



INDIA NIPPON ELECTRICALS LIMITED

Corporate Social Responsibility Policy

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1. Preamble

India Nippon Electricals Limited ("INEL" or "the Company") recognizes that, a Company, being a business citizen, should go beyond economic value and should encompass social and environmental value created. INEL believes in and practices the Triple Bottom Line of People, Planet and Profits. From the societal perspective, INEL believes in contributing to development of the society within its reach. Accordingly, the Company takes active initiatives to contribute towards welfare of various segments of the society by undertaking socially and economically useful programs for development of the local community and society at large. From the Environmental perspective, INEL contributes to activities/projects which enhance sustainability at various levels of operation.

2. Purpose

The key purpose of this policy is to:

- Define what CSR means to INEL and the approach to be adopted to achieve CSR goals
- Define the kind of activities/projects that will come under the ambit of CSR
- Identify broad areas of intervention in which the company will undertake activities/projects
- Serve as a guiding document to help execute and monitor CSR activities/projects
- Establish criteria for implementing agencies in handling CSR activities/projects of the Company

3. Definitions

- a. "Act" means the Companies Act, 2013 (18 of 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. "Employee" means, any person (other than an apprentice engaged under the Apprentices Act, 1961), employed on wages by an establishment to do any skilled, semi-skilled or unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied, and also includes a person declared to be an employee by the appropriate Government, but does not include any member of the Armed Forces of the Union;

- d. "Net profit" means the profit of the company calculated in accordance with the provisions of the Act and 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:
- e. "Ongoing Project" means a multi-year project undertaken by the Company, either directly by the Company or through implementing agencies, 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 of Directors of the Company based on reasonable justification;
- f. "Public Authority" means any authority or body or institution of self-government established or constituted—
- (a) by or under the Constitution;
 - (b) by any other law made by Parliament;
 - (c) by any other law made by State Legislature;
 - (d) by notification issued or order made by the appropriate Government, and includes any—
 - i. body owned, controlled or substantially financed;
 - ii. non-Government organisation substantially financed, directly or indirectly by funds provided by the appropriate Government.
- g. All other words and phrases not defined herein shall have the same meaning and definition as specified under the Act or the Companies (Corporate Social Responsibility) Rules, 2014 as may be amended from time to time.

4. Scope of CSR activities

INEL gives preference to the local area and also the communities directly impacted by its operations for undertaking its CSR activities. In exceptional cases, deserving activities/projects are chosen which benefits a much wider geography. However, INEL does not treat the following as part of CSR activities:-

- 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;
- 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;

5. Governance Structure

- a) The company has constituted a CSR committee consisting of three Directors to oversee the implementation of the CSR policy of the company in accordance with the requirements of Section 135 of the Companies Act.
- b) The responsibilities of CSR committee include:
 - Approving the CSR budget, at the time of approving the annual financial statements of the previous financial year, for the current financial year, after taking into account the required spending under the Act as well as the Surplus arising out of any CSR activity/project that needs to be ploughed back, unspent amount carried forward as well as excess spending of the previous financial year, if any;
 - Approving the following:
 - List of CSR activities/projects for the entirety of CSR budget
 - Duration of each of the CSR activities/projects and approving converting a single year project into multi-year (Ongoing) project along with proper justification
 - The selection of implementing agency(ies), if any, on the basis of track record and other criteria such as local credibility, local knowledge, domain expertise, local institutional relationships and their approach to sustainability.
 - Formulating and recommending to the Board, an Annual Action Plan, at the same meeting for approving the CSR budget, comprising the following: -
 - a. the list of CSR projects/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 activities/projects;
 - c. the modalities of utilisation of funds and implementation schedules for the activities/projects;
 - d. monitoring and reporting mechanism for the activities/projects; and

- e. details of need and impact assessment, if any, for the activities/projects undertaken by the company:
- Making recommendations to the Board about any changes required in the annual action plan along with justifications;
- Instituting a transparent monitoring mechanism for the implementation of the activities/Projects along with specifying the documentation standards required from the implementation agencies/ inhouse CSR personnel to enable certification of amount spent to the Board by the Committee and Chief Financial Officer.

