

FUCHS POLICY ON CORPORATE SOCIAL RESPONSIBILITY

Document Release Notice

This policy on Corporate Social Responsibility, Version 1.0, is released for use in FUCHS LUBRICANTS (INDIA) PVT. LTD. with effect from 01st March 2021.

Author:

Kanchan Poojary

Manager – Corporate Communications

Randell Dias

Regional Human Resources Manager –
India & Southeast Asia

Authorized & Approved:

Kersi Hilloo

CEO & Managing Director

Revision List

| Revision No. | Revision Date | Revision Description | Section No. | Rationale for Change | Change Type (add/modify/delete) |
|--------------|---------------------------------|----------------------------------|-------------|--|---------------------------------|
| 1 | 07 th December'18 | Change in CSR Committee Director | 3 | Appointment of new Regional Vice President | Modify |
| 2 | 01 st March'21 | Changes to CSR Policy | All | Amendments to CSR Rules 2021 | Modify |

Table of Contents

| Section | Content | Page |
|---------|--|--------|
| | Table of Contents | 3 |
| | Glossary and Abbreviations | 4 |
| 1 | Introduction | 5 |
| 1.1 | Purpose / Aims | 5 |
| 2 | Definitions | 5 – 6 |
| 3 | Constitution of the Committee | 6 |
| 4 | Committee Meetings | 6 |
| 5 | Roles and Responsibilities of the Board of Directors | 6 – 7 |
| 6 | Duties and Responsibilities of the Committee | 7 – 8 |
| 7 | CSR Activities | 8 – 9 |
| 8 | Implementation of CSR Activities | 9 – 10 |
| 9 | CSR Corpus / Expenditure | 10 |
| 10 | Review and Monitoring | 11 |
| 11 | Impact Assessment | 11 |
| 12 | Disclosures | 11 |

Glossary and Abbreviations

| Sr. No. | Term | Explanation |
|----------------|-------------|---------------------------------|
| 1 | CEO | Chief Executive Officer |
| 2 | MD | Managing Director |
| 3 | NGO | Non – Governmental Organisation |
| 4 | CSR | Corporate Social Responsibility |
| 5 | CWG | CSR Working Group |
| 6 | INR | Indian Rupees |

1. Introduction

FUCHS LUBRICANTS (INDIA) PVT. LTD. has been an early adopter of Corporate Social Responsibility (CSR) initiatives. FUCHS India undertakes various projects for the betterment of society and in areas such as education, health, community service, medical assistance and promotion of art and culture. The Company's focus has always been to contribute to the sustainable development of the society, environment, and to make our planet a better place for future generations.

1.1 Purpose / Aims

The purpose of the CSR policy is to extend assistance to the society in general without discrimination of any sort and take care of the welfare and growth in a sustainable and responsible manner so that we may contribute to the empowerment of the society we are in.

Our Policy is in adherence to the provision under section 135 of the Companies Act 2013 ("Act") and Companies (Corporate Social Responsibility) Rules, 2014 ("Rules"), made thereunder including amendments thereto.

2. Definitions

- ❖ *"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 program.
- ❖ *"Board"* means the Board of Directors of the Company.
- ❖ *"Corporate Social Responsibility"* or *"CSR"* means and includes but is not limited to
 - Projects or programs relating to activities specified in Schedule VII to the Companies Act, 2013; or
 - Projects or programs relating to activities undertaken by the Company in pursuance of the recommendations of the CSR Committee and approved by the Board as per this policy.
- ❖ *"CSR Committee"* means Corporate Social Responsibility Committee constituted by the Board pursuant to Section 135 of the Companies Act, 2013.
- ❖ *"Ongoing Project"* means a multi – year project undertaken by a 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.

❖ “Net Profit” means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Companies Act, 2013 but shall not include the following viz:-

- Any profit 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 and complying with the provisions of Section 135 of the Companies Act, 2013.

Words and expressions used in this Policy and not defined herein but defined under the Companies Act, 2013 shall have the meanings respectively assigned to them therein.

3. Constitution of the Committee

The CSR Committee members shall be nominated by the Board from time to time per the provisions of the Act and Rules. The Board of FUCHS India has power to nominate / change / induct members of CSR Committee.

The CSR Committee shall consist of the following directors:

| Sr. No. | Name | Designation | Membership |
|---------|--------------|---------------------------------|-------------|
| 1 | Kersi Hilloo | CEO & Managing Director – India | Chairperson |
| 2 | Ruven Ebner | Regional Vice President – ISEA | Member |

4. Committee Meetings

Committee shall meet per the provisions of the Act.

