

MERITOR (HVS) INDIA LIMITED

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POLICY ON CORPORATE SOCIAL RESPONSIBILITY**Philosophy :**

At Meritor HVS (India) Limited (MHVSIL), CSR has evolved over decades on minimal scale with the simple objective of “improving the community at vicinity of the company”. Now, we wish to scale-up our CSR activities through the initiatives aimed at improving the lot for needy, deprived and marginalized sections of the society including economically deprived children, women and senior citizens as well as the overall welfare of the community and make a difference in living standards so that they can be an integral part of the mainstream of growth and development.

Objective

The Companies Act, 2013 has mandated the inclusion of the Corporate Social Responsibility as an attempt to supplement the government’s efforts of equitably delivering the benefits of growth and to engage the Corporate World with the country’s development agenda. On the one hand, India has grown to be one of the largest economies in the world, and an increasingly important player in the emerging global order, on the other hand, it is still home to the largest number of people living in absolute poverty and the largest number of undernourished children. This is the picture of uneven distribution of the benefits of growth which many believe, is the root cause of social unrest.

According to Indian Institute of Corporate Affairs, a minimum of 6,000 Indian companies will be required to undertake CSR projects in order to comply with the provisions of the Companies Act, 2013 with many companies undertaking these initiatives for the first time. This combination of regulatory as well as societal pressure has meant that companies have to pursue their CSR activities more professionally to remain aligned with the requirements of the Companies Act, 2013.

In the Companies Act, 2013 three criteria have been prescribed for applicability of CSR. MHVSIL meets with one of the criteria i.e., the Net Profit of more than Rs.5 Crores. Accordingly, MHVSIL has to comply with Section 135 of the Act w.e.f 1st April 2014.

Definitions:

In this policy, unless the context otherwise requires :

- (a) **“Act”** means the Companies Act, 2013 and rules made there under (as amended);
- (b) **“Corporate Social Responsibility (CSR)”** means and includes :
 - i) Projects or programs relating to activities specified in Schedule VII to the Act; or

- ii) Projects or programs relating to activities undertaken by the Board of Directors of the Company in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the Company subject to the condition that such policy shall cover subjects enumerated in Schedule VII of the Act.
- (c) **“Committee”** means as per the Act, consisting of minimum 3 directors out of which at least one director, if applicable, shall be Independent Director for strategizing, planning, executing and monitoring the CSR activities.

Authority

In pursuance of Section 135 of Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 the Board of Directors, after taking into account the recommendation made by the CSR Committee, approved the CSR Policy in its meeting held on 14th August 2014.

Organisational Mechanism and Responsibility

- ✓ CSR programmes/projects as may be identified by the Management within the framework of CSR areas mentioned in **Annexure I** shall be required to be put-up to the CSR Committee at the beginning of each financial year.
- ✓ Thereupon, the CSR Committee shall recommend the CSR projects/programs, specifying modalities of its execution and the amount of expenditure to be incurred on the projects/programs. Upon recommendations of the CSR Committee, the Board shall approve such CSR projects/programs and the amount of expenditure.
- ✓ The CSR Committee shall appoint person(s) i.e., project heads, who shall be responsible for ensuring the compliance in their area of responsibility in terms of related CSR projects/programs.
- ✓ The Board shall endeavour to spend in every financial year, 2(two) per cent of average net profits (profits before tax) of the Company made during the 3 (three) immediately preceding financial years in pursuance of this policy, as per the related provisions under the Act and rules thereunder. CSR expenditure shall include all expenditure including contribution to corpus or on projects or programs relating CSR activity areas mentioned in this policy at Annexure I.
- ✓ Surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.
- ✓ Appropriate documentation of the CSR Policy, annual CSR activities, executing partners, and expenditure entailed shall be undertaken on a regular basis
- ✓ Compliance with this policy including following-up of implementation schedules for such CSR projects/programs shall be periodically monitored by CSR Committee subject to the review by the Board of directors from time-to-time.

- ✓ For meeting the requirements arising out of immediate and urgent situations with regard to formulated CSR projects/programs, the Executive Director of MHVSIL is authorized to approve such proposals in terms of the empowerment accorded to him by the CSR Committee.
- ✓ The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities

What is not a CSR Activity :

- ✓ CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities
- ✓ CSR projects or programs or activities undertaken outside India shall not amount to a CSR Expenditure
- ✓ Contribution of any amount directly or indirectly to any political cause shall not be considered as CSR activity
- ✓ Activities undertaken in pursuance of normal course of business of a Company

Responsibility of the Board

- ✓ Ensure that the activities as are included in CSR policy of the company are undertaken by the company
- ✓ Ensure that the activities included by a company in its Corporate Social Responsibility Policy are related to the activities included in Schedule VII of the Act and rules framed there under.

