

AUTOMOTIVE AXLES LIMITED

POLICY ON CORPORATE SOCIAL RESPONSIBILITY

(Revised w.e.f. February 05, 2021)

AUTOMOTIVE AXLES LIMITED

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Authority approving the Policy	Board of Directors

AUTOMOTIVE AXLES LIMITED

Registered Office: Hootagalli Industrial Area, Off Hunsur Road, Mysore – 570 018

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Automotive Axles Limited (AAL), has always been an active player when it comes to supporting activities for the betterment of the society". The Company strives for the initiatives aimed at improving the lot for needy, deprived and marginalized sections of the society including economically deprived children, women and senior citizens as well as the overall welfare of the community and make a difference in living standards so that they can be an integral part of the mainstream of growth and development.

1. Objective of CSR Policy

The objective of this Policy is to:

- a) Lay down the guiding principles and strategies implementing Company's CSR initiatives in line with the inclusive definition of CSR provided for in the Rules:
- b) Outline the approach and vision of our Board for undertaking CSR and creating impact in the society;
- c) provide the guiding principles for selection, implementation and monitoring CSR activities and formulation of annual action plan.

2. Scope and Applicability

This Policy shall be applicable to all CSR initiatives undertaken by the Company in pursuance of the requirements of Section 135 and Schedule VII of Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 (including any statutory modifications, amendments, or re-enactments of any of them for the time being in force).

3. Definitions:

- **Company** means Automotive Axles Limited ('AAL').
- **Act** means the Companies Act, 2013, as amended from time to time.
- **CSR Rules** means Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, as amended from time to time.
- **Board** means Board of Directors of the Company.
- **CSR Project/Program/activities** mean the Project/Program/activities undertaken by the Company in pursuance of its statutory obligation laid down in Section 135 of the Act.
- **CSR Committee** means the Corporate Social Responsibility Committee constituted by the Board of Directors pursuant to Section 135 of the Companies Act, 2013.
- **Net Profit** means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Companies Act, 2013, 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 Companies Act 2013.

Further, Net profit for CSR Contribution shall be computed as per section 198 of the Companies Act, 2013

- **Policy** means this Corporate Social Responsibility Policy, as may be amended from time to time.
- **Administrative overheads** mean 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;
- **Ongoing Project** means a multi-year project undertaken by the 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 of Directors based on reasonable justification.

4. Directions given by the Board of Director

As required under the provisions of the Companies Act, 2013 and the Rules made thereunder, the Company will allocate in every financial year, at least 2% (or such percentage specified from time to time under the Act/rules) of the average net profits of the Company made during the three immediately preceding financial years, as its Annual CSR Budget. The amount shall be spent on those activities as mentioned under Schedule VII of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time.

Salary paid by the companies to regular CSR staff as well as employees, who render their services for CSR will be part of Administrative overheads and should not exceed 5% (or such percentage specified from time to time under the rules) of the total CSR expenditure as per rule 4(6) of CSR Policy, Rules 2014.

5. Selection of Projects/Activities

Company may take up any CSR Projects/programme as specified under Schedule VII read with section 135 of the Companies Act, 2013.

However, the Company shall not take up any project/programme which falls under any of the following:

- a. Any activity which is in the normal course of business of the Company
- b. Any activity undertaken outside India
- c. Contribution to any political party
- d. Any activity which benefits only the employees of the Company
- e. Any sponsorship activities which result in deriving marketing benefits to the products of the Company.

- f. Any activity carried out for fulfilment of any other statutory obligations under any law in force in India
- g. Any other activity which does not qualify to be CSR expenditure as per the laws of the country, promulgated from time to time.

6. Guiding Principles:

- a. The project/activity shall be selected from the list of projects/activities identified by the Operating committee. On recommendation of the Operating committee, Steering Committee shall shortlist the activities from the list of projects/activities as specified under Schedule VII read with section 135 of the Companies Act, 2013.
- b. While selecting the projects, the geographical area, the beneficiaries, the impact of the project on the beneficiaries and the sustainability of the project in the future years, shall be considered.
- c. The implementation of the projects can be:
 - i. directly by the Company or
 - ii. 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.
 - iii. through implementing agency.
- d. If the implementation is through the agency, a proper due diligence to be made by the Steering Committee and the details of due diligence shall be placed before the CSR Committee.
- e. The projects shall be monitored constantly by the Steering committee and shall be placed before the CSR Committee at quarterly intervals.
- f. The Chief Financial Officer shall provide a certificate, certifying that the CSR funds have been utilized for the purpose and in the manner approved by the Board every year.
- g. Any capital asset built in the process of CSR activity will be registered in the name of the beneficiaries or public authority or implementing agency, as the case may be, and shall be decided by the Board.
- h. The action plan shall be formulated by the CSR Committee based on the inputs received from the Steering committee and shall be placed before the Board for approval.
- i. At the time of selecting the projects, the Board shall also determine whether the said project is an on-going project or otherwise and is also free to make changes to such categorization after proper justification at the Board meeting.

