



# **IMPERIAL AUTO INDUSTRIES LIMITED**

## **Corporate Social Responsibility (CSR) Policy**

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## **1. CONTEXT**

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As we move forward rapidly, it is becoming obvious that increasing shareholder wealth & Making profits is not being the sole motive of our organization. To grow and prosper with a feeling of mutual pride and trust, it is our responsibility to give back to mother earth and humanity what we have received from it so that further generations are secured as we need to co-exist in harmony with our planet & people. It is therefore a natural progression for our company to start focusing on the larger responsibility of “Community welfare, Environment care and protection” Further pursuant to section 135 of the companies Act, of the Companies Act, 2013, and Companies (Corporate Social Responsibilities Policy) Rules, 2014, every Company having net worth of Rs. 500 crore or more or turnover or Rs. 1000 Crore or more or net profit of Rs. 5 Crore of more shall constitute Corporate Social responsibilities Committee (CSR Committee) and the CSR Committee shall formulate and recommend Policy.

The CSR Committee so constituted formulated Policy on Corporate Social Responsibility (CSR Policy) and recommended the same to the Board of Directors of the Company (“Board”) for its approval. The Board vide its resolution dated 03<sup>rd</sup> September, 2014 approved and adopted CSR Policy with Immediate effect.

### **1.1 .Objective of the Policy**

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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 notification (collectively referred hereinafter as “Regulations”) as may be applicable and as amended form time to time and will, inter-alia, provide the followings:

- Establishing a guideline for compliance with the provision of Regulations to dedicate a percentage of Company’s profits for Social projects.
- 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.

### **1.2. Definitions**

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- “Act” means Companies Act, 2013
- “Corporate Social Responsibilities” means Corporate Social Responsibilities (CSR) as defined in section 135 of the companies Act, 2013 and Companies Corporate Social Responsibilities Policy) Rules 2014
- “Ministry” means the Ministry of Corporate affairs
- “CSR Committee” means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act.

- “CSR Policy” related to the activities to be undertaken by the company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of the company;
- “Net Profit” means profit as defined in section 135 of the companies Act, 2013 and Companies Corporate Social Responsibility Policy) Rules 2014 as set out Below:  
Net Profit as per financial statements prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:
  - ❖ Any profit arising from any overseas branch or branches of the Company, whether operated as a separate company or otherwise and
  - ❖ Any dividend received from other companies in India, which are covered under complying with the provision of section 135 of the Act,
- “Average Net Profit” It shall be calculated in accordance with the provisions of Section 198 of the Companies Act, 2013
- Words and expression used CSR Policy and not defined herein but defined in the Act, shall have the meaning respectively assigned to them in the Act.

### **1.3 .CSR Activities**

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The Policy recognizes that corporate social responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014: and such other rules, regulations, circulars, and notification (collectively referred hereinafter as “Regulations”) as may be applicable and as amended from time to time.

- (i) Eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation & making available safe drinking water;
- (ii) Promoting education, including special education & employment enhancing vocation skills especially among children, women, elderly & the differently abled & livelihood enhancement projects;
- (iii) Promoting gender equality, empowering women, setting up homes & hostels for women & orphans, setting up old age homes, day care centers & such other facilities for senior citizens & measures for reducing inequalities faced by socially & economically backward groups;
- (iv) Ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agroforestry, conservation of natural resources & maintaining quality of soil, air & water
- (v) Protection of natural heritage, arts & culture including restoration of buildings & sites of historical importance & works of arts; setting up public libraries; promotion & development of traditional arts & handicrafts;
- (vi) Measures for the benefit of armed forces veterans, war widows & their dependents;
- (vii) Training to promote rural sports, nationally recognized sports, paralympic sports & olympic sports;

- (viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development & relief & welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities & women;
- (ix) Contribution or funds provided to technology incubators located within academic institutions, which are approved by the Central Government;
- (x) Rural development projects

CSR activities shall be undertaken as projects, programs of activities (either new or ongoing) Excluding activities undertaken in pursuance of the normal course of business of the Company.

#### **1.4. The Geographic Reach**

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The Act provides that the Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility.

The Company will thus give preference to conducting CSR activities in the state(s) in India wherein the Company has/will have its operations. However, the Committee may identify such areas other than stated above, as it may deem fit, and recommend it to the Board for undertaking CSR activities.