Responsibility of CSR Committee

- ✓ To ensure that the company spends in every financial year the earmarked amount in pursuance of its CSR Policy.
- ✓ To institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

Implementation :

- ✓ The time period/duration over which a particular programs/projects shall be spread over, shall depend on its nature, extent of coverage and the intended impact of the program project.
- ✓ The investment in CSR shall be project based and for every project time period, periodic milestones shall be finalized by CSR Committee from time to time in consultation with the related project head.
- ✓ Project activities identified under CSR are to be implemented either by personnel of the Company or through a registered trust or a registered society or associate company as defined under section 2(6) of the Companies Act, 2013 or otherwise or by specialized agencies



nominated by CSR Committee from time to time. Such specialized agencies would include Companies defined under section 8. Voluntary Organizations, NGO's, Self Help Groups, Mahila Mandals, Professional consultancy organization etc.,

- ✓ Specialized agencies and personnel authorized in this regard could be made to work singly or in tandem with other agencies. The Company to specify the project to be undertaken by such entity and modalities of utilization of funds for such projects with implantation schedules, monitoring and reporting mechanism.
- ✓ Total expenditure of building CSR capacities of the Company's personnel as well as their implanting agencies, having established track records of atleast 3 years, shall not exceed 5% of total CSR expenditure of the Company in one particular financial year.
- ✓ 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 Companies (Corporate Social Responsibility Policy) rules, 2014 (as amended)

Reporting Requirements

- ✓ The Board's Report has to disclose the Composition of CSR Committee in Annual Report
- ✓ The Board's Report of a company pertaining to the financial year commencing on or after the 1st day of April, 2014 shall include an annual report on CSR containing particulars specified in Annexure II
- ✓ The CSR policy needs to be published in the website of the Company
- ✓ If the Company fails to spend such amount as prescribed, the Board has to report the reasons for not spending the amount.
- ✓ In Annual Report 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.

General

- (a) In case of any doubt with regard to any provision of the policy and also in respect of matters not covered herein, a reference to be made to CSR Committee. In all such matters, the interpretation and decision of the Chairman of the Committee shall be final.
- (b) Any or all provisions of the CSR Policy would be subject to revision/amendment in consultation with CSR Committee and in accordance with the guidelines on the subject as may be issued by the Government, from time to time.
- (c) The Company reserves its right to modify, cancel, add, or amend any of these Rules. However, this policy, in whole or in part, shall stand modified/amended from time-to-time, without any further act on the part of the Company, as and when there would be any statutory modification(s)/amendment(s)/revision(s) to the applicable provisions thereto.

In case any difficulty or doubt arises in the interpretation of this 'Corporate Social Responsibility Policy', the decision of the Chairman or Whole-time Director shall be final.

(As approved by the Board of Directors of MHVSIL at its meeting held on 14th August, 2014).

For Meritor HVS (India) Limited



B.N.Kalyani
Deputy Chairman

Pune : 14.08.2014

ANNEXURE I

Activities which are to be carried on as Corporate Social Responsibility

The company will consistently explore and undertake CSR Projects or programs relating to the activities in any of the fields enumerated below with a preference to carry on such activities within the local area(s) around it, wherever it operates :

- (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 and empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- (iv) reducing child mortality and improving maternal health;
- (v) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water;
- (vi) training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
- (vii) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- (viii) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- (ix) Rural development projects;
- (x) Any other matter which may be prescribed by the Ministry of Corporate Affairs from time to time

Annexure II

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

1. A brief outline of the 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 per cent. Of the amount as in item 3 above)
5. Details of CSR spent during the financial year.
 - (a) Total amount to be spent for the financial year;
 - (b) Amount unspent, if any;
 - (c) Manner in which the amount spent during the financial year is detailed below.

1	2	3	4	5	6	7	8
S.No	CSR project or activity identified	Sector in which the project is covered	Projects or programs	Amount outlay (budget) project or program wise	Amount spent on the projects or programs	Cumulative expenditure upto the reporting period	Amount spent:
			1. Local area of other		Sub - heads:		Direct or through implementing agency
			2. Specify the state and district where projects and programs were undertaken		1. Direct expenditure on projects or programs 2. Overheads		
1							
2							
3							
	Total						

*Give details of implementing agency: