

SWELECT ENERGY SYSTEMS LIMITED

Policy on Corporate Social Responsibility

This policy has been amended by the Company at its Board Meeting held on 14.6.2021 pursuant to the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 notified on 22.1.2021 by the Ministry of Corporate Affairs.

Corporate Social Responsibility (CSR) may also be referred to as “Corporate Citizenship” and can involve incurring short-term costs that do not provide an immediate financial benefit to the Company, but instead promote positive social and environmental change.

1. Objective

Every company having net worth of Rupees five hundred crore or more, or turnover of Rupees one thousand crore or more or a net profit of Rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three (3) or more directors, out of which at least one (1) director shall be an independent director and the Company shall spend, in current financial year, at least two (2) per cent of the average net profits of the company made during the three (3) immediately preceding financial years, in pursuance of the Corporate Social Responsibility Policy.

2. Definitions:

- a. **“Company”** means **SWELECT Energy Systems Limited**;
- b. **“Act”** means the Companies Act, 2013;
- c. **“Rules”** means The Companies (Corporate Social Responsibility Policy) Rules, 2014 (as amended from time to time)
- d. **“Board”** means the Board of Directors of SWELECT Energy Systems Limited;
- e. **“Administrative overheads”** means the expenses incurred by the Company for ‘general management and administration’ of Corporate Social Responsibility functions in the Company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme;
- f. **“Corporate Social Responsibility”** (‘CSR’) means the activities undertaken by the Company in pursuance of its statutory obligation laid down in Section 135 of the Act in accordance with the relevant rules, but shall not include the following, namely:-

- (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 or 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 on Wages, 2019 (29 of 2019).
 - (v) activities supported by the companies 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.
- g. **"Committee"** means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act;
- h. **"CSR Policy"** means this Policy and is a statement containing the approach and direction given by the Board of the Company, taking into account the recommendations of its CSR Board Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.
- i. **"International Organisation"** means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply;
- j. **"Net profit"** means the net profit of the company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely: -
- (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:
- k. **"Ongoing Project"** means a multi-year project undertaken by the 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;

l. **“Public Authority”** means ‘Public Authority’ as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005);

m. **“section”** means a section of the Act.

3. Areas of Focus

1. Promoting education, including special education and employment enhancing vocational skill among children, women, elderly and the differently abled and livelihood enhancement projects.
2. Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports.
3. Eradicating hunger, poverty and malnutrition, promoting and preventive health care and sanitation and making available safe drinking water.
4. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up of old age homes, day care centers and such other facility for senior citizen and measures for reducing inequalities faced by socially and economically backward people.
5. Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows.
6. Contribution to 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 scheduled castes and tribes, other backward classes, minorities and women.
7. Rural development projects.
8. Contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation
9. Slum area development.
10. Disaster management, including relief, rehabilitation and reconstruction activities
11. Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)]
12. 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

13. 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
14. 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 Organisation (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).]

4. Roles and Responsibilities:

- **Board of Directors:**

- Ensure that the Company spends at least two (2) percent of the average net profits of the preceding three (3) financial years as its CSR obligation for the financial year;
- Approve the annual action plan and CSR framework (including annual budget);
- Approve CSR policy and amendments thereto from time to time;
- Approve projects / NGOs to be partnered or associated with;
- Ensure that the funds disbursed for the CSR Projects as part of the Company's obligation for each financial year have been utilised for the purpose and in the manner allocated and approved by it, within the same financial year;
- Monitor the implementation of the project with reference to the approved timelines and year-wise allocation;
- Suggest modifications, if required, for smooth implementation of the CSR project within the overall permissible time period under the Act.

- **CSR Committee:**

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company in line with Schedule VII of the Act;
- Recommend the amount of expenditure to be incurred on the activities;
- Ensure that the activities are as included in CSR Policy of the Company are undertaken by the Company;

- Review the outcome of the CSR projects/ activities and make recommendation to the Board of Directors;
- Monitor the CSR Policy of the Company from time to time;
- Approve monies to be disseminated as Grants;
- Formulate/finalise and recommend to the Board the following matters with respect to the CSR projects/ activities:
 - a. Annual action plan;
 - b. Annual budget;
 - c. Time required for project implementation, with clear identification of Ongoing Projects; and
 - d. Prospective outcome of the project/activity.

