

NAVAYUGA ENGINEERING COMPANY LIMITED

Corporate Social Responsibility Policy

Pursuant to Section 135 of the Companies Act, 2013 read with Companies (CSR) Rules, 2014.

Introduction

Navayuga Engineering Company Limited (“**NECL**”) has always been committed to the cause of social service and has repeatedly channelized a part of its resources and activities, such that it positively affects the society socially, ethically, financially and also environmentally. The Company believes that Corporate Social Responsibility (“**CSR**”) is part the business activity of the company and since long it has taken up various CSR initiatives to enhance the socio-economic status of the society.

With the advent of the Companies Act, 2013 constitution of a Corporate Social Responsibility Committee of the Board and formulation of a Corporate Social Responsibility Policy became a mandatory requirement. Therefore, the Company seeks to formulate a robust CSR Policy which encompasses its philosophy and guides its sustained efforts for undertaking and supporting socially useful programs for the welfare & sustainable development of the society.

CSR Object

The Company believes in balanced and sustainable development in harmony with the surrounding environment. **NECL** undertakes CSR activities through CVR Foundation. The foundation as part of its commitment to the community, has taken up several socio-economic growth initiatives besides other clean and green measures.

The Company firmly believes that CSR is primarily, the responsibility of the Company in relation to the impact of its decisions and activities on the society and also the environment, through a transparent and ethical behavior which is:

- (a) consistent with sustainable development and welfare of society,
- (b) takes into account the expectations of stakeholders,
- (c) is in compliance with applicable law, and
- (d) is uniformly integrated and practiced throughout the Company.

Scope

In furtherance of its CSR objects, the following are covered under this Policy:

- i. CSR activities implemented by the Company on its own
- ii. CSR Activities through third party registered trust/ Societies/ Section 8 companies with relevant experience in thrust areas and
- iii. CSR activities implemented by the Company through own CVR Foundation.

Definitions

In this Policy, unless the context otherwise requires:

1. "Act" shall mean the Companies Act 2013, including any modifications, amendments or re-enactment thereof.
2. "Agency" (or Agencies) means any Section 8 Company or a registered trust/ society/NGO/ institution, performing social services for the benefit of the society and excluding a registered trust/society/ NGO/institution/ Section 8 Company which is formed by the Company or its holding or subsidiary company/companies.
3. "Approved Budget" shall mean the total budget as approved by the Board of the Company upon the recommendation of the CSR Committee, which is to be utilized for CSR Projects.
4. "Board" shall mean the Board of Directors of the Company.
5. "Company" shall mean Navayuga Engineering Company Limited or NECL and wherever the context requires, shall signify the Company acting through its Board.
6. "CSR Annual Plan" shall mean the annual plan detailing the CSR expenditure for the year.
7. "CSR Committee" shall mean the Corporate Social Responsibility Committee constituted by the Board of the Company in accordance with the Act, consisting of three or more directors, out of which at least one director shall be an independent director.
8. "CSR expenditure" means all CSR expenditure of the Company as approved by the Board upon recommendation of the CSR committee, including the following:
 - a. contribution to CSR Projects which shall be implemented and/or executed by the Company;
 - b. contribution to CSR Projects (including for corpus as required) which shall be implemented and/or executed by CVR Foundation; and
 - c. Any other contributions covered under Schedule VII. Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR expenditure.
 - d. Any contribution made through third party

Thrust Areas:

While the Company is eligible to undertake any suitable/rightful activity as specified in Schedule VII of the Act, however, at present, it proposes to undertake following activities:-

1. Education
2. Skill Promotion & Job Development
3. Health, Safety & Environment
4. Community & Local Economy Development

Identification of CSR Projects:

1. CSR Projects need to be identified and planned for approval of the CSR Committee, in particular in Thrust Areas, with estimated expenditure and phase wise implementation schedules
2. The Company shall ensure that in identifying its CSR Projects, preference shall be given to the local area and areas around which the Company (including its Units) operates. However, this shall not bar the Company from pursuing its CSR objects in other areas.
3. As a cardinal principle, the CSR Projects in Thrust Areas, shall be identified on the basis of a detailed assessment survey.
4. The CSR Officer may engage external professionals/firms/agencies if required, for the purpose of identification of CSR Projects.