5. Roles and Responsibilities of the Board of Directors

Roles and responsibilities of the Board of Directors of FUCHS India include:

- ❖ Approve the CSR Policy after taking into consideration the recommendations made by the CSR committee;
- ❖ Approve the annual proposal plan after taking into consideration the recommendations of the CSR committee;
- ❖ Review and approve projects that were initially not approved as a multi – year projects, but whose duration has been extended beyond one year;

- ❖ To monitor the implementation of ongoing projects and to ensure that the funds are utilized for approved purpose and the same shall be certified by the Chief Financial Officer or Person in charge of finance;
- ❖ Ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy;
- ❖ Satisfy itself that the funds disbursed for the CSR activities have been utilized for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect;
- ❖ Ensure that CSR activities included in the CSR Policy are undertaken by FUCHS INDIA and that such activities are related to the activities specified in Schedule VII of the Act;
- ❖ Include in the Board's Report an annual report on CSR containing particulars in the prescribed format;
- ❖ To transfer Unspent CSR amount in terms of the Act and the rules made thereunder;
- ❖ Ensure disclosure of the contents of the CSR Policy on FUCHS India website.

6. Duties and Responsibilities of the Committee

- ❖ Formulate and recommend the CSR Policy to the Board, which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act 2013;
- ❖ Review and recommend any amendments to be made in the CSR policy of the Company;
- ❖ Recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
- ❖ Monitor the CSR Policy of the company from time to time;
- ❖ Formalize a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company;
- ❖ Devise proper implementation / execution schedule in consultation with CSR Team for each project / program;
- ❖ Review and recommend projects that were initially not approved as a multi – year projects but whose duration has been extended beyond one year;

- ❖ Formulate and recommend to the Board, an annual proposal plan in pursuance of its CSR Policy;
- ❖ Review and recommend to the Board any amendments to be made to the annual proposal;
- ❖ Review / monitor the process of projects or programs;
- ❖ Carry out such other functions as may be required towards CSR as per instructions of the Board.

7. CSR Activities

In accordance with the requirements under the Companies Act, 2013, FUCHS India CSR activities, amongst others, will focus on activities relating to:

FUCHS India's CSR activities shall focus on the activities which are broadly classified under:

- ❖ **Hunger, Poverty, Malnutrition and Health:** Eradicating hunger, poverty, and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water.
- ❖ **Education:** Promoting education, including sponsorships, special education and employment – enhancing vocational skills especially among children, women, elderly and differently abled, and livelihood enhancement projects; monetary contributions to academic institutions for establishing endowment funds, chairs, laboratories etc. with the objective of assisting students in their studies. Any other activities covered under Schedule VII.
- ❖ **Rural Development Projects:** Strengthening rural areas by improving accessibility, housing, drinking water, sanitation, power and livelihoods, thereby creating sustainable villages.
- ❖ **Gender Equality and Empowerment of Women:** Promoting gender equality and empowering women; setting up homes, hostels and day care centers for women and orphans; setting up old age homes and such other facilities for senior citizens; and adopting measures of reducing inequalities faced by socially and economically backward groups.
- ❖ **Environmental Sustainability:** Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro – forestry, conservation of natural resources and maintaining the quality of soil, air, and water.
- ❖ **National Heritage, Art, and Culture:** Protecting national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promoting and developing arts and handicrafts.
- ❖ Any other activities covered under Schedule VII as amended from time to time.

The CSR activities shall be undertaken in locations within India. FUCHS India shall give preference to the local areas from where it operates while considering the activities to be undertaken and spending the amount earmarked for CSR activities.

8. Implementation of CSR Activities

- ❖ The Board may decide to undertake and implement its CSR activities by itself or through:
 - A section 8 company, or a registered Public Trust, or a registered Society registered u/s 12A & 80G of Income Tax Act, 1961 established by the company, either singly or along with any other company; or
 - A company established under section 8, or a registered trust or a registered society, established by the Central Government or State Government; or
 - Any entity established under an Act of Parliament or a State legislature; or
 - 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 track record of at least 3 years in undertaking similar activities.

- ❖ In case activities are undertaken through the above – mentioned entities, FUCHS India shall specify the project or programs to be undertaken through these entities, the modalities of utilization of the funds on such projects and programs and the monitoring & reporting mechanism.