The Corporate Social Responsibility Committee and the Board shall ensure that the Company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of the Corporate Social Responsibility Policy and applicable provisions of the Act.

Annual Action Plan: The CSR Committee shall also formulate & recommend an annual action plan to the Board for each financial year. The following aspects will be considered while formulating/ approving the annual action plan:

- *Evaluation of CSR activities of the preceding financial year:* The achievements and drawbacks of the CSR projects/ activities undertaken in the previous financial year shall be considered and the annual action plan shall be prepared accordingly.
- *Identifying projects/activities for the current financial year:* The CSR Board Committee will be responsible for identifying suitable CSR initiatives which are in line with the overall objectives of the organisation.
- The CSR Committee shall endeavour to formulate and approve the annual action plan based on projected financials and finalise the same and recommend it for the Board's approval before the end of the first quarter in every financial year. Any delay in preparation and approval of the action plan can be ratified by the Board.
- The CSR Board Committee shall include a description of the identified activities and the sequence in which they will be undertaken by taking into consideration organizational readiness, strategies, financial and procurement management, etc., disbursement and utilization plans for the unspent amounts from previous years during the current financial year and disbursement and utilization plan for funds for the relevant (concerned) financial year,
- The annual action plan by the CSR Committee shall include the following:
 - (a) The list of CSR projects or programs 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 programs.
 - (c) The modalities of utilization of funds and implementation schedules for the projects or programs.
 - (d) Monitoring and reporting mechanism for the projects or programs.
 - (e) The details of need and impact assessment, if any, for the projects undertaken by the company.
- The Board of Directors of the Company may alter the such plan at any time during the financial year, as per the recommendation of the CSR committee based on the reasonable justification to that effect.

5. CSR Contribution:

5.1 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 activities: Provided further that 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 having spent the amount and, unless the unspent amount relates to any ongoing project referred to in sub-section (6) of section 135, transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

4.2 Where a company spends an amount in excess of requirement provided under sub-section (5) of section 135, such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years' subject to the conditions that –

- (i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of the CSR rules.
- (ii) the Board of the company shall pass a resolution to that effect.

5.2 Treatment of Unspent amounts

CSR related disbursements by the Company will be treated as spent during the financial year, only if the same have, in turn, been spent by the Company's implementing agency or step-down implementing agency, if any.

- 5.3 Any amount remaining unspent under sub-section (5) of Section 135, pursuant to any ongoing project, fulfilling such conditions as prescribed in the CSR Rules, undertaken by the Company in pursuance of this Policy, shall be transferred by the Company within a period of thirty days from the end of the financial year to a special account to be opened by the Company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the Company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the Company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.
- Wherever funds disbursed by the Company remain unspent at the year end and are lying with the implementing agency, the Company may either request the

implementation agency to return the same directly to its Unspent CSR Account / other bank account OR treat the same as an advance to be utilized by the implementing agency, to meet the spend for the next financial year. In the latter case, the Company will separately meet its obligation to transfer the unspent funds either into an Unspent CSR Account or to a prescribed Fund.

- The unspent CSR amount pertaining to an annual CSR project shall be transferred to any fund included in Schedule VII of the Act such as Prime Minister's National Relief Fund, Swachh Bharat Kosh or any other fund specified by Central Government in this regard under the Act, within 6 (six) months from the end of the concerned financial year.

5.4 The Board of Directors shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the Company for the financial year.4.5 Any surplus arising out of the CSR activities shall not form part of the business profit of the Company and shall be ploughed back into the same project or shall 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, within a period of six months of the expiry of the financial year.