6. CSR activities/projects implementation

CSR activity/project implementation may be done in any of the following ways as per the Annual Action Plan:

- a. Directly by INEL in activities/projects approved by the CSR committee; or
- b. Indirectly through any of the following implementation agencies:
 - i. a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or
 - ii. 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; or a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.
- c. By collaborating with other companies for undertaking activities/projects in such a manner that the CSR committee of INEL is in a position to report separately on such projects or programmes in accordance with these rules; or

7. Guiding Principles for CSR activity/project selection and implementation

- i. INEL will focus mainly on the following areas of CSR:
 - a. Rural development
 - b. Environmental Preservation and Sustainability
 - c. Skill development and education

- d. Healthcare and Sanitation
 - e. Other activities defined in Schedule VII as may be specifically approved by the CSR Committee.
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- ii. Priority should be given to local activities/projects i.e. activities/projects that impacts the location of INELs operations or communities that are impacted by INEL operations. However, CSR Committee may approve non-local activities/projects specifically if they are aligned with the focus areas as mentioned in Clause 7 (i)
 - iii. The CSR activities/projects should be designed with clear objectives, planned outcomes and a suitable monitoring and reporting framework. All projects will be periodically reviewed (atleast semi-annually) by the CSR Committee for course correction, wherever necessary.
 - iv. Ideally, CSR activities/projects carried out on one-time basis i.e. those that are not replicable for subsequent coverage in other regions and across time, should not be encouraged. IN exceptional circumstances, with justification, CSR Committee may approve projects that are purely one-time.
 - v. Projects/activities should be designed for creating a long-term impact. They should incorporate multiplier effects.
 - vi. As far as possible, community participation should be built-in to the CSR activities/projects. In addition, the CSR Committee should encourage active participation and contribution of employees of the Company in CSR activities/projects.

8. Monitoring

- i. The CSR committee shall review and monitor the CSR activities/projects implementation at least once in six months. Both direct CSR projects undertaken by the Company and CSR projects implemented through implementation agency shall be reviewed. The Committee shall determine the mode of reporting for all such review by the Company and/ or implementing agency.
- ii. In case of direct implementation of CSR activity/project, the implementation agency shall submit a project progress report for review by the CSR Committee.
- iii. CSR Committee and the Chief Financial Officer shall review whether the funds disbursed for both direct and indirectly implemented CSR activities/projects have

been utilised for the purposes and in the manner as approved by the Committee and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.

- iv. However, in case of indirect implementation of CSR activity/project the CSR Committee shall prescribe the proof and other related documents.
- v. For multi-year projects the CSR Committee 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.
- vi. CSR Committee may prescribe the manner of carrying out impact assessment evaluation of the approved projects/activity.

9. Treatment of Surplus/ Excess spending

- i. Any surplus arising out of the CSR activities should be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of this 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.
- ii. If the company spends an amount in excess of the requirements provided under the Act, then the Company may set off such excess amount against the requirement to spend under the Act for immediate succeeding three financial years subject to the following conditions: -
 - a. the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance the rules.
 - b. the Board of the company shall pass a resolution to that effect.

10. Unspent Amount

- i. Any unspent amount fixed for CSR activity, will be transfer to such a Fund specified in Schedule VII under Companies Act, 2013, within a period of six months of the expiry of the financial year as recommended by the Committee.
- ii. However, any amount remaining unspent pursuant to any ongoing project, 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 under Companies Act, 2013, within a period of thirty days from the date of completion of the third financial year.

11. CSR spending for creation/acquisition of Capital Assets

The CSR amount may be spent by the company for creation or acquisition of a capital asset, provided it is held by any of the following:

- i. 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
- ii. beneficiaries of the said CSR activity/project, in the form of self-help groups, collectives, entities; or
- iii. a public authority:

12. CSR Reporting/Disclosure

The Board's Report pertaining to any financial year will include an annual report on CSR containing particulars specified by the Act. The following shall also be disclosed on the website of the Company:

- a composition of the CSR Committee,
- b CSR Policy and
- c CSR activities/projects approved by the Board for public access.

13. 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 shall be subject to continuous review and updates as required from time to time.

Approved on 7 th August, 2021
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