
Corporate Social Responsibility
Policy
SKF India Limited

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Version	Prepared By	Changes & Reasons for Change
1.0	Shrikant Savangikar	Amendment in the schedule VII of the companies Act 2013 via notification
2.0	Seema Suman /Prashant Pednekar	Updating CSR Project and adding new initiatives
3.0	Aparna Srivastava	The Companies (Corporate Social Responsibility) Amendment Rules, 2021 notified and is effective 22 nd January, 2021

1. INTRODUCTION AND BACKGROUND

SKF India Limited ("the Company" or "SKF") has been operating since 1965, with various Manufacturing locations and many regional sales offices across the country with a network of distributors and retailers all across India. SKF Globally and in India has been operating with certain Core Values and Drivers and under the aegis of the "SKF Care" model as elaborated below and is a Socially Responsible Corporate going beyond legal and statutory requirements of Corporate Social Responsibility.

1.1 SKF values and "SKF Care" model / Guiding Principles

SKF operates with the core values of High Ethics, Openness, Empowerment and Teamwork. The Drivers at the core of its working are - Grow with Profit, Quality, Innovation, Simplicity, Speed and, Sustainability.

At SKF, it is not only important that we make profits but also the way we make them. In accordance with this philosophy, SKF has put in an "SKF Care" model guiding all our operations. The Model has 4 components, namely – "Business care", "Employee care", "Environment care" and "Community care".

Business Care



Employee Care



Environment Care



Community Care

SKF
Care

1.2 SKF Community Care Principles

Under this model, SKF's community care program is structured in accordance with United Nations Global Compact Principles and the Business Charter for Sustainable Development by International Chamber of Commerce and SKF Social Policy as put up below.

1.3 SKF Social Policy

SKF believes that a successful business entity of today and tomorrow is one that understands the importance of responding to community challenges such as poverty, illiteracy, and health. As a responsible corporate citizen of the country, SKF believes it has an important role to play to enable communities and economies to prosper and support a sustainable and inclusive growth of the nation.

Accordingly, SKF's management is actively encouraged to find ways and activities by which SKF and its employees can make a positive and lasting impact on the society and the communities in which we operate. The positive contributions typically come from involvement in projects and initiatives which aim at building capabilities and skills for disadvantaged communities through education and employment-enhancing vocational training, supporting local sports and health initiatives and stimulating other voluntary work such as conservation of natural resources and waste management.

1.4 SKF Global Community Care program areas

The areas in which SKF Globally has been committed to run community care programs are as below –

- Education and vocational training
- Sports and culture
- Health
- Helping underprivileged people
- Event/prize/award

2. SKF IN INDIA: COMMUNITY CARE PROGRAM

Despite being one of the fastest growing economies globally, India continues to face challenges in the areas of social and environmental development such as income inequality, food insecurity, gender discrimination and environmental degradation along with uneven access to healthcare, sanitation, water and education.

Since the needs on these multiple fronts are vast, it is important for businesses to partner with the government and social sector to work together in addressing these issues and make a meaningful contribution.

In this regard and keeping with the spirit of SKF Values, the Company has embarked on a journey of undertaking well-planned initiatives that are outcome-oriented and measurable, with the overall objective of driving positive change in societies and creating sustainable impact. and now across various other locations in India.

The Vision: SKF India's vision guiding all our community care programs is -

"To create a Positive change in the life of the communities where we are present, and through our activities create a meaningful difference from the recipients' perspective"

The Mission: Based on above vision, the SKF's community care program is initiated with a mission of working with disadvantaged section of communities. In pursuit of the above, the Company has identified the following focus areas for its CSR Programs based on comprehensive need assessment surveys of its stakeholders: Education: Holistic education including sports education for children

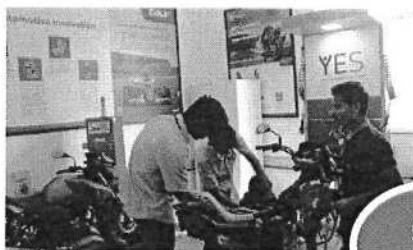
- Empowerment through skill and vocational training
- Environmental sustainability including conservation of natural resources and waste management

The mission is to run the programs in all or any of the above areas through structured short and long-term and high-impact activities, by volunteering of our highly-skilled employees and in partnership with like-minded community care professionals with suitable credentials.

Currently, four flagships programs identified are as under-

- YES - Youth Empowerment at SKF
- SSEP- SKF Sports Education Program
- Empowerment of girls and Young women.
- Environmental Sustainability program.

Youth Empowerment at SKF -YES



Empowerment of girls and young women



Sports Education



Environmental Sustainability

SKF will initiate, run and monitor structured flagship and non-flagship, short and long-term high-impact programs along with selected community care professionals. SKF will encourage employees to volunteer for these programs to enhance the sustainability and effectiveness and drive positive change.