6. CSR Implementation:

- The Company to undertake its CSR activities, approved by the Board and CSR Committee. If any CSR activity has been undertaken by the Company, the same can be ratified by the Board and the CSR Committee subsequently based on a reasonable justification.
- The CSR activities can be undertaken through the following eligible entities (i.e. implementing agencies): –
 - 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 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.
- Where any implementation agencies are engaged, the Company will execute formal documentation with such agencies and ensure coverage of key terms that will enable the Company to remain in compliance under the provisions of the Act.

- The Company may engage international organizations for designing, monitoring, and evaluation of the CSR projects or programs as per its CSR policy as well as for the capacity building of its personnel for CSR.
- The Company may also collaborate with other companies for undertaking projects or programs 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 programs in accordance with the CSR Rules.
- **Registration by the Entity undertaking CSR activity** – Before engaging with any of the implementing agencies stated above, the Company shall ensure that such agency is registered with the Central Government (MCA) by filing the form CSR-1 electronically with the Registrar of Companies and has obtained a unique CSR Registration Number.
- The above provisions shall not affect the CSR projects or programs approved prior to the 01st day of April 2021.
- **Certificate on utilization of Funds:** The Chief Financial Officer of the Company shall certify that the funds disbursed to the entities for CSR have been utilized for the purposes and in the manner as approved by the Board of Directors and shall produce such certificate to the CSR Committee and Board of Directors periodically(quarterly/annually). Such certification will be based on the utilization report as received from the implementing agencies (wherever the CSR projects are being implemented through such agencies and/or a certificate issued by the implementing agencies' auditor or an independent chartered accountant)
- **Acquisition of Capital Asset:** The CSR amount may be spent by the Company for the creation or acquisition of a capital asset, which shall be held by :
 - (a) A company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under Rule 4(2) of CSR Rules; Or
 - (b) Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
 - (c) A public authority.

7. Monitoring:

- The Company will establish suitable mechanisms for monitoring and reporting on implementation of projects or programs either directly or undertaken by the implementing agency or through any step-down implementing agency. This will include review of project / program timelines and fund allocations and real time reporting of likely project / program delays and underspend to the Company.

- For the CSR projects, the CSR Committee of the Company shall take on the role of the mentor, while the ultimate responsibility of ensuring successful and time bound implementation of the CSR projects will remain with the Board of Directors of the Company.
- The CSR Board Committee, may appoint such professionals, firms, agencies, etc., as it may deem fit, for effective monitoring/ evaluation/ implementation/ designing of the programs and projects of the Company, including appointing an agency that would carry out an impact assessment study of the projects, if so required, under the Act or deemed necessary by the Committee.

8. Impact Assessment:

- If the Company is having an average CSR obligation of ten crore rupees or more in the three immediately preceding financial years, it shall undertake impact assessment, through an independent agency, of the its CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.
- The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- If the Company undertakes an impact assessment, it may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.

9. CSR Reporting: The Board's Report of the Company shall include an annual report on CSR containing particulars specified in Annexure - II of The Companies (Corporate Social Responsibility Policy) Rules, 2014 (as amended from time to time).

10. Display of CSR activities on website: The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on the website of the Company for public access.

Amendment to the Policy

The Board on its own and/or as per the recommendations of the Committee can amend this policy, as and when it deems fit.

In case of any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities not being consistent with the provisions laid down under this policy, then such amendments, clarifications, circulars etc., shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

Periodical Meetings

The meeting of the Committee shall be held at such regular intervals as may be required. Where meetings of the Committee are not being held or such

The CSR Committee and Board of Directors may approve any urgent matters by passing Circular resolutions in accordance with the Companies Act, 2013 and under applicable Secretarial Standards.

Conclusion

By contributing to a better society and a cleaner environment and by becoming a good corporate citizen, the organisation can improve its competitive edge in respect of attracting and retaining investors, clients and employees.

Terms of Reference for Corporate Social Responsibility Committee:

The Terms of Reference for CSR Committee includes the following which will be in alignment of the Vision and Mission of the company from “For Profit” to “For benefit”.

