

**MAHLE ANAND THERMAL  
SYSTEMS PRIVATE LIMITED**

**CORPORATE SOCIAL  
RESPONSIBILITY POLICY**

## **1. INTRODUCTION**

- 1.1** Pursuant to Section 135 of the Companies Act, 2013 (the “Act”) and the Companies (Corporate Social Responsibility Policy) Rules, 2014 (the “Rules”) framed thereunder, Corporate Social Responsibility (“CSR”) is a company’s commitment to contribute and operate in an economically, socially and environmentally sustainable manner.
- 1.2** Accordingly, it is a continuing commitment for a company to perform its operations ethically and contribute to economic development of the society at large. CSR, therefore, is not a mere philanthropic activity but also comprises of activities that require a company to integrate social, environmental and ethical concerns into its operations through such activities.

## **2. IMPORTANT DEFINITIONS**

- 2.1 “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. 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 (29 of 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;

**2.2 "CSR Committee"** means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Act.

**2.3 "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.

**2.4 "Net profit"** means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but 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. Provided that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of Section 381, read with Section 198 of the Act.

**2.5 "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.

### **3. AIMS & OBJECTIVES**

**3.1** MAHLE ANAND Thermal Systems Private Limited (hereinafter referred to as "Company") shall continue to enhance value creation in society through its primary business, and in this context the aims and objectives of the CSR activities of Company, enumerated in Schedule VII to the Act, shall complement the primary business of Company with the overall social and environmental concerns related to its primary business.

**3.2** In particular, and without prejudice to the generality of the foregoing, the key aims and objectives of the CSR Policy are to:

- (i) ensure an increased commitment at all levels in the organization to operate its business in an economically, socially & environmentally sustainable manner.
- (ii) include guiding principles for selection, implementation and monitoring of the activities as well as formulation of the Annual Action plan.
- (iii) take up such programmes, whether directly and / or indirectly, which benefit communities and result, over a period of time, in enhancing the quality of life & economic well-being of the local populace.
- (iv) generate, through its CSR initiatives, community goodwill for Company and help reinforce a positive & socially responsible image of Company as a corporate entity.
- (v) encourage alignment with millennium development goals related to gender sensitivity, skill enhancement, entrepreneurship development etc.

#### **4. RESOURCES, ALLOCATION OF FUNDS & TREATMENT OF UNSPENT AMOUNT**

**4.1** Every financial year, the CSR Committee shall recommend the plan along with budget allocation for CSR activities/ projects for that financial year and the Board of Directors, shall approve the same. The budgetary allocation will be based on the net profit of the Company, which shall not be less than 2% of the average net profits of last three financial years before tax of the Company (CSR budget).

**4.2** The unutilised CSR budget for activities planned for a financial year will not lapse for Ongoing Projects and will be utilized during next financial year(s) as per provisions of the Act. The Company will disclose the reasons for not fully utilising the budget allocated for CSR activities planned for each financial year in terms of the provisions of the Act.

**4.3** The annual budget earmarked for CSR activities shall have to be spent on implementation of activities in the project mode. The activities not implemented in project mode also have to be in conformity with these guidelines.

**4.4** Such allocation of funds shall not act as a constraint in the event of a national calamity and the Company may contribute such amount as may be deemed necessary for a cause.

- 4.5** Budgetary allocations to specified Projects may be enhanced or curtailed, as the case may be, by CSR Committee, if found necessary.
- 4.6** Any amount spent in excess of budgeted CSR obligations in a financial year, may be set-off against the CSR obligations of succeeding financial year(s) in terms of the provisions of Act.
- 4.7** Any surplus/income arising out of the CSR activities of the Company shall be ploughed back into the Project which is approved by the Board of Directors in terms of the provisions of Act.
- 4.8** Any amount remaining unspent pursuant to Ongoing Project(s)/ other than Ongoing Project(s) shall be dealt with & utilised as per the provisions of the Act.

## **5. CONSTITUTION OF CSR COMMITTEE**

The CSR functions of Company will be coordinated and monitored by the CSR Committee as constituted by the Board from time to time for the successful implementation of the CSR Policy of the Company. The CSR Committee shall meet at least twice in a calendar year or as per the provisions of the Act.

## **6. RESPONSIBILITIES**

### **6.1 CSR COMMITTEE:**

The primary responsibility of the CSR Committee would be to implement the CSR Policy and broadly its roles and responsibilities are as follows:

- To assist the Board of Directors to formulate suitable policies and strategies to take the CSR agenda of the Company forward in the desired direction.
- Formulation of broad guidelines for selection of the projects, planning, execution, monitoring & evaluation.
- Selection of projects in accordance with Policy framework & guidelines.
- Submission of annual budgetary requirement for each project along with the targets.
- Formulation of strategies for efficient implementation of projects.
- Monitoring of progress of the work.
- Strengthening monitoring mechanism to ensure that the funds allocated by the Company for CSR activities planned for a financial year are timely spent by the Company or through an implementing agency or a combination of both, as per Rule 4(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

- Formulation of Annual Action Plan.
- To recommend the Board to alter the Annual Action Plan during the financial year on the basis of reasonable justification informed by the Company.
- To recommend the amount of expenditure to be incurred on CSR activities and monitor the CSR Policy of the Company from time to time.

