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## **CORPORATE SOCIAL RESPONSIBILITY POLICY**

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*As approved by the Board of Directors at their meeting held on 11th August 2023  
(Effective Date - 11th August 2023)]*

## I. PREAMBLE

Sundaram – Clayton Limited ("**SCL**" or "**the Company**"), a part of the 100 year old, TVS group, is the manufacturer of automotive components.

SCL recognized that integrating social, environmental and ethical responsibilities into the governance of businesses would ensure their long term success, competitiveness and sustainability.

SCL believe that in alignment with its vision, it will continue to enhance value through its CSR initiatives and promote social sustainability, sustainable development of the environment and social welfare of the people and society at large, more specifically for the deprived and underprivileged persons.

Accordingly, Srinivasan Services Trust ("**SST**") established by TVS Group in 1996, as its social arm aimed at providing a dedicated approach to community development and also to fulfill their CSR commitments.

Over the past two decades, SST has made efforts to bring a change in the lives of the people in rural India by creating self-reliant models of sustainable development and environment, and to make our planet a better place for future generations.

In addition, TVS group have been rendering various charitable activities / services through its specific organizations that cater to the well being of the society by providing education, medical assistance, and other benefits to the needy.

The Company in accordance with the requirements under the Companies Act, 2013 ("**Act**") and the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("**Rules**"), constituted a committee ("**CSR Committee**"), which formulated the policy on Corporate Social Responsibility ("**CSR Policy**" or "**Policy**") and recommended the same to the board of directors of the Company ("**Board**") for its approval. The Board has approved and adopted this Policy with immediate effect.

The Policy encompasses the Company's philosophy for giving back to society as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for the welfare and sustainable development of the community at large through its social arm, namely SST.

The Company can undertake CSR activities either by itself or through other entities eligible to undertake CSR activities under the Act and the Rules. Accordingly, SST or such other entity will work closely with and support the Board and the CSR Committee in carrying out the CSR activities of the Company. SST or such other entity will assist the CSR Committee in identifying the areas of CSR activities and execution of initiatives as per defined guidelines. SST or such other entity will also assist the Board and the CSR Committee in reporting the progress of deployed initiatives and in making appropriate disclosures (internal / external) on a periodic basis.

The Policy shall apply to all CSR initiatives and activities taken up not only at the various work-centres and locations of the Company but also in any other parts of the country, for benefit of the society.

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 the Rules.

## **II. CSR VISION**

For the Company, corporate social responsibility *inter alia* means to be a catalyst in creating self-reliant villages and transforming communities by deploying skills and resources in key areas such as economic development, quality education, health care, conservation of environment, maintenance of infrastructure, art, culture, sports and protection of places of public and historical importance.

## **III. OBJECTIVES**

The objectives of this Policy subject to the provisions of Schedule VII to the Act are:

- a) Strive for: (i) economic development, (ii) healthcare (iii) quality education (iv) conservation of environment, and (v) infrastructure development that positively impact the society at large, especially the weaker sections of society and rural parts;
- b) Embrace responsibility for the Company's actions and encourage a positive impact through its activities on eradicating poverty, promoting education, enhancing employment skills, promoting environment sustainability, amongst others;
- c) Empower the people to ensure sustainable and permanent improvement in the lives of the people living in the villages;
- d) Protecting the national heritage, art and culture including restoration of places of public and historical importance;
- e) Setting up public libraries and promotion and development of traditional art and handicrafts;
- f) Measures for the benefit of armed forces veterans, war widows and their dependents and training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
- g) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources including safe drinking water and maintaining quality of soil, air and water;

- h) Contribution to Clean Ganga fund, Swatch Bharath Kosh and such other funds notified by the Central Government under CSR provisions, from time to time;
- i) Rural development projects, disaster management, including relief, rehabilitation and reconstruction activities;
- j) Slum area development; and
- k) Any other activity as listed in Schedule VII of the Companies Act, 2013 as may be amended from time to time.

