



CORPORATE SOCIAL RESPONSIBILITY POLICY

Abstract

CSR has never been more prominent on the corporate agenda than it is today. Nowadays CSR is playing an important role in the rapidly changing global world.

Background:

At, Freudenberg-NOK Private Limited (*formerly known as M/s. Sigma Freudenberg NOK Private Limited*) (**hereinafter referred to as “FNI” or “the Company”**) we always believed in returning to the communities in which we operate, endeavouring to make a difference in the lives of people around us. We recognise that the key to building a strong business for the future is to ensure economic value generation, in a socially inclusive and responsible manner.

With an objective to grow our business while making a lasting positive difference in the communities we serve, FNI has been undertaking community initiatives, focusing on sectors such as promoting Education especially among Children, Women, underprivileged, differently able persons, Environment sustainability, active and healthy living, skill development and Economic Development to make a significant difference in their lives.

Carrying forward with this belief, we are now formulating this policy, titled ‘Freudenberg-NOK Private Limited Corporate Social Responsibility (CSR) Policy (**hereinafter the “CSR Policy”/ “Policy”**)’.

Objective:

The Policy outlines FNI’s mission as a responsible corporate citizen to make a positive difference in the communities it serves. In alignment with the aforesaid, FNI, through its CSR initiatives, will continue to enhance value creation in the community in which it operates, through its services, conduct & initiatives so as to promote growth for community, in fulfilment of its role as a Socially Responsible Corporate. The Policy aims at enabling and facilitating accomplishment of the Company’s CSR objective, broadly outlined as follows;

- Strive for Economic Development that positively impact the Society at large with minimal resource footprint.
- Embrace responsibility for the Company’s actions and encourage a positive impact through its activities on Education, Women Empowerment, Setting up of Orphanages, Communities, Economic Development, Society, underprivileged, differently able persons, enhancing the quality of life, skills and economic wellbeing etc.
- Ensure an increased commitment at all levels in the Company, to operate its business in an economically, socially and environmentally sustainable manner, while recognising the interest of all its stakeholders group;
- To generate, through CSR initiatives, a community goodwill for the company and help to reinforce a positive and socially responsible image of FNI as a responsible corporate entity.

In line with the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter the “CSR Rules”), along with Circulars/ Notification as issued by the Ministry, the Policy promulgates the general framework of FNI’s corporate social vision, of undertaking socially useful initiatives that enhance welfare and sustainable development of the community at large. It lays down the guidelines and

mechanism for undertaking Company's CSR activities specifying inter alia, the sectors/ areas of Company's CSR activities, overview of Company's CSR projects/programmes (**hereinafter the "CSR projects"/ "projects"**) along with the norms regarding its functioning and responsibilities.

This Policy shall apply to all the CSR initiatives and activities taken up by the Company in accordance with Schedule VII of the Companies Act, 2013 for the benefit of different sections of the community.

Guiding Principles

FNI is vigilant in its enforcement of corporate principles, and is committed towards sustainable development and inclusive growth. Therefore, it constantly strives to create a culture, which emphasizes on integrating CSR values with business objectives. In line with section 135 read with Schedule VII of the Companies Act, 2013 thereto, FNI's CSR activities (**hereinafter "CSR Activities"**) will be within the following areas:

- 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;
- promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
- 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;
- 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;
- 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;
- measures for the benefit of armed forces veterans, war widows and their dependents;
- training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
- contribution to the prime minister's national relief 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;
- contributions or funds provided to technology incubators located within academic institutions which are approved by the central govt;
- rural development projects;
- slum area development.
- Any other activity(ies) specified by the Ministry of Corporate Affairs from time to time.

The above CSR Activities are in alignment with Schedule VII of the Companies Act, 2013 and is subject to revision in the event of any amendment to the applicable law or otherwise. It shall also be subject to amendment that may be made by the Company, in accordance with the provisions of the applicable law.

Implementation and Monitoring of the Activities:

The Corporate Social Responsibility Committee (**hereinafter referred as the “CSR Committee”**) shall have power to constitute such number of sub-committees, as it may deem appropriate, for the purpose of implementation and monitoring of Company’s CSR projects or may appoint any outside Agency to implement and monitor the CSR activities of FNI.

The process for implementation of CSR projects will generally involve the following:

- (a) **Identification of projects:** to be done by means of the following:
 - Need identification Studies by professional institutions/agencies.
 - Internal need assessment.
 - Receipt of proposals/ requests from local Civic Bodies/ District Administration/local Govt. etc.
 - Discussions and request with local representatives/ Civic bodies/ Citizen’s forums/ Non-Governmental Organizations (NGOs).
- (b) **Geographic Coverage of CSR projects:** CSR Activities and the projects thereunder would generally be carried out/ focused in the local areas and/ or communities where FNI has operations / plants / premises.
- (c) **Approvals:** CSR projects as may be identified, will be required to be put up to the CSR Committee and thereafter to the Board of Directors of the Company for its approval, at the beginning of each financial year or on such regular intervals, as required by the CSR Committee, with due recommendations of the concerned department(s).
- (d) **Execution:** CSR projects, as may be approved, would be executed under the supervision of the concerned department(s) of the Company, and if required, with assistance from any of following executing agencies:
 - Community based organizations whether formal or informal
 - Elected local bodies, such as Panchayats
 - NGOs / Voluntary Organization
 - Institutes/ Academic Organizations
 - Trusts, Missions
 - Government, Semi-Government and autonomous Organizations