Implementation of CSR Projects

The Company shall implement the identified CSR Projects by the following means:

I. Direct Method

1. The Company may itself implement the identified CSR Projects within the scope and ambit of the Thrust Areas as defined in the Policy;
2. The Company may also implement the identified Projects through CVR Foundation which is involved in CSR activities, within the scope and ambit of the Thrust Areas as defined in the Policy.
3. The Company may engage external professionals/firms/agencies if required, for the purpose of implementation of its CSR Projects.
4. The Company may collaborate with other companies, including its Group Companies if required, for fulfilling its CSR objects through the Direct method, provided that the CSR Committees of respective companies are in a position to monitor separately such CSR Projects.

II. Indirect Method

1. The Company may implement the identified CSR Projects through Agencies, subject to the condition that:
 - a. The activities pursued by the Agency are covered within the scope and ambit of Schedule VII of the Act provided that
 - i. The Agency has an established track record of at least three years in undertaking similar programs or projects, and
 - ii. The Company has specified the Project to be undertaken through the Agency which shall preferably be in Thrust Areas, the modalities of utilization of funds on such

Projects and the monitoring and reporting mechanism which shall be atleast once in three months.

2. The Company, may collaborate with other companies, including its holding and subsidiary Companies and Group Companies if required, for fulfilling its CSR objects through the Indirect method provided that the CSR Committees of respective companies are in a position to monitor separately such Projects.

Monitoring

Monitoring process for CSR Projects shall include the following:

- Evaluation of Planned progress V/s Actual Progress
- Actual expenditure V/s expenditure as per Approved Budget

Fund allocation and Others

1. Fund allocation

- a. The Company, in every Financial Year, shall endeavor to spend the feasible amount, which shall not be restricted by the statutory limit of a specified percentage of its average net profits of the immediately preceding three Financial Years. However, the aforementioned expenditure in any Financial Year shall be atleast 2% of Company's average Net profits for the three immediately preceding Financial Years.
- b. The CSR Committee shall prepare a CSR Annual Plan for the above which shall include:
 - i. Identified CSR Projects
 - ii. CSR expenditure
 - iii. Implementation Schedules
- c. Total expenditure in the CSR Annual Plan shall be approved by the Board upon recommendation by the CSR Committee
- d. In case the Company fails to spend the statutory minimum limit of 2% of Company's average net profits of the immediately preceding three years, in any given financial year, the Board shall specify the reasons for the same in its report in terms of clause (o) of sub-section (3) of section 134.

2. Others

- a. The CSR Committee shall ensure that major portion of the CSR expenditure in the Annual Plan shall be for the Projects in the Thrust Areas. However, there shall not be any preference given to any particular Thrust Area for budgetary allocation and it shall be made purely as per the identified CSR Projects on need basis.
- b. The Chairman and Managing Director of the Company are authorized severally to decide on Projects to be implemented through the Indirect Method within the allocation as per the Annual Plan.

- c. Any surplus arising out of the CSR Projects shall not form a part of the business profit of the Company.
- d. The Company may build CSR capacities of their own personnel or personnel of its Trust or Society, as well as those of the Agencies through institutions with established track records of at least three Financial Years but such expenditure shall not exceed 5% of the Approved Budget of the Company in one Financial Year.

Duties and responsibilities

i. Board of Directors

The Board shall include in its Report the annual report on CSR Projects as per the format provided in the Annexure to the Companies (Corporate Social Responsibility Policy) Rules, 2014.

ii. CSR Committee

1. The CSR Committee shall monitor the implementation of the CSR Policy and CSR Plan.
2. In discharge of CSR functions of the Company, the CSR Committee shall be directly responsible to the Board for any act that may be required to be done by the CSR Committee in furtherance of its statutory obligations, or as required by the Board.
3. The CSR Committee shall place before the Board the draft annual report as per the format in annexure to the Companies (Corporate Social Responsibility Policy) Rules, 2014 in Board meeting in the following year for Board review and finalization.
4. The CSR Committee shall place before the Board every year a responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company for inclusion in the Board's Report.
5. The CSR Committee shall ensure that the CSR Policy and finalized Annual Plan is displayed on the Company's website.

Review Periodicity and amendment:

- i. CSR Plan may be revised/modified/amended by the CSR Committee at such intervals as it may deem fit.
- ii. The CSR Committee shall review the Policy every two years unless such revision is necessitated earlier and the CSR Policy may be updated from time to time

Frequency of Meetings

The meetings of the Committee could be held at such periodic intervals as may be required.

Quorum

Minimum two (2) members shall constitute a quorum for the Committee meeting.

Chairman

In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

Secretary

The Company Secretary of the Company shall act as Secretary of the Committee.

Minutes of the Committee Meeting

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee and tabled at the subsequent Board and Committee meeting.