

Corporate Social Responsibility (CSR) Policy

KYB-Conmat Private Limited

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1. INTRODUCTION

KYB-CONMAT PHILOSOPHY

Conmat Systems, a proprietorship concern, was established in the year 2002. On 19th December 2007, Conmat Systems Private Limited was incorporated. Later, on 8th February 2013, KYB, Japan joined hands with CONMAT and the name was changed to its present name- KYB-Conmat Private Limited. The company is now a subsidiary of KYB CORPORATION, Japan.

The company is engaged in the manufacturing, marketing, sales and service of, inter-alia, Construction Equipment.

We at KYB-Conmat believe that profit has no significance if the organization does not play its role, giving back the due to the society and environment. KYB-Conmat's CSR commitments include, but are not limited to, education, healthcare, energy and climate change, and betterment of the society through respect for universal human rights and the environment, acting with integrity and accountability and operating responsibly and sustainably.

CORPORATE SOCIAL RESPONSIBILITY

CSR in India has traditionally been seen as a philanthropic activity. While the corporate houses have been traditionally engaged in doing CSR activities voluntarily, the new CSR provisions put formal and greater responsibility on companies to set out clear framework and process to ensure strict compliance.

As per the amended provisions of section 135 of the Companies Act, 2013, where the amount to be spent by the Company under CSR does not exceed Fifty Lakhs Rupees, requirement of constitution of Corporate Social Responsibility Committee shall not be applicable and the functions of such committee provided under this section, shall, in such cases, be discharged by the Board of Directors.

Accordingly, so far as the amount to be spent by the Company under CSR does not exceed Fifty Lakhs Rupees, the Company shall not be required to constitute CSR Committee. In discharge of CSR functions of the Company, the Board of Directors of the Company shall be directly responsible for any act that may be required to be done in furtherance of its statutory obligations.

2. OBJECTIVES OF THE POLICY

This Policy shall be read in line with Section 135 of the Companies Act 2013, Companies (Corporate Social Responsibility Policy) Rules, 2014 and such other rules, regulations, circulars, and notifications (collectively referred hereinafter as

Regulations') as may be applicable and as amended from time to time and will, inter-alia, provide for the following:

KYB-CONMAT budget for CSR shall be 2 per cent of its average net profits of the three preceding financial years towards CSR activities. The net profit will be estimated in accordance with the provisions of section 198 of the Act read with the Companies (Corporate Social Responsibility Rules), 2014. The budget will be based on recommendation by the Board.

All reasonable efforts will be made to ensure that the CSR amount so disbursed is fully utilised in the respective year in the manner as approved by the Board. However, if the Company fails to spend such amount, the Board of Directors shall, in its report, shall specify the reasons for not spending the amount and such unspent amount shall be dealt with in accordance with the provisions of Section 135 (5) & (6) of the Act and Rule 10 of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 and if the unspent amount does not relate to any ongoing project, then the unspent amount should be transferred to a fund specified in Schedule VII, within a period of 6 months of the expiry of the financial year (FY). However, if the unspent amount relates to any 'ongoing project', it should be transferred to a special account to be opened by the company in that behalf for that FY in any scheduled bank to be called the 'Unspent CSR Account' within a period of 30 days of the expiry of the FY. Such amount should be spent within a period of 3 FYs from the date of transfer, failing which, the same should be transferred to a Fund specified in Schedule VII, within a period of 30 days from the date of completion of the 3rd FY.

'On-going 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.

If the Company spends an amount in excess of the requirements provided under Section 135, the Company may set off such excess amount against the requirement to spend under Section 135(5) for such number of succeeding financial years and in such manner, as may be prescribed by the law as amended from time to time.

Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting

Creating opportunities for employees to participate in socially responsible initiatives.

This Policy will cover current as well as proposed CSR activities to be undertaken by the Company and examining their alignment with **Schedule VII** of the Act as amended from time to time. It covers the CSR activities which are being carried out in India only and includes strategy that defines plans for future CSR activities.

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 CSR Rules read with the Schedule VII of the Act. The activities to be undertaken by the Company as specified in Schedule VII of the Companies Act 2013 are:

1. eradicating hunger, poverty and malnutrition, promoting health care including 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.
2. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.
3. 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
4. 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 48[including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga.
5. 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.
6. measure for the benefit of armed force veterans, war widows and their dependents Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows.
7. training to promote rural sports, nationally recognized sports, Paralympic sports and Olympics sports.
8. contribution to the Prime Minister’s National Relief Fund or Prime Minister's Central Assistance and Relief in Emergency Situations 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 Schedule Tribes, other backward classes, minorities and women.

9. 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
10. 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 Organization (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).
11. rural development projects.
12. slum area development.
13. disaster management, including relief, rehabilitation and reconstruction activities.
14. Such other activities as Board may consider deems fit.

