

CSR Policy

Preamble

SMEC recognizes the importance of integrating its business values of sustainable economic growth with its environmental and social responsibilities. The SMEC's philosophy is that a small amount of money spent wisely, can produce far-reaching social and economic benefits. It is SMEC India's intention, that wherever possible, it will fulfil its Corporate Social Responsibility (CSR) commitments and ensure it continues to act in a manner which promotes community engagement and sustainability.

Corporate Social Responsibility Policy

This amended CSR Policy supersedes existing CSR Policy with immediate effect.

SMEC India is committed to ensuring the social, environmental and economic wellbeing of communities in the vicinity of its business operations. These activities will focus on the requirements of the Companies Act, 2013 ("the Act"), as amended from time to time and will also include:

- **Eradicating extreme poverty and hunger**

SMEC will promote preventative healthcare, sanitation and the provision of safe drinking water.

- **Promotion of education**

SMEC will promote the provision of employment-enhancing vocational skills particularly to the underprivileged community.

- **Gender equality and the empowerment of women**

This will focus on measures aimed at reducing gender inequality particularly those faced by the less privileged social groups.

- **Ensuring environmental sustainability**

Ensuring environmental sustainability is fully considered as part of the work we undertake.

- **Reducing child mortality and improving maternal health**

This involves the better management of neonatal and childhood illnesses and improving child survival, particularly among vulnerable communities.

Functions to be Discharged by the Board

- (a) To approve CSR Policy indicating activities to be undertaken as specified in prescribed Schedule VII of the Act;
- (b) To approve the amount of expenditure to be incurred on activities to be undertaken as specified in the prescribed schedule;
- (c) To monitor implementation of the CSR Policy from time to time.
- (d) To approve Annual Action Plan and its subsequent modification, if any. Annual Action Plan shall broadly cover
 - The list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
 - The manner of execution of such projects;
 - The modalities of utilization of funds and implementation schedules for the projects or programmes;
 - Monitoring and reporting mechanism for the projects or programmes;
 - Details of need and impact assessment, if any, for the projects undertaken by the Company.
- (e) The Board shall ensure that the CSR activities are undertaken by the company itself or through -
 - (i) 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 (43 of 1961), established by the company, either singly or along with any other company, or
 - (ii) 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
 - (iii) any entity established under an Act of Parliament or a State legislature; or
 - (iv) 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.

Every entity, covered under sub-rule (1), who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the **01st day of April 2021**:

Provided that the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the **01st day of April 2021**.

- (i) Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice.
 - (ii) On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.
- (f) Monitoring the utilization of funds towards approved CSR Activities;

- (g) Evaluate actual CSR performance and impact such activities are making on the people, society and environment;
- (h) Corrective measures to be taken to rectify deviations (if any);
- (i) Reporting requirements under the CSR provisions;
- (j) Interaction with beneficiary communities to obtain feedback whenever it deems necessary for effective discharge of its responsibilities
- (k) Review that all CSR spends including their utilization and any amount remaining unspent are in accordance with the guidelines defined in the CSR Policy and the CSR Rules under the Companies Act, 2013, as amended from time to time.
- (l) Compliance with disclosure requirements with respect to information to be disclosed on the website of the Company.
- (m) The Board shall monitor smooth implementation of ongoing projects within the approved timelines/ year-wise allocations and shall have the power to make modifications in the on-going projects to ensure implementation within the permissible time limit.

Monitoring and Review Mechanism

The administration of the CSR Policy and the execution of identified CSR projects, programmes or activities under it will be carried out under the overall superintendence and guidance of an internal monitoring group formed for this purpose.

The internal monitoring group shall submit its report periodically to the Board which shall monitor the CSR Policy of the Company from time to time.

Further, any or all provisions of the CSR Policy would be subject to revision/amendment by the Board of Directors of the Company.

CSR Expenditure

SMEC's CSR expenditure shall include all expenditure, direct and indirect, incurred by the company on activities as outlined in the policy. Any surplus arising from CSR projects shall be used for further CSR activities and will not be added to the normal business profits.

In case the Company is not able to make required expenditure on the above-mentioned CSR activities during the year, it will contribute the required amount to the Prime Minister's Relief Fund or any other Fund prescribed under the Schedule VII to the Companies Act, 2013.

The Board shall ensure that the administrative overheads shall not exceed 5% of the total CSR expenditure of the Company for the financial year.

The surplus, if any, arising out of CSR initiatives of the Company shall not form part of its business profits and shall be:

- ploughed back into the same project or

- transferred to the unspent CSR Account and spent in pursuance of this CSR Policy and Annual Action Plan of the Company or to a Fund specified in Schedule VII, within six months from the end of the financial year.

The CSR amount may also be spent by the Company for creation or acquisition of a capital asset, which shall be held by:

- Company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number; or
- Beneficiaries of the said CSR project, in the form of self - help groups, collectives, entities; or
- Public authority.

CSR spent in excess of 2% of its average net profits: In case the Company spends an amount in excess of requirement provided under sub-section (5) of Section 135 of the Act, such excess amount may be set off against the requirement to spend under sub-section (5) of Section 135 of the Act up to immediate succeeding three FYs 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,
- (ii) The Board of the Company shall pass a resolution to that effect.

The following activities / contributions shall not constitute CSR expenditure:

- (i) Activities undertaken in the normal course of business, except for research and development (R&D) activities for new vaccines, drugs and medical devices in their normal course of business to undertake and include R&D activities for new COVID- 19-related vaccines, drugs and medical devices for the financial years 2020-21, 2021-22 and 2022-23 under the CSR policy subject to conditions that:
 - A. R&D activities are undertaken in collaboration with institutes or organizations mentioned in item (ix) of Schedule VII to the Act
 - B. details of such activity are disclosed in annual CSR report
- (ii) Any activity undertaken outside India except for training of Indian sports personnel representing any State or Union territory at the 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.
- (v) Activities supported by companies on a 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.

CSR Budget

The Board shall ensure that the Company spends in each financial year (“FY”), at least two per cent of the average net profit (calculated as per Section 198 of the Act) made during the three immediately preceding FYs (CSR Budget).

If the Company is unable to spend the prescribed 2% of its average net profit as mentioned above, the Board will review the reasons for the same and place the same with justification to the Board.

The Company will report reasons for not spending the entire Budget outlay for CSR allocated in any FY.

The Company has to provide reason for not spending such amount in that FY. Further, it will not dilute the fund allocation requirement for such next FY.

Any amount remaining unspent under sub-section (5) of Section 135 of the Act, pursuant to any ongoing project, fulfilling such conditions as may be prescribed under law, undertaken by the Company in pursuance of this CSR Policy, shall be transferred by the Company within a period of thirty days from the end of the FY to a special account to be opened in that behalf for that FY in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent in pursuance of its obligation towards this CSR Policy within a period of three FYs from the date of such transfer, failing which, the amount shall be transferred to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third FY.

Documentation, Reporting and Disclosures

In compliance with the provisions of the Act, and in preparation of the Annual CSR Report as per the prescribed reporting format, the Board will ensure the following reporting requirements:

1. All CSR Projects / Programmes are comprehensively documented;
2. All appropriate MIS are maintained, in a suggestive template;
3. Accountability is fixed at every level of the CSR process and the implementation apparatus;
4. Details of impact assessment of CSR Projects, where required;
5. Set-off of any excess CSR amount against future CSR obligations;
6. Amount spent on administrative overheads, impact assessment, if applicable, and on ongoing projects; etc.
7. Certification of utilisation of CSR funds

The Board shall satisfy itself that the funds of CSR 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.

Disclosure in the Annual Report of the Company

The details about the Policy developed and implemented by the Company on CSR, initiatives taken during the year and details of CSR spent during the FY shall be disclosed in the Annual Report of the Company, pursuant to the provisions of the Act.

This policy shall be subject to amendments under the Act or any other applicable law or regulation.

Mandatory Impact Assessment

If the Company's average CSR obligation exceeds INR 100 million in the three immediately preceding FYs, the Company is required to undertake impact assessment through an independent agency for CSR projects of INR 10 million or more and which have been completed not less than one year before undertaking the impact study.

The impact assessment reports are to be placed before the Board and annexed to the Annual CSR Report.

Expenditure on impact assessment may be accounted for towards CSR of that financial year, which shall not exceed five percent of the total CSR expenditure in the relevant financial year or INR 5 million, whichever is less.

Disclosure on the Website of the Company

The Board shall ensure mandatorily disclosure of the following on the website of the Company:

- Composition of the CSR Committee, if any
- Projects approved by the Board
- CSR Policy

CSR Activities as Provided in the Schedule VII, as may Amended from Time to Time

- (i) eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation and making available safe drinking water;
- (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (iii) 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;
- (iv) 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;
- (v) 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 arts and handicrafts;
- (vi) measures for the benefit of armed forces veterans, war widows and their dependents;
- (vii) training to promote rural sports, nationally recognised sports, paralympic sports and 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 and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- (ix)
 - A. 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
 - B. (b) 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)
- (x) rural development projects.

(xi) (xi) slum area development.

Explanation. — For the purposes of this item, the term ‘slum area’ shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.”