7. Implementation of activities:

The Company has a well-defined governance structure to oversee the implementation of the CSR Policy, in compliance with the requirements of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021. The structure governing the CSR at the Company shall be as follows. The CSR Committee and the Board of directors shall be held responsible for all the decisions taken with regard to the Company's CSR obligations.

A. Board of Directors;

Roles and responsibilities of the Board of Directors towards CSR shall inter alia include:

- Approval for the annual action plan formulated and presented by the CSR Committee for

spending of the prescribed CSR budget.

- Alter the recommended annual action plan at any time during the financial year, if required, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.
- Ensure that the Company spends, in every financial year, at least 2% of the average net profits made during the three immediately preceding financial years, in pursuance, of its CSR Policy.
- Ensure that the Company, treats the CSR Spends i.e., CSR surplus, excess expenditure and unspent CSR funds as per the modalities prescribed in the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.
- Specify in its Report the reasons for not spending the amount if the Company fails to spend such amount.
- Ensure to Disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on the Company's website, if any, for public access.

B. CSR Committee

Composition:

The Board shall constitute/reconstitute the CSR Committee as and when required as per the applicability of the provisions of the Companies Act, 2013 and rules made thereunder and any other statutory requirements.

Role of the CSR Committee:

The Corporate Social Responsibility Committee of the Board ('CSR Committee') is responsible for

1. To formulate and recommend to the Board, a Corporate Social Responsibility Policy in terms of Schedule VII of the Companies Act, 2013.
2. To review the Corporate Social Responsibility Policy of the Company from time to time
3. formulating and recommending to the Board an annual action plan for the projects to be undertaken consisting of:
 - a) the list of CSR projects or programmes to be undertaken as per Schedule VII of the Companies Act, 2013,
 - b) the manner of execution of such projects or programmes
 - c) the modalities of utilization of funds
 - d) implementation schedules for the projects or programmes
 - e) monitoring and reporting mechanism for the projects or programmes
 - f) details of need and impact assessment, if any
4. To act in terms of any consequent statutory modification(s) /amendment(s)/ revision(s) to any of the applicable provisions to the said Committee.
5. Proper management of surplus arising out of the CSR Projects and ensuring that they do not form part of the business profit of the company.

C. Steering Committee & Operating Committee:

The members of the Steering Committee shall be selected by CSR Committee and the members of the operating committee shall be selected by Steering Committee of the company.

The Steering Committee along with Operating Committee shall be responsible for the following:

- Identification of projects/activities for placing before the CSR Committee
- Execution of the CSR projects/ activities
- Monitoring of the CSR projects/activities
- Reporting to the CSR Committee from time to time.

8. CSR Spent:

The CSR Committee shall recommend the amount of the expenditure to be incurred on the CSR activities to be undertaken by the Company, which shall not less than 2% of the average net profits for the last 3 financial years of the Company.

The CSR Expenditure and transfer of unspent CSR amount shall be as per Act and rules made thereunder.

9. Monitoring process

To ensure effective implementation of the CSR Projects/activities/programmes:

- The Steering Committee will report on a quarterly basis the progress of the project activities, the utilization of funds disbursed and plans for sustainability of the project to the CSR Committee.
- The CSR Committee will monitor and review on a regular basis or as and when required, the progress of CSR projects undertaken.
- Utilization of funds made in projects as approved by the Board, will be certified by the Chief Financial Officer of the Company.
- Applicable projects, as required by the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall be subjected to an in depth impact study to assess the impact created through the project.
- In case of deviation in implementation as defined in the annual action plan, such changes will be approved by the CSR Committee and the Board of Directors of the Company.
- 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.
- In order to ensure transparency and communication with all stakeholders, Company shall disclose the CSR Committee composition, policy and the projects approved, on the website of the company.
- The Company shall submit an Annual Report on CSR Activities for the financial year which shall form part of the Board report to be prepared for the year. The Annual report shall be in consonance with the format specified in the rules prescribed under the Companies Act, 2013.

For AUTMOTIVE AXLES LIMITED



**Kumaradevan S
Sr. Vice President & Wholetime Director**

Place: Mysuru
Date: 5th February 2021