#### **IV. CSR PROJECTS OR PROGRAMS**

The Company shall implement the CSR Policy in accordance with the Act and the Rules and circulars/ clarifications issued thereunder from time to time (collectively “**Applicable Laws**”), and currently, the Company’s CSR activities will focus on:

- A. ECONOMIC DEVELOPMENT:** Empowering women through self-help groups; promoting improved agriculture practices through adoption of scientific methods of agriculture; improve livestock management through organizing of regular veterinary camps in rural areas; improve employability by providing enhancing vocational skills (especially among children, women, elderly and the differently abled) and providing livelihood enhancement projects and career counselling; survival, protection and education of girl children will be given primary focus to improve child sex ratio.
- B. EDUCATION:** Promoting education, including special education, especially among children, women and the differently abled, including by way of setting up of balwadis in rural areas; establishing village level adult education centres, contributing towards improving the infrastructure of schools by building additional classrooms and other infrastructure (such as public libraries), providing study and play materials, and providing special care to introduce digital technology in primary and secondary education for improving quality of education.
- C. ENVIRONMENT:** 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 by way of : (i) educating the public on effective solid waste management; (ii) construction and periodic cleaning of drains for free flow of liquid waste; (iii) undertaking afforestation measures and supporting conservation measures to protect forest areas and prevent forest fires; and (iv) construction of various water and soil conservation structures, including rain water harvesting systems to increase the groundwater level, reduce soil erosion and increase crop cultivation area.

- D. HEALTH:** Reduction of infant mortality and maternal mortality rate; reduction of malnutrition among children; reduction of anaemia among women by conducting nutrition demonstration programmes and supply of iron and calcium supplements to women and especially people belonging to the weaker section of society; 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; reduction of open defecation by individuals by construction of toilets and promoting awareness of the disadvantages of open defecation; and promoting access to safe drinking water.
- E. HUNGER, POVERTY, MALNUTRITION AND HEALTH:** Eradicating extreme hunger, poverty and malnutrition, promoting preventive healthcare and sanitation, and making available safe drinking water.
- F. NATIONAL HERITAGE, ART AND CULTURE:** Protecting national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries and promoting and developing traditional arts and handicrafts.

The CSR activities shall be undertaken within the territory of the Republic of India, and the Company shall give preference to the local area/ areas around where it operates, for spending the amount earmarked for CSR activities.

CSR projects, programmes or activities that benefit only the employees of the Company and their families shall not be considered as CSR activities. Also, activities undertaken in pursuance of the normal course of business of the Company and any direct / indirect contributions to any political party shall not constitute CSR activities.

## **V. CSR COMMITTEE**

- A. CSR Committee shall consist of 3 (three) or more directors of which, at least 1 (one) will be an independent director, unless otherwise required under the Applicable Laws.
- B. The CSR Committee of the Company will be responsible for:
- formulating and recommending to the Board, the CSR Policy in compliance with Section 135 of the Companies Act, 2013;
  - identifying activities to be undertaken as per this CSR Policy subject to Schedule VII of the Act;
  - recommending to the Board, the annual budgeted expenditure to be incurred on CSR activities by the Company;
  - subject to the provisions under the Act and Rules, recommend the locations for carrying out CSR activities;

- recommending to Board, modifications to the CSR Policy, as and when required; and
- regularly monitoring the implementation of the CSR Policy.

## **VI. BOARD**

The Board of the Company will be responsible for:

- approving the CSR Policy as formulated by the CSR Committee, with or without modifications and disclosing the CSR Policy in its report and also place it on the Company's website;
- considering the recommendations of the CSR Committee and providing appropriate instructions / directions to the CSR Committee when required;
- preparing a budget of expenditure to be applied for CSR projects contemplated in the annual policy of the Company;
- ensuring that in each financial year the Company spends at least 2% (two percent) of the average net profits of the Company, made during the 3 (three) preceding financial years, or such other amount as prescribed under the Act and the Rules, in pursuance of this Policy;
- ensuring that every financial year funds committed by the Company for CSR activities are utilized effectively, and regularly monitoring implementation;
- disclosing in its annual report the names of CSR Committee members, the content of the CSR Policy and ensure annual reporting of its CSR activities on the Company's website;
- ensuring annual reporting as per the Act to the Ministry of Corporate Affairs, Government of India, in the prescribed format; and
- complying with the requirements under the Act and the Rules regarding CSR.

