

ELECON ENGINEERING COMPANY LIMITED

Corporate Social Responsibility (CSR) Policy

Details of Adoption / Amendments to the Policy

Policy Adoption / Change effective Date	Clause No.	Board Approval Date	Version of Policy
4 th November, 2014	-	4 th November, 2014	Final
5 th May, 2021	Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021	5 th May, 2021	V-1

Background:

At the outset, CSR activities at Elecon Engineering Company Limited (hereinafter referred to as “a Company”) are already in existence for the benefit of the people residing in the vicinity surrounding the area of our operations in the form of providing food, clothes and other help to poor people and also provides scholarship to the bright students from lower section of the Society.

It is recognized that integrating social, environmental and ethical responsibilities into the governance of businesses ensures the long term success, competitiveness and sustainability.

Further, CSR makes a business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.

Objective:

The main objective of CSR policy is to make CSR a key business process for sustainable development of the society. This policy includes in its purview the directions given by the Board, taking into account the recommendations of its CSR Committee and guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan of the Company. Elecon Engineering Company Limited *will act as a good corporate citizen* and aims at supplementing the role of Government in enhancing the welfare measures of the society within the framework of its policy.

Measures:

In the aforesaid backdrop, policy on CSR of Elecon Engineering Company Limited is broadly framed taking into account the following measures:

The CSR activities shall be undertaken by Elecon Engineering Company Limited, as stated in this Policy, as projects or programs or activities (either new or ongoing). The 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.

The Board of a Company may decide to undertake its CSR activities approved by the CSR Committee, through:

(a) a company established under Section 8 of the Act or a registered trust or a registered society, established by the company, either singly or alongwith 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 any entity established under an Act of Parliament or a State legislature:

Provided that- if, the Board of a Company decides to undertake its CSR activities through a Company established under Section 8 of the Act or a registered trust or a registered society, other than those specified in this sub-rule, such Company or trust or society shall have an established track record of three years in undertaking similar programs or projects; and the Company has specified the projects or programs to be undertaken, the modalities of utilisation of funds of such projects and programs and the monitoring and reporting mechanism”.

The CSR activities which are exclusively for the benefit of the Company’s employees or their family members shall not be considered as CSR activity.

A Company shall give preference to the local area(s) around it where it operates, for spending the amount earmarked for CSR activities.

A 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 their own personnel for CSR.

A 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 will take a note 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.

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 Board of a Company may decide to undertake its CSR activities as recommended by the CSR Committee, through itself or through a company established under Section 8 of the Act, or a registered public trust or a registered society, registered under Section 12A and Section 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities pursuant to Section 135 of the Companies Act, 2013 and rules made there-under. Provided that the Trust or the Society or the Company intends

to undertake any CSR activity, shall register itself with the Central Government by filing the Form CSR-1 electronically with the Registrar, with effect from the 1st day of April, 2021. However, it shall not affect the CSR projects or programmes approved prior to the 1st day of April, 2021.

The following is the list of CSR projects or programs which a Company plans to undertake areas or subjects specified in Schedule VII of the Companies Act, 2013 (including any amendments thereof or Circulars or Notifications issued from time to time):

1. eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
2. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
3. 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;
4. 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;
5. 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;
6. 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;
7. training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
8. 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;
9. (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).

10. Rural development projects;
11. Slum area development.

Explanation.- For the purposes of this item, the term '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.

12. Disaster management, including relief, rehabilitation and reconstruction activities.
13. Any other measures with the approval of Board of Directors on the recommendation of CSR Committee subject to the provisions of Section 135 of Companies Act, 2013 and Rules made there-under (including Amendments by way of Circular and/or Notifications and/or Clarifications issued by the Government from time to time).

Organisational Mechanism and Responsibilities:

Constitution of Corporate Social Responsibility Committee:

The Board of Directors of the Company shall constitute a Corporate Social Responsibility Committee of the Board ("CSR Committee") consisting of three or more directors, out of which at least one director shall be an Independent Director.

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:-

- (a) the list of CSR projects or programmes or activities that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- (b) the manner of execution of such projects or programmes or activities;
- (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes or activities;
- (d) monitoring and reporting mechanism for the projects or programmes ; and
- (e) details of need and impact assessment, if any, for the projects undertaken by the company:

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

The Board of the Company shall after taking into account the recommendations made by the CSR Committee, approve the policy for the company and disclose contents of such Policy in its report and also place it on the Company's website and ensure that the activities as are included in the CSR Policy of the Company are undertaken by the Company.