- Professional Consultancy Organizations

Criterion for identifying an executing agency: While identifying projects the concerned department(s) will also identify the external agency, if any is required, for execution of the said project. In case of project execution by NGOs/any other voluntary organizations, the following minimum criteria need to be ensured:

- The NGO / Agency has a permanent office / address in India;
- The NGO is a registered society under Societies' Registration Act;
- Possesses a valid Income-tax Exemption Certificate; 4
- The antecedents of the NGO / Agency are verifiable/subject to confirmation
- It shall have an established track record of three years in undertaking similar Projects.

(e) **Monitoring:**

- CSR Committee to institute a transparent monitoring mechanism for ensuring implementation of CSR projects undertaken or proposed to be undertaken as CSR Activities, and implementation schedule for the same.
- For monitoring on project basis, if required, a monitoring / reporting process will put be in place, for each of the projects or categories of projects, depending on the specifications and modalities of such projects.
- CSR Committee to submit a report to the Board, for the financial period ending 31st March of every year, on the CSR Activities and projects undertaken by the Company.
- The said CSR Activities and projects will also be reported, in the Annual Board's Report of the Directors.

Resources - Funding & Allocation:

For achieving its CSR objectives through implementation of CSR projects, FNI will allocate, in every financial year, CSR Funds, i.e. the funds for expenditure on CSR projects of the Company, as follows (**hereinafter "Annual CSR Budget"**):

- (a) Minimum two percent (2%) of the average net profits of the Company made during the three financial years immediately preceding the concerned financial year.
- (b) Any income arising therefrom.
- (c) Surplus arising out of CSR activities*.
- (d) Donations received by the Company from any sources.

****Surplus arising out of the CSR projects shall not become part of the business profit of the Company.***

Exclusion:

The CSR projects that benefit only the employees of the Company and/ or their families shall not be considered as CSR Activities, within the purview of this Policy and section 135 of the Companies Act, 2013 read with the CSR Rules.

Composition/ Appointment/ Removal of Member of CSR Committee

Appointment and removal of the members of the CSR Committee shall, at all times, be at the sole discretion of the Board of Directors of the Company (**hereinafter the “Board”**).

The Board may also, at its discretion, vary the composition of the CSR Committee, its role, powers, functions and duties, as it considers fit from time to time.

Role and Responsibilities of the CSR Committee

The CSR Committee shall be required to:

- Formulate and recommend to the Board, a CSR policy, inclusive of the details and specifications as required under the Companies Act,2013 read with CSR Rules;
- Review/ monitor the CSR Policy from time to time and, as and when required, suggest amendment(s) for Board’s consideration;
- Make recommendations to the Board and seek approval, regarding the amount/ expenditure to be incurred on each of the CSR projects to be undertaken by the Company, relating to the CSR Activities;
- Ensure optimum utilization of CSR Funds for CSR projects relating to CSR Activities, bearing in mind that as per proviso to section 135 (5) of the Companies Act, 2013 Company is required to give preference to the local area(s) around which it operates for spending the CSR Funds;
- Ensure that CSR projects undertaken by the Company, fall within the purview of the CSR Activities, as provided in the CSR Policy and under the applicable law;
- Institute a transparent monitoring mechanism for ensuring implementation of CSR projects undertaken or proposed to be undertaken as CSR Activities;
- Review/ monitor progresses of CSR projects and implementation schedule for the same.
- Implementation and monitoring of CSR Policy so as to ensure that it is in compliance with the Company’s CSR mission and objectives;
- Constitute sub-committees for implementation of the CSR Policy or any part thereof, if required;
- Consider that the CSR projects focus on integrating business models with social and environmental priorities and processes in order to create shared value; and

Amendments to the CSR Policy:

The Board of directors shall have power to amend the CSR Policy, at any point of time, as they deem appropriate, with or without a recommendation from the CSR Committee.

Reporting of CSR Activities:

- CSR Committee to submit its report to the Company's Board, for the financial period ending 31st March of every year, on the CSR activities and projects undertaken, by the Company as may be prescribed by the Ministry of Corporate Affairs at the end of every Financial Year.
- The said CSR activities and the projects will also be reported, in the Annual Board Report of the Directors.
- The CSR policy of the Company as amended from time to time, and approved by the Board, shall be posted on the website of the Company.

General Provisions in terms of Applicable Law:

- The Board of FNI may decide to undertake CSR activities by way of an organization which is registered as a trust or society or a company established, by the company or its holding or subsidiary or associate company under section 8 of the Companies Act, 2013 or otherwise, provided the conditions laid down in applicable CSR Rules are complied with.
- CSR projects with area of operation within India shall only be taken into consideration.
- FNI may also collaborate with other companies for undertaking CSR projects, in such a manner that the CSR committee of respective companies are able to report separately on such projects, in accordance with the CSR Rules. Further, each company has to individually comply with all the requirements under applicable law, including, without limitation, spending of at least two percent (2%) of its average net profit of last three immediately preceding financial years.
