOCATION OF FUNDS:

- a. The Company, considering its profits for each year will make a budget provision for implementing projects/ Programmes/ Activities under CSR as per the provisions of Section 135 of the Companies Act, 2013 i.e., the Company shall spend at least 2% of the average net profits of the preceding three years under CSR Activities in each Financial Year or such other amount as may be specified under the Act from time to time.
- b. The surplus arising out of the CSR activities if any shall not be considered as a part of the business profits of the Company and shall be ploughed back into the same project, or shall be transferred to the Unspent CSR Account and it should be spent in pursuance of this CSR policy or the Company may transfer such surplus amount to a Fund specified in Schedule VII of the Act, within a period of six months of the expiry of the financial year.
- c. Any unspent amount, other than unspent amount relating to an ongoing project, will be transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.
- d. Further, unspent CSR funds of ongoing projects will be transferred within a period of 30 days from the end of the financial year to a special account opened by the company in any scheduled bank called the "Unspent Corporate Social Responsibility Account". Such amount shall be spent by the company towards CSR within a period of 3 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 30 days from the date of completion of the third financial year.

VII. ACTIVITIES/ AREAS OF FOCUS ON CSR:

The Company shall upon the recommendation of CSR Committee and with necessary approval of the Board, undertake any of the activities, as part of its corporate social responsibility initiatives, which are defined in Schedule VII of the Companies Act, 2013 or amended from time to time. The activities listed in Schedule VII are given as under:

- i. eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- ii. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

- iii. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.
- v. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- vi. measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF), Central Para Military Forces (CPMF), veterans and their dependents including their widows.;
- vii. training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
- viii. contribution to the Prime Minister's National Relief Fund or Prime Minister's Assistance and Relief in Emergency Situations Fund (PM CARES Fund) and or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- ix. (a) contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and
(b) contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).
- x. rural development projects.

- xi. slum area development
- xii. disaster management, including relief, rehabilitation and reconstruction activities
- xiii. such other areas as may be included in Schedule VII of the Act, or as amended from time to time.

VIII. PROCEDURE

A. Procedure -if Company donates towards educational activities, to Schools through SDMC:

- a. To consider the applications received from P.U. Colleges and Polytechnics wherever no applications are received from schools from that Taluk/Ward etc for assistance under CSR from the districts where the company has branch offices.
- b. Pursuant to 263rd Board meeting held on 20th July, 2021 the board, on recommendation of the CSR Committee raised the limit of assistance to be provided from 1 lakh to 5 lakh per applicant.
- c. To transfer CSR funds of the Company to SDMC and the SDMC in turn, shall spend for educational activities of the school on project or programme mode only.
- d. To ensure, inspect that the SDMCs adhere to the quality standards of the company while spending the CSR amount.
- e. To ensure that SDMCs spend the CSR funds for CSR activities on or before 31st March of respective financial year and that SDMCs follow the procurement procedure by complying procurement guidelines specified by the GoK.
- f. To collect from SDMCs, proof/evidence for spending CSR funds on the approved schools, photographs of the furniture's, etc., procured to the schools/ institutions, utilisation certificate duly certified by the head of the institutions for the assistance provided by the Company for spending entire CSR funds on or before 31st March of the respective financial year and to procure such other supporting documents, etc.
- g. Out of CSR fund released to SDMC, if there is unspent amount left with the SDMC as on 31st March of respective financial year, the SDMC shall refund the said unspent amount to the Company. If any unspent amount is remaining either with SDMC or with the Company as on 31st March, the said unspent amount shall mandatorily be transferred to the Fund specified under Schedule VII of the Act, within 6 (six) months from the end of respective financial year and the company cannot spend it for any other purpose.