1. Oversight of the development of the CSR vision, strategy, policies and plan;
2. Recommend the Board the objective of Corporate Social Responsibility (CSR) to generate conducive environment to conduct the business in a socially responsible manner and to carry on business activities in the ethical way with regards to legal obligations and commitments;
3. Formulate and recommend to the Board, the Corporate Social Responsibility Policy (CSR Policy) which shall indicate the activities to be undertaken by the company in the areas or subject specified in Schedule VII to the Companies Act, 2013 integrating company’s vision, mission, focus area and resources;
4. Monitor CSR Policy of the company from time to time and recommend to the Board for modification(s) to the CSR Policy as and when required;
5. Formulation and recommendation to the Board Annual Action Plan (AAP) in pursuance of the CSR Policy of the company detailing therein the process of selection of CSR project, comprehensive budget, activity wise budget, involvement of employees, execution strategy, rational and benefits of such expenditure of selected CSR projects. In addition such AAP shall include the following namely:-
 - 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 utilization 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;
6. Recommend to the Board the amount of expenditure to be incurred on various activities in a financial year as per CSR Policy and Annual Action Plan;
7. Oversight of the implementation of the CSR vision and strategy;
8. Establish steps for the effective implementation, maintenance, periodic reviews and improvement in CSR system in the company;
9. Recommend to build CSR capacities of own personnel or of implementing agencies and to take measures to involve the employees in CSR activities of the company;
10. Monitor the implementation of CSR Program undertaken by the company;
11. Instituting and recommending fair, transparent, accountable monitoring mechanism for implementation of CSR activities undertaken by the company;
12. Integrating, implementing and promoting socially responsible behavior and conduct throughout company in every department and functions, its practices and policies, including company’s Sustainability Policy, Employee Manual, Governance Manual, Code of Conduct for Directors and Senior Management, Communication Policy, Whistle Blower, Community Engagement Policy and Code of Ethics. Ensuring

- governance, disclosure and legal compliances with respect to CSR obligations of the company;
13. Analyze governance framework and identify the gaps in the light of company's Mission and make continuous improvement in Governance Framework for CSR activities of the company;
 14. Plan regular Internal Audit programs, taking on record CSR Reconciliation Statement every quarter and identify any surplus, unspent or carry forward amount with regards to CSR activities of the company;
 15. Recommend the Board modalities and manner for the transfer of ownership of Capital Assets, if created or acquired, through CSR spending;
 16. Develop and suggest the Board, Standard Operating Process (SOP) for manner of execution of any CSR Projects and modalities of use of funds, factor risk assessment for any CSR project selected and plan for its management and control;
 17. Oversight of the external communications policies;
 18. Oversee the publication, internally and externally, of corporate responsibility performance and plans using the Company's website, annual report and other such methods of communication as are considered necessary. To approve performance measures and KPIs, their audit, verification and inclusion within the Annual Report;
 19. Encourage and protect whistle blowers and recommend disciplinary action to the Board against the wrong doers;
 20. Suggest agencies to have Need Assessment and Impact Assessment of any CSR Project of the company for monitoring the quality and efficacy of CSR project of the company;
 21. Communicating commitments, performances, reports and other information in timely and legal manner and review the quality of any reporting to external stakeholders concerning CSR matters (to form part of the Annual Report);
 22. Identifying and suggesting the Board, the Implementing Agencies for any CSR Program with Due Diligence and develop Standard Operating Process (SoP) for such Due Diligence;
 23. Obtain professional advice from external sources for the purpose of accomplishment of overall CSR objectives laid down under the Act and aligning it with the Mission of the company;
 24. Other responsibility as per the Act or as assigned by the Board from time to time;
 25. Review and evaluate the performance of the Committee and these terms of reference to ensure that it is operating at maximum effectiveness, and recommend any changes it considers appropriate for the Board's approval;
 26. The Committee may delegate any or all of its powers and authorities set out in these terms of reference to a sub-committee of the CSR Committee (subject to compliance with the Act);
 27. Any other matter as may be considered expedient in furtherance of and to comply with the CSR Policy and CSR activities of the company;
 28. In carrying out its responsibilities the Committee shall work and liaise as necessary with all other Board committees, and give due consideration to all relevant laws, rules, regulations and regulatory requirements and guidance applicable to company.
