



Corporate Social Responsibility (CSR) Policy

ZF STEERING GEAR (INDIA) LIMITED

**REGD. OFFICE: GAT NO. 1242/ 44, VILLAGE VADU BUDRUK, TAL. SHIRUR, DIST. PONE
- 412 216, MAHARASHTRA, INDIA**

CIN: L29130PN1981PLC023734

CORPORATE SOCIAL RESPONSIBILITY POLICY

(I) PREAMBLE

This Policy outlines the Company's responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking activities for welfare and sustainable development of the community at large.

The core elements of **Corporate Social Responsibility (CSR)** is the continuing commitment by business to ethical principles, protection of human rights and for creating environment for improving the quality of life of all the stakeholders including the local community and society at large.

It is Company's conscious strategy to design and implement CSR programs, by enriching value chains that encompass the disadvantaged sections of society.

This Policy shall apply to all CSR initiatives and activities taken up by the Company, for the benefit of different segments of the society, specifically the deprived, under privileged and disabled persons.

The Company's CSR Policy has been developed in conformity with the provisions of Section 135 of the Companies Act, 2013 and in accordance with the Companies (Corporate Social Responsibility) Amendment Rules, 2021, notified by the Ministry of Corporate Affairs. In view of the Companies (Corporate Social Responsibility) Amendment Rules, 2021 notified by the Ministry of Corporate Affairs, the Policy has been amended by the Board of Directors of the Company at its meeting held on May 15, 2021.

(II) SCOPE/ LIST OF CSR ACTIVITIES

The Company would carry out its CSR activities with the objective of overall National and Community Development. At the same time, the Company would give preference to the local areas around the locations where it operates in India.

The Company will undertake CSR activities to do overall good to the community, with special emphasis on activities for the benefit of the poor and needy sections of the society.

In particular, the Company will undertake CSR activities relating to as specified in Schedule VII to the Companies Act, 2013 (**the Act**), including the following-

- i) 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;
- ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the disabled persons 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 centers 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, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund setup 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 arts and handicrafts;
 - vi) measures for the benefit of armed forces veterans, war widows and their dependents;
 - vii) training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;
 - viii) contribution to the Prime Minister's National Relief 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;
 - ix) contribution or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
 - x) rural development projects.
 - xi) Slum area development*.

*Explanation- for the purpose 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.

Without prejudice to the above, following activities, by way of illustration, may also be carried out by the Company, if it deems fit: -

1. Curative health care, surgery, eye donation camps, skin donation camps, blood donation activities, therapy camps, dental camps, acupuncture camps, cataract camps, etc.
2. To participate in building a healthy community through continuing initiatives in several areas of healthcare, with a focus on mother and child care and HIV/ AIDS awareness.
3. Literacy/ Awareness programs and activities in various social and well being areas.
4. Research activities, economic, industrial, social research, research professorships, research chair, etc.
5. Furtherance and promotion of recognized ideologies for national integration and communal harmony.
6. Furtherance and promotion of practice of alternative Indian traditional medical practice such as homeopathy, Ayurveda, siddha, naturopathy and yoga therapies, for the benefit of community at large.
7. Hostels and boarding rooms, reading rooms, convalescence/ asylum rooms for poor and the needy.
8. Restoration and beautification of a city, town, village, museum, gardens, parks and public recreation centre.
9. Disaster management activities and Relief to victims of natural calamities.
10. Activities relating to irrigation, wells, dams and other water resources like rain-water harvesting etc. for improving livelihood of farmers and agriculturists.
11. Promotion of nationally recognized sports.
12. Infrastructure activities, essentially for helping the poor and the needy.

(III) WHAT IS NOT CSR

CSR activities will not, however, include the following: -

- Activities undertaken in pursuance of Company's normal course of business;
- Activities which benefit only the employees of the Company and their families;
- Contribution directly or indirectly to any political parties.
- Activities undertaken outside the country.

(IV) MODALITIES OF EXECUTION OF PROJECTS/ PROGRAMMES

a) CSR Committee:

The CSR Committee shall consist of at least three directors of the Company out of which at least one director shall be an independent director. The number of members of the CSR Committee and their powers and functions can be specified, varied, altered or modified from time to time by the Board, subject to the provisions of the applicable law. The CSR committee shall monitor the work of CSR team on a continuous basis

b) CSR Vehicle:

- i) CSR activities will be undertaken either by the Company or through a Section 8 Company, incorporated under the Act or a registered public trust or a registered society, registered under Section 12A or 80G of the Income Tax Act, 1961, established by the Company either singly or along with the other Company.
- ii) if any donation/ contribution is to be given to any other entity for CSR activity, preference will be given to such entities/ Trust having track record in undertaking similar programs or projects and CSR registration number and has duly filed form CSR 1 with MCA.
- iii) A Company registered under Section 8 of the Act or a registered trust or a registered Society, established by the Central Government or State Government.
- iv) Further, in such a case, the Company will specify the project or programme to be undertaken through these entities, the modalities of utilization of funds on such projects or programs and the monitoring and reporting mechanism.
- v) The Company may also collaborate with other companies for undertaking projects or programs in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs in accordance with the prescribed CSR Rules.
- vi) Company may build CSR capacities of its own personnel as well as those of the implementing agencies through institutions with established track records, subject to the prescribed CSR Rules.

c) **Implementation, Monitoring and formulation of the Annual Action Plan**

1. The CSR Committee may formulate and recommend to the Board for approval an Annual Action Plan relating to CSR activities, which shall include details as required pursuant to provisions of the Companies Act, 2013 and rules thereof, as amended from time to time.