- ❖ FUCHS India shall take into account the restrictions and compliances under Foreign Contribution and Regulation Act and rules framed under such Act, while undertaking CSR activities.

- ❖ Implementation and execution of the CSR activities / projects shall be carried out through CSR team of FUCHS India.

- ❖ CSR Committee shall have full discretion to specify or modify the modalities of execution of CSR projects or programs and to determine implementation schedules.

- ❖ FUCHS India shall undertake the CSR activities directly and also through various implementing agencies such as, NGOs, non – profit organizations, etc. Such implementing agencies shall have an established track record as prescribed under the law.

- ❖ FUCHS India may also collaborate or pool resources with other companies to undertake CSR activities in such a manner that each company is in a position to report separately on such CSR projects.

- ❖ Below activities do not qualify as CSR Activities under the Act:

- Projects or activities not falling within Schedule VII of the Act;
- Activities undertaken in pursuance of normal course of business;
- Projects or programs or activities that benefit only the employees of FUCHS India and their families;
- Direct or indirect contribution to any political party.

9. CSR Corpus / Expenditure

- ❖ CSR expenditure shall be calculated per the provisions of the Act and CSR Rules as amended from time to time.
- ❖ CSR Expenditure shall mean all expenditure incurred in respect of specific projects / programs relating to the abovementioned approved CSR activities.
- ❖ CSR Expenditure shall not include expenditure on an item not in conformity or not in line with activities which fall within the purview of the CSR activities listed in Schedule VII.
- ❖ CSR Expenditure shall not include projects or programs, or activities undertaken outside India.
- ❖ The surplus arising out of the CSR activities will have to be ploughed back into the same project or will have to be transferred to the Unspent CSR Account and spent in pursuance of CSR Policy and annual action plan or such surplus amount will have to be transferred to a Fund specified in Schedule VII, within a period of 6 months of the expiry of the financial year.
- ❖ Administrative Overheads shall not exceed 5% of the total CSR expenditure of the company for the financial year.
- ❖ A maximum of either 5 percent of CSR Expenditure or INR 50,00,000 (Indian Rupees fifty lakh) whichever is less may be booked as impact assessment expenditure.
- ❖ Any excess amount spent in a financial year can be set off against the requirement to spend in subsequent financial years up to immediate succeeding three financial years provided that the excess amount available for set off shall not include the surplus arising out of the CSR activities.
- ❖ Expenditure should be made in projects / program mode. Expenditure on one off events like such as awards / charitable contribution / advertisement will not qualify for eligible expenditure for CSR purpose. Expenditure to discharge statutory obligation will not form part of CSR expenditure under the Act.

10. Review and Monitoring

- ❖ It shall be the responsibility of the CSR Committee to review expenditure and monitor activities periodically.
- ❖ A CSR Working Group (CWG) appointed by the CSR Committee will work closely with and support the Board of Directors and the CSR Committee in implementing CSR activities of the Company. The Group will assist the CSR Committee in identifying the areas of CSR activities, programs, and execution of initiatives as per defined guidelines. The Working Group will also assist the Board and CSR Committee in reporting the progress of deployed initiatives and in making appropriate disclosures (internal / external) on a periodic basis.
- ❖ The CSR Working Group will receive requests for funding of projects throughout the calendar year. Its panel of experts will evaluate proposals received and will be prioritized by assessing their impact. It will be ensured that the benefit would go to the community at large and would not be taken based on caste, creed, or religion. The Working Group will then forward its recommendations to the CSR Committee who in turn will forward the same to the Board of Directors. The Board and CSR Committee will deliberate on the proposals and approve proposals for implementation at its discretion.
- ❖ The Working Group will collaborate with stakeholders to monitor the status of each project and will report its findings to the CSR Committee periodically.
- ❖ Records relating to the CSR activities / expenditure shall be maintained. The records shall be submitted for reporting and audit.

11. Impact Assessment

In case the Company has average CSR obligation of Rs. 10,00,00,000 (Indian Rupees ten crore) or more in the 3 (three) immediately preceding financial years shall undertake impact assessment in pursuance of sub section (5) of section 135 of the Act, through an independent agency for projects of Rs. 1,00,00,000 (Indian Rupees one crore) or more which have been completed not less than 1 (one) year before undertaking the impact study.

12. Disclosures

- ❖ The contents of the CSR Policy and composition of the CSR Committee are required to be disclosed on the website, if any, of FUCHS India.
- ❖ At the end of each Financial Year, the Board Report requires to include an annual report on CSR containing particulars in the prescribed format.