#### **1.5. Annual spends/Allocation of Funds**

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- The Company would spend not less than 2% of the average Net Profit of the Company made during the three immediately preceding financial years. The surplus arising out of the CSR activity will not be part of business profits of the Company. The Corpus would thus include the 2% of average Net Profit, as aforesaid, any income arising there from and surplus arising out of CSR activities.
- The Company may build CSR capacities of the personnel and/or those of its implementing agencies through Institutions with established track records of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of the Company in one financial year.
- However if the Company ceases to be covered under sub-section (1) of Section 135 of the Act for three financial years, then it shall not be required to, comply with the provisions laid down under sub-section (2) to (5) of the said section, till such time it meets the criteria specified in sub-section (1) of the Act.
- However if the Company fails to spend such amount, the Board shall, in its report made under Clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

## **2. CSR COMMITTEE**

### **2.1. Guiding Principles for Constitution of CSR Committee**

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The CSR Committee will consist of four directors, including independent directors.

The Committee will meet to discuss and review CSR activities, CSR expenditure and Policy as and when required. A quorum of two members is required to be present for the proceedings to take place. Such other meetings of the Committee members can be convened as and when deemed appropriate. The Committee member may attend the meeting physically or via such audiovisual means as permitted under the Act. The Committee shall have the authority to call such employee(s), senior official(s) and or externals, as it deems fit. The Company Secretary shall act as Secretary to the Committee. Board's report under section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

## 2.2. Committee Members

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The Members of the Committee are as follows:

S.No.	Names	Chairperson / Member
1.	Dr. Ravinder Nath Malik	Member
2.	Mr. Vimal Kampani	Member
3.	Mr. Narinder Kumar VEDI	Member
4.	Mr. Jagjit Singh	Member

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## CSR Team

Each and every unit across India identified their team for rolling out CSR activities at unit level. The Team at unit level Comprises of head (HR & Admin) and other volunteer members of the unit. The said team consisting of employees of Imperial Auto Industries Limited shall assist the CSR Committee in achieving the objectives and purpose of CSR Policy and ensure compliance of the Act. The members to team be added / removed with the approval (including ex-post facto approval) of the Committee.

## 2.3. Scope of Functions of CSR Committee

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The functions of CSR Committee will, *inter-alia*, include the following:

- CSR Activities as provided above
- Ancillary Activities:
  - ❖ To publicize the CSR Policy and initiatives org-wise, especially through mailers, screensavers and Policy documentation and upload(s) on website.
  - ❖ To plan and carry out workshop to increase employee awareness on various projects and initiatives.
  - ❖ Such other activities as directed by the Board of Directors by the Company and/or as deemed appropriate and expedient by the Committee for the furtherance of CSR objectives of the Company, in pursuance with the Regulations.

## **2.4. Transparent Monitoring Mechanism**

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The CSR Committee shall prepare a transparent monitoring mechanism for ensuring implementation of the projects/ programmes / activities proposed to be undertaken by the Company.

The CSR Committee shall have the authority to obtain professional advice from external sources and have full access to information contained in the records of the Company as well as the powers to call any employee / external consultant or such other person(s) and for such purpose as may be deemed expedient for the purpose of accomplishment of overall CSR objectives laid down under the Act.

## **3. PROCEDURES**

### **3.1. Funding**

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- As per the Regulations the Company will set aside, for annual CSR activities, an amount equal to 2% of the average Net Profits of the Company made during the three immediately preceding financial years. Any unutilized CSR allocation of a particular year, will be carried forward to the following year; i.e. the CSR budget will be non-lapsable in nature.

Provided that all reasonable efforts will be made to ensure that the annual CSR allocation is fully utilized in the respective year. However, if the Company fails to spend such amount, the Board of Directors shall, in its report under clause (o) of sub-section (3) of section 134 of the Act, shall specify the reason for not spending the amount.

- Annexure-I contains the details of the proposed expenditure for respective Financial Year, towards CSR activities. The same shall be amended annually according to the Financial Year after the review by the Committee or at such time, as the Committee may deem fit.
- Tax treatment of CSR spend will be in accordance with the Income Tax Act, 1961 as may be notified by Central Board of Direct Taxes (CBDT).

### **3.2. Planning and Implementation**

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- The Projects may be divided into two main categories – Direct Project Funding and Employee Engagement. Projects which involve considerable financial commitment undertaken on a timeframe of 1-3 years where Imperial Auto Industries Limited will be the primary sponsor, will be considered under Direct Project Funding and accorded due significance. Payroll giving initiative will fall under Employee Engagement.
- A list of CSR projects/ programmes which the Company plans to undertake during the implementation year will be laid down before the Committee at the beginning of each year, specifically modalities of execution in the areas/sectors chosen and implementation schedules for the same.