Elecon Engineering Company Limited provides the vision under the leadership of its Chairman & Managing Director, Shri Prayasvin B. Patel.

At the Company, the Chairman & Managing Director takes on the role of the mentor, while the onus for the successful and time bound implementation of the CSR activities/projects is on the HR Head and CSR teams.

To measure the impact of the work done, a social satisfaction survey / audit may be carried out by an external agency.

Activities, setting measurable targets with timeframes and performance management:

Prior to the commencement of CSR activities/projects, Company carries out a baseline study of the nearby area/villages of the Company's factory location (i.e. at Vallabh Vidyanagar, Dist. Anand, Gujarat).

The study encompasses various parameters such as – health indicators, literacy levels, sustainable livelihood processes, and population data – below the poverty line and above the poverty line, state of infrastructure, among others.

From the data generated, a 1-year plan and a 3-years rolling plan are developed for the holistic and integrated development of the affected people.

All activities/projects of CSR are assessed under the agreed strategy, and are monitored every quarter/year, measured against targets and budgets. Wherever necessary, midcourse corrections are made.

Partnerships

Collaborative partnerships may be formed with the Government, the District Authorities, the village panchayats, NGOs and other like-minded stakeholders. This helps widen the Company's reach and leverage upon the collective expertise, wisdom and experience that these partnerships bring to the table.

Budgets

A specific budget is allocated for CSR activities and spending on CSR activities shall not be less than 2% of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of this policy. Or pursuant to the amendments of the Companies Act, 2013 (including Rules made thereunder and Notifications or Circulars) issued from time to time.

Approving authority for the CSR amount to be spent would be any one Director or the Managing Director or VP (Finance)/Chief Financial Officer of the Company after due recommendation of CSR Committee and approval of the Board of Directors of the Company.

The CSR Policy mandates that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a Company.

CSR Expenditure:

- (1) The board ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the Company for the financial year.
- (2) 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.
- (3) Where a Company spends an amount in excess of requirement provided under sub-section (5) of Section 135 , such excess amount may be set off against the requirement to spend under sub-section (5) of Section 135 upto 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, if any, in pursuance of sub-rule (2) of this Rule.
 - (ii) the Board of the Company shall pass a resolution to that effect.
- (4) 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:

Provided that any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of one hundred and eighty days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.

Transfer of unspent CSR amount:

The Board of the Company shall ensure that the unspent CSR amount, if any, shall be transferred by the company to any fund included in Schedule VII of the Act.

Non-compliance of the Provisions relating to CSR, will attract the Penal Provisions for the Company as well as the Officer in Default as prescribed in the Provisions relating to CSR.

The CSR projects or programs or activities undertaken in India only shall amount to CSR expenditure.

Tax treatment of CSR spent will be in accordance with the Income Tax Act, 1961 or any amendments thereof from time to time as may be notified by CBDT.

Information dissemination:

The Company can disseminate such information as it deems fit from time to time in its in house journals alongwith other mandatory disseminations.

The Board's Report of a Company covered under CSR Rules pertaining to any financial year shall be included in an annual report of the Company.

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.

Management Commitment:

Our Board of Directors, our Management and all of our employees subscribe to the philosophy of compassionate care. We believe and act on an ethos of generosity and compassion, characterized by a willingness to build a society that works for everyone. This is the cornerstone of our CSR policy.

Update:

CSR Committee of Board of Elecon Engineering Company Ltd. will review the policy from time to time based on the changing needs and aspirations of the target beneficiaries and make suitable modifications as may be necessary.

Compliance with Companies Act, 2013:

Our Corporate Social Responsibility policy conforms to the Section 135 of the Companies Act, 2013 on Corporate Social Responsibility and Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 as spelt out by the Ministry of Corporate Affairs, Government of India.

GENERAL:

- Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013, the CSR Rules made thereunder or in any amendment thereto. This Policy shall also be subject to such clarifications and FAQs as may be issued by MCA from time to time.
- In case of any doubt with regard to any provision of the policy and also in respect of matters not covered herein, a reference should be made to Corporate CSR Department. In all such matters, the interpretation & decision of the CSR Committee shall be final.
- Any or all provisions of the CSR Policy would be subject to revision/amendment in accordance with the guidelines on the subject as may be issued from the Government, from time to time.
- The Company reserves the right to modify, cancel, add, or amend any of these Rules.
