

**BALKRISHNA INDUSTRIES
LIMITED**

**CORPORATE SOCIAL
RESPONSIBILITY POLICY**

PREFACE:

Policy Title	Corporate Social Responsibility
Version Number	1.1
Effective Date	2 nd August, 2014
Authorised by	Board of Directors
Number of Revisions	1 (One)
Last Revised Date	17 th May, 2018

1.0 Background

- 1 Balkrishna Industries Limited ('BKT') is one of the world's leading manufacturers of "OFF-HIGHWAY tires". BKT has the widest product range with more than 2000 SKU's (Stock Keeping Units) and is "One Stop Shop" for all off-highway tyre solutions.
- 2 BKT has made its mark in the specialty segments like Agricultural, Construction, Industrial, Earthmover, Port, ATV (All-Terrain Vehicle) and Turf care applications in both cross ply & radial construction.
- 3 BKT considers their responsibility to work and contribute towards social cause. In the past, earnest efforts have been taken in this direction by the BKT group in providing school education for the under privileged and needy; and funding various hospitals for free medical services to the poor and needy.

2.0 Title and Applicability

- 1 BKT (hereinafter referred to as 'the Company') CSR policy has been developed in consonance with section 135 of the Companies Act, 2013 as amended from time to time (referred to as 'the Act' in this policy) on CSR and in accordance with the CSR rules (hereby referred to as the Rules in this policy) notified thereof by the Ministry of Corporate Affairs.
- 2 The Policy shall apply to all the CSR projects/ programmes undertaken by the Company in India as per Schedule VII of the Act as amended from time to time.
- 3 The Policy shall apply to BKT including its subsidiaries, and all their employees.

3.0 CSR Vision Statement

The CSR vision of the Company is "**Promotion of Education, Health and Rural Development**".

The Company commits itself to creating a more equitable and inclusive society by supporting processes that lead to sustainable transformation and rural development. BKT either by itself or

through vibrant and innovative partnerships with the Government, NGO's and Other Organisations, will promote quality education and healthcare for all vulnerable sections of society and also undertake rural development initiatives.

The Company further commits itself to support the Country in the areas of Food relief (eradicating hunger), Health Services and Environmental Sustainability Programme in the case of any natural disaster or calamity (*viz.* floods, earthquake etc.). BKT either by itself or through partnerships with the Government, NGO's and Other Organisations, will extend its support in the measures for rescue, relief and rehabilitation.

4.0 Validity of CSR Policy

The Board shall review the CSR policy on a regular basis and the CSR policy will be amended as and when required.

5.0 CSR Programme Areas & Objectives

The Company is committed to play a broader role in the communities in which it operates by way of supporting various initiatives through funding, fund raising and/or volunteering activities. The Company will focus on the areas of Education, Healthcare and Rural Development in order to fulfill its CSR objectives.

In order to achieve its goal, the Company will support the following initiatives:

- 1. Girls Education Programme:** An educated girl is more likely to earn more, raise a smaller family, have healthy children, participate in politics and send her children to school. Education is the key to empowering women and girls, which helps bring about social equality.

Objective:

Through its Girls Education Programme, implemented directly or through collaboration with communities and non-profit organisations, NGOs, etc., the Company intends to contribute to the education of girls across different sections of society. The objective of this programme is to improve literacy rate and enhance the confidence of girls and help them in moving a step closer to economic independence in a longer run.

The Company endeavors to make important improvements in access to and quality of education for girls, especially among poor, marginalised and vulnerable girls. Realising that there are multi-tiered bottlenecks around issues of access, availability and quality of education, the programme, in partnership with the Government of India and non-profit organisations, will address the problems on many levels, including both within the formal school system and through a number of alternative approaches to schooling.

- 2. Education Programme:** Children and youth are the future of the nation. For an emerging and developing country like India, development of underprivileged children and youth holds the key to the progress of the nation itself.