- h. The member of CSR Committee / CSR Monitoring Cell or any other person authorised to visits chool for inspection/examination of CSR projects or programmes. on behalf of the Company and bills, photographs or such relevant records, as may be necessary.
- i. Managing director and the Chairman of the CSR Committee to set up monitoring mechanism by entrusting the responsibilities to the team of senior officers of the company to undertake random/sample/check/Inspection of the beneficiary institutions to ensure that the assistance provided by the company under CSR is properly utilized.
- j. The Board of Directors may on recommendation of the CSR Committee decide to collaborate, if required, with other Companies for undertaking CSR projects or programmes or activities which are in alignment with the Schedule VII to the Companies Act, 2013 and the Rules and Guidelines framed thereunder and as may be modified from time to time.

B. Procedure -if Company directly undertakes CSR activities towards educational activities:

- a. To consider the applications received from P.U. Colleges and Polytechnics wherever no applications are received from schools from that Taluk/Ward etc for assistance under CSR from the districts where the company has branch offices.
- b. Pursuant to 263rd Board meeting held on 20thJuly, 2021 the board, on recommendation of the CSR Committee raised the limit of assistance to be provided from 1 lakh to 5 lakh per applicant.
- c. To issue Work/Supply Orders to DSMS/the concerned District Supplies and Marketing Co-Op society limited to supply required furniture and other related Educational Equipment /Educational Tools to the Schools coming under its area of operations.
- d. To issue Work/Supply Orders to the Agency/Shop/Organization where DSMS does not have its Office or Branch to supply/ provide required Educational Equipments/Infrastructure/Educational Tools and other related items to the Government Schools/ Institutions who have requested for providing Assistance other than Desks/Benches/ Tables/ Chairs etc which would cover under CSR Activities of the Company.
- e. To instruct the concerned DSMS/Supplier to adhere to the quality standards while supplying the items to the Beneficiary Institutions at competitive rates without compromising the quality of the items supplied.

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- f. To make the payment to the DSMS/Agency against the Bills submitted which are countersigned and certified by the Beneficiary institutions for the items supplied in good condition.
- g. To call for and obtain utilization certificate from the beneficiary institutions duly certified by the head of the institutions for the assistance provided by the Company.
- h. Managing director and the chairman of the CSR Committee to set up monitoring mechanism by entrusting the responsibilities to one of the senior officers of the company to undertake random/sample/check/Inspection of the beneficiary institutions to ensure that the assistance provided by the company under CSR is properly utilized.
- i. The Board of Directors may on recommendation of the CSR Committee decide to collaborate, if required, with other Companies for undertaking CSR projects or programmes or activities which are in alignment with the Schedule VII to the Companies Act, 2013 and the Rules and Guidelines framed thereunder and as may be modified from time to time.

IX. IMPLEMENTATION

The Board shall ensure that the CSR activities are undertaken by the company itself or through, –

- a. a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or
- b. 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; or
- c. any entity established under an Act of Parliament or a State legislature; or
- d. a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

The Board of the 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.

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X. GUIDELINES:

- a. All eligible Organizations/Institutions/Trusts/ AOPs/Companies/Boards & Corporations/Govt.Institutions/State&District/Taluk/City/TownAuthorities/ NGOs/ can apply for assistance under CSR.
- b. The proposal/ request seeking assistance under CSR should contain the following details:
 - i. Request letter
 - ii. Name of the project/s/activities with details
 - iii. The expected cost of the project/Activity
 - iv. Copy of byelaws / trust deed/ memorandum of articles of association or such other Bylaws applicable to the concerned institution. The Trust seeking assistance under CSR should have been established without profit motive/share of profits to the trustees.
 - v. An undertaking letter stating that the institution will abide by the terms and conditions of the CSR policy of KSMCA
- c. The Application/ proposal received for assistance shall be duly recommended by the jurisdictional higher authority of the Institution concerned;
- d. Individual proposals have to be within the frame work of the CSR Projects/programmes/activities.
- e. The proposals/applications received may be subject to preliminary inspection by Project Monitoring Cell of the Company so as to consider its overall eligibility under the scope of CSR Policy of the Company.
- f. The assistance sanctioned for the Programmes/activities under CSR may be documented in the name of KSMCA wherever applicable, and necessary plaques/logo of the Company be put up/embedded on then Tools/equipments/material provided by the Company.
- g. The amount released or assistance provided by the Company under CSR will be subject to inspection by the Project Monitoring Cell.
- h. The Organization will have to furnish utilization certificate for the assistance provided under CSR upon completing the CSR programme/ activity and an undertaking in this regard has to be furnished by the concerned institution, before availing disbursement.
- i. The institution concerned has to utilize the funds/assistance for the purpose for which it was sanctioned in a transparent manner.

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XI. PROJECT MONITORING CELL

The Company shall constitute a Project Monitoring Cell consisting of a team of senior officers of the Company. The Projects/ Programmes/ activities / sanctioned by the Company and amount released under CSR will be monitored by this cell at regular intervals and submit this report considering both physical and financial progress in the implementation to the Managing Director of the Company.

XII. AMENDMENTS TO THE POLICY

The Board of Directors on its own and/or as per the recommendations of CSR Committee and in accordance with the changes in Regulations on the subject as may be issued from relevant statutory authorities, from time to time, can amend the Policy. The decision of the Board of Directors on all matters, relating to this Policy, shall be final and binding upon all the concerned.

Note:The CSR Committee has recommended the substitution of the revised CSR Policy with the existing policy, to the Board vide its meeting held on 02/03/2023.

This Policy is effective from the date of approval of the Board of Directors of the Company held on 09/03/2023.

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Agenda No. 18.05: To consider and recommend to ratify the action taken by the Company:

The Chairman brought to the kind information of the CSR Committee members that the CSR Committee in its 17th Meeting held on 09.03.2022 had accorded its approval to spend CSR funds towards total number of 41 schools, out of which, the budget was Rs. 1.00 lakh for each of the 39 Schools and Rs. 3.00 lakhs for 01 school i.e., Karnataka Public School, Hosayalanadu, Hireyuru Taluk, Chitradurga District and Rs.1,10,160/- for the other school i.e., Government High School, Thellura Taluk, Afzalpura, Kalaburgi District. He stated that furniture and other items had been supplied to 39 schools accordingly.

He further stated that out of total 41 schools, the actual amount spent towards CSR activities for 18 schools was in excess of the approved amount against the respective school and the actual amount spent for the CSR activities of the remaining 23 schools was lesser than the approved amount against the respective school. The details of excess and short amount spent towards CSR were placed before the Committee during the meeting.

The Chairman further informed Committee members that the Company had spent the complete CSR budgeted amount during the FY 21-22 and there was no unspent CSR amount for FY 21-22, it was only that the school-wise CSR spending was not in line with the school-wise specific CSR budget approved.

After detailed discussions, the Committee appreciated the management for having presented the detailed agenda for all the Committee meetings, Board meetings and General Meeting compared to previous financial years Agenda's. Further, Committee accorded its approval to ratify the action taken by the management and recommended to the Board for their consideration, ratification and noting.

Agenda No. 18.06: To consider, approve and recommend the applications received for CSR fund of the Company for the financial year 2022-23:

The Chairman brought to the kind information of the CSR Committee members that as the Company fulfils the criteria specified under Section 135(1) of the Companies Act, 2013 ('the Act'), for the financial year 2022-2023, at least two percent of average net profit of preceding three financial years is required to be spent on CSR Activities.

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He mentioned that for the financial year 2022-2023, relevant last three financial years and their net profits as per Section 198 of the Act to ascertain the CSR Budget are as follows:

| Sl. No | Financial year | Net Profit as per Sec. 198 (In Rs.) |
|---------------|----------------|-------------------------------------|
| | 2021-2022 | 18,07,01,431.00 |
| | 2020-2021 | 12,12,84,000.00 |
| | 2019-2020 | 25,34,97,000.00 |
| Total | | 55,54,82,431.00 |
| Average | | 18,51,60,811.00 |
| 2% on Average | | 37,03,217.00 |

He mentioned that the Average Net Profit of the Company for the last three Financial Years is Rs. 18,51,60,811.00/- and 2% of such average net profit would be Rs. 37,03,217.00/- Hence, it was informed that the Company is required to spend Rs. 37,03,217.00/- during the current financial year 2022-23 for carrying out the CSR activities of the Company.