CSR activities shall not include the following, namely: -

- ❖ activities undertaken in pursuance of normal course of business of the company.
- ❖ any activity undertaken outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level.
- ❖ contribution of any amount directly or indirectly to any political party under section 182 of the Act.
- ❖ activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019).
- ❖ activities on sponsorship basis for deriving marketing benefits for the Company's products or services.

- ❖ activities carried out for fulfilment of any other statutory obligations under any law in force in India.

IMPLEMENTATION STRATEGY

Company will undertake the CSR activities by itself and when appropriate, through an eligible implementing entity as prescribed in the Act and the Rules made thereunder.

The Board of Directors of the Company shall ensure that the CSR activities are undertaken by the company itself or through below mentioned entities:-

- a)** 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
- b)** 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
- c)** any entity established under an Act of Parliament or a State legislature; or
- d)** 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.

Provided that with effect from the 1st April, 2021, CSR Activities shall be undertaken by only those entities that have a unique CSR Registration Number issued by the Central Government / Registrar.

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 CSR Rules.

Where a Company has set up an organization which is registered as a Trust or Section 8 Company, or Society or Foundation or any other form of entity operating within India to facilitate implementation of its CSR activities in accordance with its stated CSR Policy, the following shall apply:

- ❖ The contributing company would need to specify the projects / programmes to be undertaken by such an organization, for utilizing funds provided by it;

- ❖ The contributing company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only;
- ❖ Only such CSR activities will be taken into consideration as are undertaken within India.
- ❖ Only activities which are not exclusively for the benefit of employees of the Company or their family members shall be considered as CSR activity.
- ❖ Company shall report, in the prescribed format the details of their CSR initiatives in the Directors' Report and in the company's website.

3. GOVERNANCE

CSR implementation shall be periodically reviewed and monitored by the Board as per the requirements of Section 135 of the Companies Act, 2013.

The Board will be responsible for:

- a) The Board shall approve the CSR policy and oversee that identified work is duly undertaken and in each financial year at least 2% of average net profit of preceding three financial years is spent effectively.
- b) The Board shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.
- c) Formulation and recommendation an annual action plan in pursuance of its CSR policy;
- d) Monitoring the implementation of the activities included in the CSR policy; and
- e) Monitoring the spends on CSR activities by the Company in each financial year.

In discharge of CSR functions of the Company, the Board shall be directly responsible for any act that may be required to be done in furtherance of its statutory obligations.

Annual Action Plan

The annual action plan formulated by the Board in pursuance of its CSR policy shall, inter alia, include:

- a) The list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- b) The manner of execution of such projects or programmes;

- c) The modalities of utilisation of funds and implementation schedules for the projects or programmes;
- d) Monitoring and reporting mechanism for the projects or programmes; and
- e) Details of need and impact assessment, if any, for the projects undertaken by the company.

The Board may alter such plan at any time during the financial year, based on the reasonable justification to that effect and may also extend duration of a project to make it a multi-year project and or an ongoing project.

4. REPORTING & PUBLICATION

- ❖ An annual report on CSR shall be included in the Directors Report and placed before the Board for approval as per the specified requirements of section 135 of the Act and the Rules made thereunder.
- ❖ The contents of the CSR Policy, and Projects approved by the Board shall be disclosed on the Company's website for public access.
- ❖ In case the company has failed to spend the 2% of the average net profit of the last three financial years, reasons thereof;

5. FUNDING & BUDGET

- ❖ The corpus for the purpose of carrying on the aforesaid activities would include the followings:
- ❖ 2% of the average Net Profit (PBT) made by the Company during immediately preceding three Financial Years.
- ❖ Any income arising there from.
- ❖ Any surplus generated from CSR projects undertaken by us will be tracked and channelized in our CSR corpus. These funds will be further used in development of CSR projects and will not be added to the normal business profits.

BUDGET

The Company Board of Directors shall ensure that in each financial year the Company spends at least 2% of the average Net Profit made during the three immediate preceding financial years. Net profit means the net profit as per the financial statement of the company prepared in accordance with the applicable provisions of the Act, but shall not include the following:

- 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.

As per section 135 of the Companies Act, the Company will report reasons for under spending of the allocated CSR budget of the current financial year in the template provided by the Ministry of Corporate Affairs. This reporting will be done Annual Report and signed off by the Board of Directors.

In case of any surplus arising out of CSR projects the same shall not form part of business profits of the Company

The Company may collaborate or pool resources with other companies to undertake CSR activities, through any non-profit organization, if required.

6. AMENDMENT OF THE POLICY

The Board of Directors on its own can revised/modified/amended its policy as and when required deemed fit. Any or all provisions of CSR Policy would be subjected to revision/amendment in accordance with the regulations on the subject as may be issued from relevant statutory authorities, from time to time.

EFFECTIVE DATE

This is a revision 1 to Board approved CSR policy dated 07th June 2016 and is effective from 01.04.2021.