Further, Education plays an important role in development of an individual's career. It is both the means as well as the end to a better life: the means because it empowers an individual to

earn his/her livelihood and the end because it increases one's awareness on a range of issues – from healthcare to appropriate social behaviour to understanding one's rights – and in the process help him/her evolve as a better citizen.

Education is the most effective tool which helps children and youth build a strong foundation; enabling them to free themselves from the vicious cycle of ignorance, poverty and disease.

Objective:

Through its Education Programme, implemented directly or through collaboration with communities and non-profit organisations, NGOs, etc., the Company intends to sponsor the education of the needy and underprivileged children and students by providing merit based scholarships. The Company may *inter alia* also undertake activities to improve the facilities at the schools, colleges or universities. For example, sponsoring or improving the computer lab facilities, improving the classroom facilities in schools, colleges or universities, providing support to under construction schools, colleges or universities, providing / sponsoring drinking water facility or sanitation facilities in the schools, colleges or universities assistance in providing training programmes to the teachers, etc. The Company may also take other activities as found necessary which furthers their education agenda.

- 3. Healthcare Programme:** India has made rapid strides in the health sector since independence. However, various eye opening data from National Family Health Survey ('NFHS') clearly indicate that access to healthcare still remains a challenge.

While the health statistics of rural India continue to be poor, the health status and access to health services of urban slum dwellers on the other has also surfaced to be equally deplorable. Despite accounting for majority of the country's population, rural areas have very few government primary health care facilities.

Rural population suffer from adverse health conditions owing to mainly two reasons –first the lack of education and thus lack of awareness; and second the unwillingness to lose a day's wage in order to reach the nearest medical facility.

The neglect in even the simplest preventive medical treatment usually leads to a more serious ailment and eventually into deaths. The need of the hour is thus a two pronged approach – first to bring quality health care services to doorsteps of the needy and second to promote healthcare awareness and contemporary health care services seeking behavior among the underprivileged.

Objective:

Through its Healthcare Programme implemented directly or through collaboration with communities and non-profit organisations, NGOs etc, the Company intends to improve the lives of children and adults and mission to ensure health with dignity to every underprivileged children and adult.

The Company intends *inter alia* to sponsor the basic healthcare facility which may include providing free medical facilities of the needy and underprivileged population. The Company may sponsor the medical treatment of poor and needy patients by directly paying the medical and

other expenses to the Hospitals or other medical institutions. The Company may *inter alia* also undertake activities to improve the facilities at the hospitals in the rural areas or the areas of operation. For example, sponsoring or improving the pathological lab facilities, improving the room facilities in the hospitals, providing / sponsoring Ambulance Facilities and/ or Blood Banks, maternity centres, eye care centres, operation theatres etc, providing / sponsoring drinking water facility or sanitisation facilities in the hospitals etc.

Being homeless and daily wage earners, sometimes these underprivileged people are left out of the routine health programmes. Specialized and multi-disciplinary health camps are the only solutions for them, especially children and young mothers. The Company will work towards these areas and endeavor to organise health camps and / or blood donation camps, etc., to improve the health of the underprivileged population. The Company may also take other activities as found necessary which furthers their health related agenda.

- 4. Rural Development Programme:** The Rural India is faced with huge disparities in terms of poverty, uneducation, inequality, unemployment, etc. Each disparity is a vicious circle in itself leading to another disparity and ultimately resulting into economic and social backwardness. Rural Development is a key to a nation's overall development. India has a huge amount of population residing in the rural areas. Therefore, Rural Development is very essential to bring a socio-economic balance in the country.

Objective:

Through its Rural Development Programme implemented directly or through collaboration with communities and non-profit organisations, NGOs, etc., the Company intends to contribute to the sustainable and inclusive growth of rural India through the multi pronged strategy for eradication of poverty by increasing livelihood opportunities, providing social safety net and developing infrastructure for growth and improvement of quality of life in rural India.