It was further informed to the CSR Committee that the Company had received requests from Schools/Educational Institutions to carry out the CSR activities of the Company during the financial year 2022-23. He added that in order to ensure that the assistance being provided by the Company under CSR is evenly spread across the State, it was earlier decided to consider maximum of 5 Schools from each Taluk in the case of Rural Areas and 5 Schools in each Ward/Constituency in the case of urban areas of the State.

He proposed to the Committee to consider increase the CSR fund limit for each applicant from Rupees one Lakh to Rupees Five Lakhs maximum considering the present cost. District wise number of Applications received by the Company is as follows:

| Sl.No. | District | No. of applications |
|--------|-----------------|---------------------|
| 01 | Bengaluru | 01 |
| 02 | Belagavi | 01 |
| 03 | Chamarajanagara | 02 |

| | | |
|---------------------------|------------------|-----------|
| 04 | Chikkamagaluru | 03 |
| 05 | Chikkaballapura | 04 |
| 06 | Chitradurga | 03 |
| 07 | Dakshina Kannada | 04 |
| 08 | Dharwad | 03 |
| 09 | Gadag | 06 |
| 10 | Hassan | 05 |
| 11 | Haveri | 01 |
| 12 | Kalaburagi | 02 |
| 13 | Kodagu | 01 |
| 14 | Kolar | 05 |
| 15 | Koppala | 01 |
| 16 | Mandya | 02 |
| 17 | Mumbai | 01 |
| 18 | Shivamogga | 16 |
| 19 | Tumakuru | 12 |
| 20 | Udupi | 02 |
| 21 | Vijayapura | 01 |
| Total Applications | | 76 |

The statement showing the details of applications received from Government Schools/Educational Institutions, to carry out the CSR activities of the Company during the financial year 2022-23 was placed before the Committee, which is enclosed as **Annexure II** to the Minutes.

The Company Secretary in Practice has brought to the kind notice of the CSR Committee members that as required under Rule 4(5) of the Companies (Corporate Social Responsibility) Rules, 2014, a Certificate is required to be furnished from the person responsible for financial management, certifying that the CSR obligation for the financial year 2021-22 has been met by spending the amount towards the educational activities. Accordingly, the Manager- Finance & Accounts of the Company has issued the Certificate which was also placed before the Committee.

Further, the Committee members directed the Management to provide assistance only to Government schools on priority and to consider private institutions/trusts only for genuine causes or where activity they undertake is for the welfare of children or women or in promoting education and other basic needs of the society.

Further, the Committee decided not to limit the funds to each school up to an amount of Rs. 100000/- as it is a relatively small amount and the schools cannot be able to fulfill their needs with that amount. Instead, the Committee directed to reduce the number of schools to which contribution will be made, so that the schools that receive the CSR contribution will be able to satisfactorily fulfill their requirements and to contribute to the remaining schools in the upcoming years. This will also make the company to monitor the number of schools easily.

The Committee directed to give preference to the Districts/Taluks which are backward areas.

Based on the above criterion, the Committee accorded its approval to list of Schools marked as **Annexure III**. The Committee considered the same and recommended to the Board of Directors for its noting and approval.

Further, the Committee authorized the Managing Director and the Chairman of the CSR Committee to take necessary action to transfer the CSR funds to the school SDMC. The Committee directed that the Company should ensure that the school SDMC's provide utilization certificate that the entire amount of CSR contribution made to the respective schools have been utilized fully for the stated purpose within prescribed time and any amount remaining unspent should be transferred back to the Company.

After detailed deliberations, the members approved the CSR Budget for FY 2022-23, the CSR activities and the details of school-wise/ district- wise CSR approved Budget and recommended to the Board for its approval and implementation.

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