POLICY ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

OF

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

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CORPORATE SOCIAL RESPONSIBILITY POLICY

1. PREAMBLE

Corporate Social Responsibility (CSR) is a commitment to operate in an economically, socially and environmentally sustainable manner, while recognizing the interests of its stakeholders. At Paras Defence and Space Technologies Limited, CSR is integral to our values and operations. As a responsible corporate citizen, we aim to contribute to the well-being of our community, going beyond business goals to drive meaningful socio-economic progress. Our efforts focus on creating an environment where individuals can fulfil their aspirations, while also addressing key areas that will benefit society in the long term.

This Corporate Social Responsibility Policy sets out the framework and principles that guide the Company's CSR activities, ensuring they are aligned with our values and long-term vision. It also outlines the rules and processes that govern the implementation of these initiatives, reflecting our commitment to adhering to the highest standards of responsibility and accountability. Through this policy, we aim to make a lasting, positive impact on the communities we serve while creating value for all our stakeholders.

2. SCOPE

The policy applies to all activities and initiatives undertaken by the Company to fulfilling its corporate social responsibility objectives. The policy ensures compliance with Section 135 of the Companies Act, 2013 and the rules made thereunder (the "**Companies Act**").

3. DEFINITIONS

In this Policy unless the context otherwise requires:

a. "Act" means the Companies Act, 2013.

b. "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.

c. "Board" means Board of Directors of the Company.

d. "Company" means Paras Defence and Space Technologies Limited.

e. "Corporate Social Responsibility (CSR)" means the activities undertaken by a Company in pursuance of its statutory obligation laid down in Section 135 of the Act in accordance with the provisions contained in the rules, but shall not include the following, namely:-

    (i) activities undertaken in pursuance of normal course of business of the company

    (ii) any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;

(iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act;

(iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019;

(v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;

(vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India;

f. "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Companies Act.

g. "CSR Policy" means this Policy.

h. "Net Profit" shall have the meaning ascribed to it in the Act.

Words and expressions used in this policy and not defined herein but defined under the Companies Act, 2013 shall have the same meanings respectively assigned to them.

4. GOVERNANCE STRUCTURE

A. CSR Committee Composition:

The Corporate Social Responsibility Committee (the "**CSR Committee**") is the governing body that will define the scope of CSR activities for the Company and ensure compliance with the Policy. The CSR Committee would comprise three or more directors including at least one Independent Director.

B. Duties and Responsibilities:

I. Board of Directors:

a. Approve the CSR Policy, CSR activities/projects and annual CSR plan based on the recommendation of the CSR Committee;

b. The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

c. Ensure that the activities as included in Corporate Social Responsibility Policy of the company are undertaken by the company.

II. CSR Committee:

a. Formulate the CSR Policy and recommend to the Board the same and any amendments thereto.

b. Indicate the activities to be undertaken by Company as specified in Schedule VII of the Companies Act.

c. Review and recommend to the Board the amount of expenditure to be incurred on the CSR activities to be undertaken by the Company, and the annual CSR plan .

d. To monitor the implementation of CSR policy framework.

5. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

The Company is committed towards environmental and social safety and health protection. In compliance of the Schedule VII of the Companies Act, 2013 and in line with the Company's CSR Policy, the Company shall undertake any of the below mentioned activities:

i. **Hunger, Poverty, Malnutrition and Health:** Eradicating hunger, poverty and malnutrition, promoting 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. **Education:** Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

iii. **Gender Equality and Empowerment of Women**: 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. **Environment Sustainability:** Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, 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. **National Heritage, Art and Culture:** 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. **Benefits of Armed Forces:** Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows.

vii. **Promote Rural Sports:** Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;

viii. **Contribution to Prime Minister Relief Fund:** Contribution to the Prime Minister's national relief fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) 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. **Contribution to Technology Incubators:**

a. Contributions 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 Defence 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 : Slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force

xii. Disaster management, including relief, rehabilitation and reconstruction activities.

xiii. Subscription to zero coupon zero principal instruments on Social Stock Exchange

Company will also be open to and engage in activities in areas beyond the scope mentioned above if they are in alignment with Schedule VII of the Companies Act and the CSR focus of the Company.

6. FUND ALLOCATION AND OTHERS:

1. The Company, in every Financial Year, shall endeavour to spend such feasible amount as CSR Expenditure, 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, CSR Expenditure in any Financial Year shall be at least 2% of Company's average Net profits for the three immediately preceding Financial Years

2. Total expenditure shall be approved by the Board upon recommendation by the CSR Committee

3. The Board shall ensure that the administrative overheads shall not exceed five percent (5%) of total CSR expenditure of the company for the Financial year.

4. Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and Annual Action Plan of the Company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the Financial Year

5. In event the Company spends an excess amount more than the statutory requirement provided under Section 135, such excess amount may be set off against the requirement to spend under Section 135 up to immediate succeeding three financial years subject to the conditions that –

   (i) the excess amount available for set off shall not include the surplus arising out of the CSR activities.

   (ii) the Board of the company shall pass a resolution to that effect.

6. 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:

7. 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 of the Act.

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

7. CSR REPORTING

1. The Board's Report of the Company pertaining to any financial year shall include an Annual report on CSR containing particulars in compliance with the Act and rules thereunder

2. In event the average CSR obligation of the Company is of ten (10) crore rupees or more in pursuance of Section 135 of the Act, in the three immediately preceding financial years, then the Company shall undertake impact assessment, through an independent agency, of its 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.

In the event Company undertakes impact assessment, it may book the expenditure towards Corporate Social Responsibility for that Financial year, which shall not exceed two (2) per cent of the total CSR expenditure for that financial year or fifty (50) lakh rupees, whichever is higher.

8. OPERATING FRAMEWORK

1. CSR activities will be undertaken in areas identified by the CSR Committee and shall be recommended to the Board of Directors.

2. Activities undertaken by the Company may be implemented either directly by the Company or through not-for-profit entities registered with the Central government to carry out CSR activities and having CSR Registration Number . Such entities and projects shall be supported after ascertaining the credibility of the agency and its track record in implementing projects. The entity shall generally have a track record of three years in implementing such projects. In exceptional cases, this requirement may be relaxed depending on the nature of the project.

3. The Company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of its own personnel for CSR.

4. 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 can report separately on such projects or programmes in accordance with these rules.

5. 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 shall certify to the effect.

6. Funds would be disbursed either in tranches or as one-time payment. The terms, conditions and timing of disbursement would be conditional upon the nature and requirement of the CSR project or programme.

9. MONITORING

The CSR Committee shall ensure a transparent monitoring mechanism for CSR activities:

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

2. The Board of Directors may review the progress of CSR activities at least annually.

10. REVIEW PERIODICITY AND AMENDMENT:

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

2. The policy shall be reviewed by the CSR Committee and the Board, from time to time as may be necessary.

11. PRIMACY OF APPLICABLE ACTS AND RULES

In the event of any inconsistency or conflict between this Corporate Social Responsibility (CSR) Policy and any applicable legal provisions, statutory regulations, or governing rules, the provisions of the relevant acts, statutes, and regulations shall prevail. This Policy is designed in alignment with applicable laws, including the Companies Act, 2013, and any amendments thereto, along with other relevant rules and regulations governing CSR activities.

Where there is a conflict between this Policy and the legal framework, the Company shall ensure full compliance with the applicable laws, and the necessary amendments to the Policy will be made accordingly to reflect the prevailing legal requirements.

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