The Company may *inter alia* undertake activities ranging from development of roads and other infrastructure facilities, contributing in providing water supply by building wells, bore wells, water conservation and management, utilization of non-conventional sources of energy, constructing/ sponsoring community halls etc. The Company may also undertake other activities like awareness creation and empowerment of people to preventive health care, sanitation, environmental improvement, promotion of rural technologies and other economic activities.

The Company intends to give priority to the reduction of poverty and suffering by addressing the problem of contaminated water supplies, food shortage and inadequate shelter. The Company may also take other activities as found necessary which furthers their rural development agenda.

- 5. Food relief (eradicating hunger), Health Services and Environmental Sustainability Programme:** Natural disaster or calamity such as floods, earthquake, etc., could cause mass destruction and also result in huge distress among the people affected. The people face problems of hunger, loss of residence, injuries and health problems on account of natural disaster or calamity.

Objective:

Through its Food Relief (eradicating hunger), Health Services and Environmental Sustainability Programme implemented directly or through collaboration with Government, communities and non-profit organisations, NGOs, etc., the Company intends to contribute to the rescue, rehabilitation and providing relief to the people affected by the natural disaster or calamity. The Company may also donate funds to Prime Minister National Relief Fund to support the national cause in rescue, relief and rehabilitation of the calamity affected population.

The Company may also *inter alia* undertake activities ranging from providing food and medical facilities to the calamity affected people, building rehabilitation camps, providing drinking water to the calamity affected people, etc.

6.0 CSR Budget

- 1 The Board shall endeavor that in each Financial Year the Company spends at least 2 percent of the average net profit made during the immediate three preceding financial years in accordance with Section 135 and rules thereof of the Act as may be amended from to time.
- 2 The unutilized CSR budget from the 2% of the average net profit will be parked in a CSR Fund (Corpus) created by the Company clearly specifying the project to which the amount will be spent. This Fund will also include any income arising there from and any surplus arising out of CSR activities.
- 3 The CSR Committee shall recommend the project-wise annual budgeted expenditure to the Board for its consideration and approval.
- 4 The Company may collaborate or pool resources with other Organizations or Companies to undertake the CSR activities in accordance with Section 135 and rules thereof of the Act as may be amended from to time.

7.0 Implementation process

- 1 The ongoing Company CSR programmes will be aligned with section 135 of the Companies Act. This CSR Policy builds on the learning and good practices of the ongoing CSR activities.
- 2 **Execution Modality:**
 - The mode of implementation will include a combination of direct implementation and implementation through own trust/foundation/society set up by the Company and partners such as NGOs, business partners, registered societies, etc. The Company will select its partners after adequate due diligence.
 - The mode of implementation will also include employee volunteering. The Company's employee volunteering will involve the Company's employees in the community initiatives it undertakes and help them contribute towards the society.
 - CSR programme will be undertaken by the Company within the defined ambit of Need Assessment carried out by the Company.

- The Company may use the services of government / expert agencies, consultancy firms, etc., wherever required for guidance on project design and implementation, impact assessment surveys etc.
- The time period/duration over which a particular programme will be spread, will depend on its nature, extent of coverage and the intended impact of the program.

3 Monitoring of Projects: The Company will set measurable targets for its social projects wherever possible and will have a robust monitoring and evaluation mechanism for its CSR projects.

It will aim to ensure that every programme has:

- clearly defined objectives (developed out of existing societal needs determined through studies/research/ field visits by the employees of the Company etc.), targets and time lines.
- a robust progress monitoring system
- undertake impact assessments as per the evaluation plan developed by the Company.
- a reporting framework and system in aligned with the requirements of the Act.

8.0 CSR Governance Structure



9.0 Roles and responsibilities

The Board:

The Board of Directors of the Company will be responsible for:

- constituting the CSR committee through a Board resolution with the defined composition and tenure.
- approve the CSR policy as formulated by the CSR Committee through a Board resolution.
- disclose in its Annual Report the names of the CSR Committee members, the content of the CSR policy and ensure annual reporting of its CSR activities on the Company website and Directors' Report in such manner as prescribed under Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014. ('CSR Rules') as amended from time to time.

