

# **CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY**

## **PREAMBLE**

A socially responsible organization cannot, and does not, limit itself to merely increasing its own profit. Neither does it treat corporate social responsibility as a burden to be borne, but instead, believes it to be one of the fundamental duties of an organization towards society. CSR is a way of conducting business, by which a corporate entity visibly contributes to the social good.

At Servotech Power Systems Limited, we are constantly aware of our role in society, as that of a mentor and a builder of the lives of the children of our society, and therefore, its future. Hence, as a corporate entity, we strive at every stage to integrate the larger economic, environmental and social objectives with our core operations and growth. We endeavor to evolve our relationship with all our stakeholders for the common good, and validate our commitment in this regard by adopting appropriate business processes and strategies.

## **SCOPE & APPLICABILITY**

The provisions related to CSR are incorporated under Section 135 of Companies Act, 2013 ("the Act") read with Schedule VII to the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("the Rules"), as amended from time to time.

This Policy has been formulated under the above provisions of the Act and shall be applicable to all CSR initiatives and activities undertaken by the Company, for the benefit of different segments of society.

## **OBJECTIVE**

The objective of this Policy is threefold.

- a. Establish a guideline for compliance with the provisions of the Act and Rules related to CSR'
- b. Implement CSR initiatives in both letter and spirit through appropriate procedures and reporting and
- c. Initiate projects that benefit the community at large.

## **CSR COMMITTEE:**

### **Constitution:**

In compliance with Section 135 of the Companies Act, 2013 and the relevant Rules, the Board of Directors in its meeting held on DD-MM-YYYY constituted a CSR Committee of the Board.

### **Scope & Functions:**

The functions / terms of reference of CSR Committee shall, inter-alia, include the following:

- a. To formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company as per the Act;

- b. To formulate and recommend to the Board, an annual action plan in pursuance of its CSR Policy.
- c. To recommend CSR activity / programme / project to the Board for its approval;
- d. To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company;
- e. To monitor the CSR Policy of the Company from time to time;
- f. To review the CSR activities of the Company and provide progress update to the Board of Directors at such interval as may be deemed fit.
- g. Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors, from time to time.

### **CSR ACTIVITIES / PROGRAMMES / PROJECTS**

The Policy recognizes that Corporate Social Responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of under privileged section of the society by one or more of the focus areas as outlined in Annexure-I to this Policy.

However, it is made abundantly clear that the following activities will not be considered as 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 of 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 of Wages, 2019 (29 of 2019);
- v. activities supported by the Company 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;

### **Implementation:**

The Company shall undertake CSR Projects either in-house or through trust or company formed by the Company for this purpose or in partnership with recognized NGOs, trusts or other accredited agencies.

### **Annual Action Plan**

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following:

- (a) the list of CSR projects or programmes that are approved to be undertaken in areas:

- (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;
- (e) details of need and impact assessment, if required, for the projects undertaken by the Company:

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

**CSR Expenditure:**

- i. Every year the Company shall spend the amount equivalent to at least 2% of its average net profits (calculated as per Section 198 of the Act) made during the three immediately preceding financial years towards CSR activities.
- ii. The administrative overheads i.e., the expenses incurred by the Company for 'general management and administration' of Corporate Social Responsibility functions in the Company, shall not exceed five percent (5 %) of total CSR expenditure of the Company for the financial year. However, it shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme.
- iii. Any surplus arising out of the CSR activities will not form part of the business profit of a Company and will be ploughed back into the same project or will be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the Company or transfer such surplus amount to a Fund specified in Schedule VII of the Companies Act, 2013 within a period of six months of the expiry of the financial year.
- iv. Any amount spent in excess of the mandatory requirement in any financial year, will be adjusted within immediate succeeding three financial years with the approval of the CSR Committee and the Board.

**Monitoring/ Evaluation Mechanism and Assessment**

The CSR Committee shall monitor the CSR Policy of the Company from time to time.

The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programmes or activities undertaken by the Company which shall include the following:

- i. A programme indicating the areas in which funds are to be spent during the year and a time schedule will be placed before the CSR Committee for consideration and recommendation to

- the Board of Directors. Action taken report will be placed before the CSR Committee from time to time
- ii. The Company shall ensure that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer will certify to the effect annually.
  - iii. The Company will further monitor the implementation of the ongoing projects 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.

#### **Dissemination of information**

The Composition of the CSR Committee, the CSR Policy and Projects, if any, approved by the Board of the Company shall be placed on the Company's website.

A detailed status report on the CSR activities carried out by the Company shall be disclosed every year as part of the Boards' Report in the Annual Report in the prescribed format.

The CSR Committee will also make a Responsibility Statement stating that the CSR Policy implementation and monitoring thereof is in letter and spirit, in compliance with the CSR objectives of the Company.

The Company's CSR Policy conforms to the Corporate Social Responsibility as stipulated under the Companies Act, 2013 and Rules Framed thereunder. This Policy is subject to review by the CSR Committee/ Board of Directors, as and when the need arises or is required.

#### **Annexure-I**

#### **CSR ACTIVITIES / PROGRAMMES / PROJECTS**

1. Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care, medical treatment of Patients suffering from deadly diseases 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 vocational skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
3. Promoting gender equality, empowering women, setting up homes and hotels 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 including contribution to the Clean Ganga Fund set-up 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. Measures for the benefit of armed forces veterans, war widows and their dependents;
7. Training to promotes rural sports, nationally recognized sports, Paralympic sports and Olympic sports;
8. Contribution to Prime Minister's National Relief Fund or any other Fund set up by the Central Government for social-economic development and relief and welfare of the schedule Castes, the Scheduled Tribes, other backward classes, minorities and women;
9. Contribution or funds provided to technology incubators located within academic intuitions which are approved by the Central Government;
10. Rural development projects including upkeep of Religious places;
11. Slum area development '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.
12. Disaster management, including relief, rehabilitation and reconstruction activities.