



KIRLOSKAR ELECTRIC COMPANY LIMITED

Corporate Social Responsibility Policy

INTRODUCTION:

The Companies Act, 2013 had introduced the concept of Corporate Social Responsibility (CSR) according to which every Company, Private Limited or Public Limited, which has a net worth of Rs.500 crores or a turnover of Rs.1000 crores or more or net profit of Rs.5 crores or more during the immediately preceding financial year, has to spend at least 2% of its average net profit for the immediately preceding three financial years on CSR activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the Act. The Companies (CSR Policy) Rules, 2014 lays down the framework and modalities of carrying out CSR activities.

The Act also mandates the Corporate Social Responsibility Committee to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII.

Pursuant to Section 135 of the Companies Act, 2013 and Rules made thereunder, the Board of Directors of Kirloskar Electric Company Limited (KECL) has adopted this Corporate Social Responsibility Policy ("*CSR Policy*") as recommended by the CSR Committee.

KECL believes that Corporate Social Responsibility (CSR) efforts should be sustainable resulting in social and environmental benefits. KECL proposes to deploy CSR funds in meaningful action to make a positive difference to society whenever the Provisions of the Companies Act, 2013 shall apply.

OBJECTIVE:

The main objective of this CSR Policy is to lay down guidelines for KECL to make CSR as one of the areas which focuses on making a positive contribution to society through high impact, sustainable programs.

KECL believes in acting ethically and contributing to the economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

DEFINITIONS:

Unless otherwise required by the context:

1. "**Act**" means the Companies Act, 2013
2. "**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 these rules, but shall not include the following, namely:
 - (i) activities undertaken in pursuance of normal course of business of the company:
Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake

research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that-

- a) such research and development activities shall be carried out in collaboration with any of the institutes or organizations mentioned in item (ix) of Schedule VII to the Act;
 - b) details of such activity shall be disclosed separately in the Annual report on CSR included in the Board's Report;
- (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 fulfillment of any other statutory obligations under any law in force in India;
3. **"CSR Committee"/" Committee"** means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act.
 4. **"CSR Policy "** means this policy which relates to the activities undertaken by KECL as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken by KECL in pursuance of normal course of business.

OR

"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;

5. **"Net Profit"** means the net profit of KECL as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following namely: -
 - Any profit arising from overseas branch or branches of KECL, whether operated as a separate company or otherwise; and
 - Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act.

Words and expressions used but not defined in this Policy but defined in the Act or the rules made thereunder shall have the same meanings respectively assigned to them in the Act or the rules.

CONSTITUTION OF CSR COMMITTEE:

CSR Committee shall be constituted with a minimum number of three Directors out of which at least one director shall be an independent director. Subject to the requirements of the Act, the Board may increase or decrease the size of the CSR Committee by passing a resolution. The following shall be their responsibilities in brief:

- Recommend to the Board of Directors of KECL the CSR activities to be undertaken as specified in Schedule VII and this CSR Policy;
- Recommend the amount of expenditure to be incurred on the activities;
- Identify the projects & review the programmes from time to time;
- Institute a transparent monitoring mechanism for implementation of CSR projects or programs or activities undertaken by KECL;
- Monitor CSR Policy from time to time.

MEMBERS:

The following shall be the members of the CSR Committee:

Name	Title	Designation
Mr. Sarosh J Ghandy	Chairperson	Director
Mr. Vijay R Kirloskar	Member	Director
Mr. Anil Kumar Bhandari	Member	Director
Mr. V.P. Mahendra	Member	Director

The Committee Members may also induct advisors or its representatives to monitor the schemes in which KECL is participating.

PROCEEDINGS OF THE COMMITTEE:

1. Meeting of Committee:

The Members shall meet from time to time and at such intervals, as per the provisions of the Act.

2. Notice of the Meeting:

Notice of every meeting of the Committee shall be given in writing to every Member of the Committee. The Notice may be sent through any medium to the Members.

3. Quorum:

The Quorum of the Meeting of the Committee shall be one-third of its total strength or two Members, whichever is higher.

4. Adjournment of Meeting for want of Quorum:

If a Meeting could not be held for want of quorum then the Meeting shall automatically get adjourned to such other date and time (if any) as may be fixed by the Chairman not being later than seven days from the date of originally fixed Meeting.