- ensuring that the projects included in the Policy are undertaken by the Company
- ensuring that the Company endeavors to spend, in every financial year, at least 2% of the average net profits of the Company made during the three immediately preceding financial years in pursuance of the Policy or as per applicable provisions of Act as amended from time to time.
- endeavor that the Company gives preference to the local areas around its operations for spending the amount earmarked for CSR projects.
- ensuring that it specifies the reasons in its report for not spending the allocated amount in case the Company fails to spend such amount.
- ensure annual reporting of CSR policy to the Ministry of Corporate Affairs, as per the prescribed format.

CSR Committee:

1. **Composition of the CSR committee:** The Board of Directors of the Company shall constitute the committee to be known as the Corporate Social Responsibility Committee (“Committee”) consisting of three or more Directors, out of which at least one Director shall be an Independent Director. In case, Company not required to appoint Independent Director under Section 149 (4) of Act, in that case, Committee shall consist of two or more Directors without any Independent Director.

The Board shall have the powers to make any change(s) in the constitution of the Committee.

2. **Tenure the CSR Committee:** The tenure of the CSR Committee will be determined by the Board.
3. **Responsibility of the CSR Committee:**
 - formulate and recommend the CSR Policy to the Board for approval
 - identify and recommend the CSR projects to be undertaken by the Company, which are in line with the activities specified in Schedule VII and outlined herein above.
 - recommend the amount of expenditure to be incurred on CSR projects
 - constitute a transparent monitoring mechanism for ensuring implementation of the CSR projects undertaken by the Company
 - monitor the Policy from time to time and recommend changes to the board

10.0 Monitoring and Reporting Framework

In compliance with the Act and to ensure funds spent on CSR programmes are creating the desired impact on the ground a comprehensive Monitoring and Reporting framework is being put in place. The monitoring and reporting mechanism is divided into three distinct areas:

- Project Monitoring

- Evaluation
- Reporting and Documentation

Project Monitoring:

- 1 Project monitoring mechanism will ensure:
 - The CSR policy is implemented as per the Act and the Rules as amended from to time.
 - The CSR policy is implemented ensuring that all projects/programmes as budgeted are duly carried out.
- 2 A separate budget will be earmarked for set up and implementation of the monitoring system. The cost incurred (will be/can be) billed to the CSR spend of the Company.
- 3 CSR spends will be closely monitored and funds shall be released against verified utilisations as per the approved work plans. This may include monthly field visits, comprehensive documentation, and regular interaction with the beneficiary communities.
- 4 The CSR progress monitoring authorities and the frequency of review is given below.

S. No.	CSR Progress Review and Monitoring Authority	Frequency of review
1	Board of Directors	Half Yearly
2	CSR Committee	Quarterly

Evaluation

1. A robust BKT monitoring mechanism and evaluation plan will be put in place.
2. Expected outcomes, outputs and inputs will be clearly defined for each project as per stated timelines.
3. There shall be clarity about the scope of the project and the need before evaluations are undertaken.
4. Third parties may be engaged to ensure objective assessment and end line parameters.
5. Head of CSR will be authorised to decide whether it will be internal, external or third party evaluation.

Reporting and Documentation

The Company will ensure CSR reporting annually in the format recommended in the CSR rules as part of its Annual Report.

The CSR Committee will prepare the annual CSR Report to be filed by the Company on approval of the Board. This report will ensure:

- CSR Projects and Programmes are being properly documented.

- An MIS is maintained on spending across sectors, geographies and beneficiaries impacted. The MIS structure will be in alignment with the prescribed reporting format.
- Accountability is fixed at each level of CSR process and implementation.
- A repository of case studies and good practices will be maintained.