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

The Company may undertake multi-year project(s) having time lines not exceeding three years in fulfillment of its CSR obligation.

In case of ongoing project(s), the Board of Directors shall be responsible for monitoring the implementation of the project with reference to the approved timelines and year-wise allocation and shall make modifications, if any, for smooth implementation of the project within the overall permissible time period.

- i. The Company may spend towards CSR expenditure for creation or acquisition of capital asset(s), which shall be held by an entity having a unique CSR registration number.
- ii. The Committee may engage national/ international organization(s) for designing, monitoring and evaluation of the CSR projects or programmes as per the Policy as well as for capacity building of their own personnel for CSR activities.
- iii. 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 these rules.
- iv. The Board of Directors shall satisfy itself that the sum expended towards CSR activities has been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer (**CFO**) of the Company shall certify to the effect.

- v. The Managing Director, CFO and Chairman of the CSR Committee of the Company are authorised severally to perform various functions, which include:
- appoint employee(s)/person(s) for implementation and monitoring CSR activities;
 - encourage employees in the process of implementing CSR activities being carried out by the Company;
 - where required, create a working group to develop CSR Commitments of the Company.

d) CSR Expenditure

- i) The Company shall spend in every financial year at least two percent of the average net profits of the Company during the three immediately preceding financial years, calculated in accordance with provisions of the Companies Act, 2013 and rules thereof, as may be amended from time to time.
- ii) The Company may spend in any financial year a sum not exceeding five percent of total CSR expenditure of the Company on administrative overheads towards general management and administration of CSR functions in the Company.

e) Set off of CSR Expenditure

- i) The Company may carry forward the amount spent in a Financial Year in excess of limits specified under Section 135 of the Companies Act, 2013 against the expenditure required to be incurred by the Company in the immediately succeeding Financial Years not exceeding three years.
- ii) Such excess amount shall not include the surplus arising out of the CSR activities, if any.
- iii) The Board shall pass a resolution to that effect.

f) Unspent CSR Amount

- i) Any surplus arising out of the CSR activities shall not form part of the business profit of the Company and shall be ploughed back into the same project.
- ii) In case if any amount under the CSR Expenditure remains unspent, such amount shall be transferred to the fund specified under Schedule VII within 6 Months after the expiry of the Financial Year.

g) Display of CSR Activities

The Company shall mandatorily disclose the composition of CSR Committee and CSR Policy and Projects approved by the Board on their website, if any, for public access.

h) CSR Cell:

- i) The conduct of CSR activities shall be implemented by CSR Cell to be set up by management of the Company.
- ii) The CSR Cell will be responsible for activities undertaken under CSR Policy and shall report at periodic intervals to the CSR Committee.
- iii) Implementation will be done as per the requirements of the project or program. Endeavour will be made to implement the Program over a year or so. However, as per the specific requirements of the activity, the schedule may be over a longer duration.
- iv) The CSR Cell may also work with any NGO'S or institution to design and implement innovative projects independently or through partnership between institutions/ trust.
- v) The time period/ duration over which a particular program will be spread, will depend on its nature, extent of coverage and the intended impact of the program.

- vi) The process for implementation of CSR programs will involve the identification of programs, area of CSR activities, project based approach, time period, cost of the project etc.
- vii) All proposals under CSR activity would be referred to the CSR Cell. After evaluation, CSR Cell may put forward the proposals of CSR along with their comments to CSR Committee.
- viii) The CSR Committee would recommend the proposal of CSR and the amount of expenditure to be incurred on the same, to the Board of Directors of the Company, for its approval.

(v) MONITORING AND ASSESSMENT

- i) **Release of funds for CSR Project/ program:** The amounts sanctioned for a CSR project or program, will be released in stages or installments as per progress, as may be determined by the CSR Committee. CSR Committee may design the procedure/ guidelines applicable from time to time and release of funds to any project in a year shall be as per the guidelines finalized by the CSR Committee.
- ii) **Review by the Board/ CSR Committee:** The Board of Directors and CSR Committee shall periodically review the implementation of CSR.
- iii) **Utilization Certificate:** CFO or the person responsible for the financial management shall certify that the funds so disbursed have been utilized for the purposes and in the manner approved by the Committee.
- iv) **External Agency assessment:** The impact assessment/ evaluation of major projects may be carried out by an external agency to critically assess the fulfillment of project objectives if the average CSR obligation of ten crore rupees or more in pursuance of sub- section (5) of section 135 of the Act, in the three immediately preceding financial years, of the CSR projects having outlays of one crore rupees or more, and

which have been completed not less than one year before undertaking the impact study.

- v) **Reporting in the Annual Report of the Company:** CSR Policy and initiatives of the Company will be reported in the Annual Report of the Company in the manner prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014 (the Rules). All the CSR and Sustainability projects would be documented and hosted on the Company website also.

(VI) SEVERABILITY

If any clause(s) of this policy or the application thereof becomes inconsistent with the Act or the Rules made thereunder due to the amendment in the Act or the Rules or re-enactment thereof, the provisions of the Act and the Rules shall prevail. Further, in such cases the clauses of this policy shall remain in force to the extent they are consistent with the Act and Rules made thereunder and the Company shall abide by the same accordingly.

(VII) GENERAL

The CSR Policy referred to above is to be read in conjunction with the Act and the Rules.

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 or as decided by the Board of Directors of the Company.

Date: May 15, 2021