FOCUS AREA:

In accordance with the requirement under the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 amended from time to time the focus of KECL's CSR Committee will presently be in the areas as specified in Schedule VII of the Act or any other areas as the CSR Committee may consider based on periodic review and future developments.

Although our main thrust lies in providing support to the above mentioned areas, the Company is not bound to restrict itself to it. The CSR Committee is empowered to develop and integrate business models with social and environmental priorities and processes in order to create shared value.

ENFORCING CSR ACTIVITIES:

The CSR activity will be undertaken by the CSR Committee either directly or through tying up with such other entity/organization as approved by the CSR Committee falling within the purview of the Companies (Corporate Social Responsibility Policy) Rules, 2014 or any subsequent amendment / modification in the Rules, Act and/or applicable laws in this regard.

The Board of Directors of the Company shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Further if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount and, unless the unspent amount relates to any ongoing project referred to in sub-section (6), of Section 135 of the Companies Act, 2013 transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Provided also that if the company spends an amount in excess of the requirements, such company may set off such excess amount against the requirement to spend for such number of succeeding financial years and in such manner, as may be prescribed in the relevant rules under the Companies Act, 2013.

Any amount remaining unspent, pursuant to any ongoing project, if any, fulfilling such conditions as may be prescribed under the relevant rules under the Companies Act, 2013, undertaken by the company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the

Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy 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, within a period of thirty days from the date of completion of the third financial year.

In case where the Company has incurred heavy losses in preceding three financial years, the Company shall not be required to spend any money for the CSR activities during such financial year and shall in its Board report specify the reasons for not spending the amount.

APPROVAL OF PROJECTS:

Prior to the commencement of projects, there shall be a baseline study of the core focus areas and subsequent development of a project for satisfying the core focus areas. All the projects shall be assessed under the agreed strategy, shall be monitored regularly, and measured against targets and budgets.

BUDGET COMPUTATION AND ALLOCATION:

The Budget shall be arrived at on computation of:

- two percent of the average net profits calculated in accordance with the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014;
- any income arising there from; and
- surplus arising out of CSR activities

Thereafter, a specific budget shall be allocated to a specific project activity. The CSR Committee constituted shall monitor the project expenditure and the surplus arising out of the CSR activity will not be part of business profits of the Company.

MAINTENANCE OF ACCOUNTS:

Accounts of the CSR Committee will be maintained in accordance with and as required under the Schedule III of the Companies, Act 2013. Additionally, the Committee shall maintain the Accounts in following manner:

1. The Committee shall keep accounts at KECL's registered office or at such place as may be decided by the Board and Committee with respect to:
 - A sum of money received and expended by the Committee and the matters in respect of which receipt and expenditure take place;
 - All sales and purchases of goods of the Committee;
 - The Assets and liabilities of the Committee.
2. KECL shall preserve in good order the Books of account relating to CSR activities for a period of not less than eight years with vouchers relevant to any entry in such Books of Account.

3. The Books of Account shall give a true and fair view of the state of affairs of the Committee or other entities, as the case may be and explain its transactions. The Books of account and other books and proper shall be open to inspection by any Members and Directors during business hours.

REPORTING:

Information on the spending by KECL shall be disseminated on periodic basis in its Annual Report.

Expenditure on CSR activities that qualify to be recognized as an expense shall be presented as a separate line item as the CSR 'expenditure in the Statement of profit and loss. Further the relevant note relating to the CSR expenditure shall disclose the break-up of various heads of expenses included in the line item CSR expenditure.

If there is any contractual liability incurred for which a provision has been created in the balance sheet for the amount spent on the CSR activity, such provision shall be presented as per Schedule III to the Companies Act, 2013. Movements in the provision during the year shall be shown separately. Disclosure has to be made in the Cash flow statement (where applicable).

AMENDMENTS TO THE POLICY

The Board of Directors, either on its own or as per the recommendations of CSR Committee, can amend this Policy, as and when required. The decision of the Board of Directors on all matters, relating to this Policy, shall be final and binding upon all concerned. This Policy is subject to continuous review and updates as required from time to time.