As per Section 135 of the Act, the reasons for under spending of the allocated CSR budget shall be specified in the Board's Report.

## **VII. CSR ANNUAL ACTION PLAN**

The CSR Committee shall decide on the locations for CSR activities and formulate and recommend to the Board for approval a CSR annual action plan, which shall contain all matters which are required under Applicable Law and any other matters as the CSR Committee may deem fit from time to time. The Board may modify the annual action plan as per the recommendations of the CSR Committee at any time during the financial year, based on reasonable justification.

## VIII. IMPACT ASSESSMENT

Impact assessment of the CSR projects, if required to be carried out under the Applicable Laws, shall be undertaken by the Company through an independent agency as required by and in the manner set out under the Applicable Laws, and the impact assessment report(s) shall be placed before the CSR Committee and the Board, and shall be disclosed as required under the Applicable Laws.

## IX. EVALUATION AND IMPLEMENTATION OF CSR ACTIVITIES

- A. SST or such other entity through which the Company is permitted to undertake its CSR activities under the Applicable Laws, will receive requests for funding of projects, from time to time. The board of trustees of SST will evaluate the proposals so received, either internally or with the help of third parties.
- B. Projects will be prioritized by assessing their impact and the permissibility of such funding, in view of this Policy, and shall be forwarded with recommendations to the CSR Committee for approval and implementation. The CSR Committee will deliberate on the proposals and recommend the proposals for implementation to the Board.
- C. The Company will undertake the CSR activities identified and recommended by the CSR Committee, through SST or such other entity/organization as permitted under the Applicable Laws. In the event the CSR activities are identified by way of the external agencies (including the SST) the CSR Committee shall ensure that the requirements of the Applicable Laws are fulfilled.
- D. The surplus arising out of the CSR activities, projects or programs shall not form part of the business profit of the Company.
- E. The total expenditure incurred towards administrative activities including salary paid to the employees engaged in CSR activities should not exceed the limit prescribed under the Act (which currently is 5%) of the total CSR expenditure attributable for the relevant financial year.
- F. The Company may also undertake multi-year projects ("**Ongoing Projects**"), 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.

## X. MONITORING PROCESS

- A. The Company recognizes that monitoring of CSR projects/ programmes is critical for assessment of the progress as regards timelines, budgetary expenditure and achievement of objects of the CSR Policy. Monitoring may

be done periodically with the help of identified key performance indicators.

- B. Monitoring may be done in project mode by way of a continuous feedback mechanism or in such intervals as determined by the CSR Committee, and recourse shall always be available for mid-course correction in implementation, whenever required.
- C. Implementation and monitoring of the CSR activities will be overseen by the CSR Committee. The monitoring and evaluation may be assigned by the CSR Committee to an external agency including SST for the sake of objectivity and transparency.
- D. If the projects are being implemented by external agencies, the Company may in consultation with the CSR Committee designate special executives for this purpose.

## **XI. GENERAL**

- A. This CSR Policy shall be displayed in the Company's website for public viewing.
- B. In case of any doubt with regard to any provision of this CSR Policy and also in respect of matters not covered herein, a reference should be made to the CSR Committee. In all such matters, the interpretation and decision of the CSR Committee shall be final.
- C. All provisions of this CSR Policy would be subject to revision/amendment in accordance with the Applicable Laws.

## **XII. AMENDMENTS TO THE CSR POLICY**

The Board of the Company shall have the powers to revise/modify/amend this CSR Policy from time to time, as the Board may think fit, based on the recommendations made by the CSR Committee.

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