## **6.2 BOARD OF DIRECTORS:**

- Taking into account the recommendations made by the CSR Committee and ensure that the activities as are included in CSR Policy are undertaken by the Company.
- 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 CSR Policy.
- Ensure that the CSR activities are undertaken by the Company or through an implementing agency or a combination of both, as per Rule 4(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014.
- Satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it.
- To review and approve the recommendations of CSR Committee.
- Identification of Ongoing Project on the basis of criteria and framework.
- Year wise allocation of funds.
- Monitoring the implementation of the Projects with reference to the approved timelines.
- Make modifications if required for smooth implementation of the project within the overall permissible time period.

## **7. THE IMPLEMENTATION MECHANISM**

### **7.1 Identification of Thrust Areas:**

The thrust areas shall be identified by the CSR Committee on the basis of need identification studies (or) internal need assessment or receipt of proposals/requests etc which shall fall within the ambit of the Schedule VII of the Companies Act, 2013 and are also in compliance with the aims and objectives specified above. All efforts must be made, to the extent possible, to define the following while identifying the CSR projects:

- Programme objective
- Baseline survey
- Implementation schedule
- Responsibilities and Authorities

- Payment terms
- Major results expected and measurable outcome
- The activities would be taken up in a project mode with milestones and deadlines
- Criteria and framework for selection of Ongoing and Non-Ongoing Projects and Programmes
- CSR activity can be carried out at any location within the Country, including the backward regions, giving preference to the local areas where the Company operates

## **7.2 Execution:**

- CSR activities/ programmes will be undertaken by the Company or through an implementing agency or a combination of both, for the activities mentioned in Schedule-1 of this Policy.
- The Implementing agency shall fulfill the criteria prescribed under the act and shall be registered with the Central Government.
- CSR coordinator may be appointed by CSR committee who would be responsible for submitting the progress reports after review with the implementing agencies on projects approved in the identified thrust areas for consideration of the CSR Committee.
- The CSR amount may be spent by the Company for creation or acquisition of Capital Asset which shall be held by the entities prescribed under the Act.

## **7.3 Annual Action Plan:**

- CSR Committee shall formulate an Annual Action Plan for the Company which shall include the following:
  - a. List of CSR projects or programmes in areas or subjects specified in Schedule-VII of the Act.
  - b. Manner of execution of such projects or programmes.
  - c. Modalities of utilization of funds and implementation schedules for the projects or programmes.
  - d. Monitoring and reporting mechanism for the projects or programmes.
  - e. Details of need and impact assessment, if applicable, for the projects undertaken by the Company.
- Annual Action Plan shall be recommended to the Board of Directors who may alter such plan at any time during the financial year based on the reasonable justification.

#### **7.4 Monitoring, Evaluation and Impact Assessment of CSR Activities:**

- CSR Committee shall be responsible for monitoring the implementation of projects and shall provide periodic reports to the Board of Directors and will ensure that the projects get completed within the specified time period.
- Annual certification on funds disbursement and utilization shall be certified by the Chief Financial Officer or the person responsible for financial management of the Company and shall be placed before the Board, as per the provisions of the Act.
- The impact assessment report, if applicable in terms of the Act, shall be placed before the Board of Directors and shall form part of Annual Report along with the CSR Report.

#### **7.5 Documentation & Reporting:**

- The CSR approach including the base-line data (wherever applicable) made available at the start of the project and the impact so quantified on completion of the project shall be documented for record purposes and future use as well as for sharing of experience.
- The CSR initiatives will be reported in the Annual Report of the Company, in the manner and form prescribed under the Act and Rules.

### **8. General**

- 8.1** The power to interpret & administer the Policy shall rest with CSR Committee which is also empowered to make any supplementary rules/ orders to ensure effective implementation of this Policy.
- 8.2** 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 by the Government, from time to time.

### **9. MISCELLANEOUS**

- 9.1** The Company reserves the right to modify, add, delete or amend any of the provisions of this Policy.
- 9.2** This Policy will supersede/ override any previous Policy made in this regard.



## **SCHEDULE-1**

- (i) Eradicating hunger, poverty and malnutrition, promoting health care including 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) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
- (iii) 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) 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) 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 art and handicrafts.
- (vi) 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) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports.
- (viii) 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 govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women.
- (ix) (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).

(x) rural development projects.

(xi) 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.

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

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