- Identification of projects and the execution agency/NGO will be made, *inter-alia*, by assessing the following;
  - a) Project Objectives
  - b) Baseline survey – As-is and To-be state basis, accordingly the outcome of the project will be measured.
  - c) Implementation schedules – Timelines for milestones of the project will need to be prescribed and agreed upon
  - d) Responsibilities and authorities
  - e) Major results expected and measurable outcome including the expenses/charges ratio as against the actual CSR spend.
- If the Company decides to set up a Trust or Section 8 Company, or Society or Founding or any other form of entity operating *within India* to facilitate implementation of its CSR activities in accordance with its state CSR Policy, the following shall apply:
  - a. The Company would need to specify the projects/programmes to be undertaken by such an organization, for utilizing funds provided by it;
  - b. The Company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only;
- The Company may also conduct/implement its CSR programmes through Trusts, Societies, or Section 8 companies *operating* in India, which are not set up by the Company itself, herein collectively referred to as ‘CSR Partner’ or ‘CSR Partner(s)’.
- Such spends may be included as part of its prescribed CSR spend only if such organizations have an established track record of at least three years in carrying on activities in related areas.
- Company may collaborate or pool resources with other companies to undertake CSR activities within India. Only activities which are not for the benefit of employees of the company or their family members shall be considered as CSR activity.

### **3.3. Projects / Partners**

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CSR Committee in consultation of the Board of Directors of the Company will identify suitable projects for implementation in line with the objectives of the Company and requirements laid down under the Regulations. These projects would be executed either directly by the Company and/or through CSR Partner(s)

### **3.4. Criterion for CSR Partner(s) and Agreement**

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- While identifying projects, CSR Committee will assess CSR Partner(s) organizations who would execute the projects at the grass root level. At a minimum they need to meet the following criteria:
  - ❖ The CSR Partner(s) has a permanent office/address in India;
  - ❖ The CSR Partner(s) is a Trusts, Societies, or Section 8 Company having an established track record of three years in undertaking similar CSR programs or projects in pursuance with the relevant regulations;
  - ❖ Possesses a valid income-tax Exemption Certificate



- ❖ The antecedents of the CSR Partner are verifiable
- ❖ Have requisite framework to report progress/status of the projects on a quarterly basis on agreed parameters
- ❖ Maintain a required level of auditable records on the CSR initiatives conducted in conjunction with Imperial Auto Industries Limited as agreed mutually
- Once the project/program is approved, Imperial Auto Industries Limited and the CSR Partner will be required to enter into an agreement as per the standard MOU requirements.

### **3.5. Review and Reporting**

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The CSR Committee will review the philanthropic activities of the Company and will provide progress update to the Board of Directors every six months/such other intervals as deemed fit.

The Company will report, in the prescribed format as set out herein as Annexure-I the details of CSR initiatives and activities of the Company in the Director's Report and on the website of the Company, as required under the Regulations. Such reporting will be done, pertaining to financial year(s) commencing on or after the 1<sup>st</sup> day of April 2014.

### **4. MONITORING**

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- Appropriate documentation and amendments of the CSR Policy, annual CSR activities, reports on execution by CSR Partner(s) and expenditure will be undertaken on a regular basis and same will be available to the Board of Directors of the Company.
- Initiatives undertaken on the CSR front will be reported in the Annual Report of the Company.
- The CSR Committee and persons / entities authorized by it, will conduct due diligence checks on the current projects/partners on a quarterly basis and report anomalies, if any, immediately.
- Based on analysis of current projects, carry out roadmap planning for allocation of budget and selection of projects. The same will be done at least once in a financial year.

### **5. AMENDMENTS TO THE POLICY**

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The Board of Directors on its own and/or as per the recommendations of CSR Committee can amend this Policy, as and when required ad deemed fit. Any or all provisions of the CSR Policy would be subject to revision/amendment in accordance with the Regulations on the subject as may be issued from relevant statutory authorities, from time to time.

## Annexure-I

### Format for the Annual Report on CSR Activities to be include in the Board's Report

1. Brief outline of Company's CSR Policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs.
2. The composition of the CSR Committee.
3. Average Net Profit of the company for last three financial years.
4. Prescribed CSR Expenditure (two percent of the amount as in item No. 3 above)
5. Details of CSR spend during the financial year:
  - a. Total amount to be spent for the financial year:
  - b. Amount unspent
  - c. Manner in which the amount spent during the financial year is detailed below:

S.N	CSR project / activity identified	Sector in which the Project is covered	Projects or Programs 1. Local area/others 2. Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project/ programs wise	Amount spent on the project/programs Subheads: 1. Direct expenditure on projects or programs. 2. Overheads	Cumulative expenditure up to the reporting period.	Amount spent : Direct or through implementing agency
1							
2							
3							

\*Give details of implementing agency

6. In case the Company fails to spend the 2% of the Average Net Profit (INR) of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in the Board Report.
7. 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.