3. SCOPE AND APPLICABILITY

The Corporate Social Responsibility (CSR) Policy has been developed in consonance with Section 135 and Schedule VII of the Companies Act, 2013 ("the Act") and in accordance with Companies (Corporate Social Responsibility Policy) Rules, 2014 (Rules) as amended from time to time. The Policy shall act as an approach and direction to be followed by the Company for selection, implementation, monitoring of activities as well as formulation of the annual action plan and the areas or subjects in which Company shall undertake those activities, as approved by the Board on recommendation of the CSR Committee from time to time.

This CSR Policy applies to all CSR projects to be undertaken by the Company and shall be periodically reviewed and updated by the CSR Committee with the approval of the Board in accordance with Applicable Laws.

The CSR Activities to be undertaken by the Company shall not include:

- a. Activities undertaken in pursuance of its normal course of business of the Company.
- b. Any activity undertaken by the company outside India excluding training of Indian sports personnel representing any State or Union territory at national level or India at international level.
- c. The activities which are exclusively for the benefit of the Company employees as defined in clause (k) of Section 2 of the Code on Wages, 2019.
- d. Contribution of any amount directly or indirectly to any political party under Section 182 of the Act.
- e. Sponsorship activities supported by the Company for deriving marketing benefits for its products or services.
- f. Activities carried out for fulfillment of any other statutory obligations under any law in force in India.

4. CSR SPEND APPROACH

- a) The Board of the Company shall endeavour to spend in each Financial Year (FY), at least two per cent of the average net profits (calculated as per Section 198 of the Act) accrued during the three immediately preceding FY's on CSR projects/ programs/activities.
- b) In the event that the amount indicated above is not spent in its entirety in that FY despite best efforts, the reasons thereof will be specified in the Board Report, and unless such unspent amount relates to any on-going project, it shall be transferred by the company to any fund included in schedule VII of the Act within a period of six months of the expiry of that financial year.
- c) For each FY, the CSR Committee of the Board shall formulate and recommend to the Board an Annual Action Plan specifying:

- (i) identified projects/programs/activities to be undertaken in areas or subjects specified in Schedule VII of the Act;
 - (ii) manner of execution of the same along with budgets allocated for such projects/programs as per the CSR program;
 - (iii) modalities of utilisation of funds and implementation schedules for the projects/programmes;
 - (iv) Monitoring and Reporting mechanism,
 - (v) Need and impact assessment (if any) for the projects/programmes.
- d) In an event where the Company makes any surplus or profit from pursuing its CSR project/programs, these will not form part of the business profit but will, instead, be deployed back into the same project.
- e) The surplus if not deployed back into the same project 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.

“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 Unspent Amount and shall include the projects that was initially not approved as a multi-year projects but whose duration has been extended beyond one year by the board based on reasonable justification.”

5. MODES OF IMPLEMENTATION

CSR projects/programs/activities at SKF shall be carried out through one or a combination of the following:

- a) Directly by SKF;
- b) a company established under section 8 of the Act, or through a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, established by the company, either singly or along with any other company;
- c) through 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;
- d) through any entity established under an Act of Parliament or a State legislature;
- e) 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.
- f) Collaboration with other Companies for undertaking projects or programmes 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 programmes.

- g) Company may engage organisations (including international organisations) for designing, monitoring and evaluation of the CSR projects or programmes as well as for capacity building of their own personnel for CSR.

6. CSR FOCUS AREAS

SKF shall give preference to the local areas around which it operates, for spending the amount earmarked for CSR and shall endeavour to expand its outreach/scope to other areas, in the interest of community.

7. THE MAJOR FLAGSHIP CSR PROJECTS UNDERTAKEN BY SKF

- 7.1 Youth Empowerment at SKF (YES): To equip underprivileged sections of the society with employment enhancing vocation skills covering technical, entrepreneurial and lateral competencies like basic computer knowledge to become Automotive Technicians.

"Youth empowerment At SKF (YES)" program aims at empowering under-privileged youth with the know-how of modern automobile maintenance and servicing skills to help them gain employment at Automotive OEMs / Automobile service stations or become entrepreneurs by setting up own vehicle service stations.

The program started in 2015 with one center at Pune and has been expanded to run at 5 locations in 2019 – Pune 2 Centers (Chinchwad & Narhe), Bangalore, Haridwar and Jorhat in specially constructed centers well equipped with modern automotive sub systems and vehicles, learning fixtures, computer consoles for e-learning, class rooms and other facilities. We plan to expand to more locations in future.

- 7.2 SKF Sports Education Program: Aims to provide opportunities for physical and mental development of children through the medium of sports. The project is implemented through various external agencies. Football training is given to the underprivileged boys and girls particularly from Municipal schools. This program is broadly divided into the following parts: SKF School Sports Education program at school level, SKF Sports Academy at academy level, SKF Sports scholarship program after graduation level.

- 7.3 Empowerment of girls and Young women through STEM: Aims to provide exposure and access to STEM learning and education to primary and secondary school students. Additionally, the Scholarship program promotes higher education among deserving girls from socioeconomic weaker sections. Along with STEM & scholarship in schools and colleges the holistic development activities of the girls are also undertaken.

- 7.4 Environment: Currently SKF is running 3 programs under Environmental sustainability:

1. De-silting of Khadakwasala Lake at Pune: Aims to ensure environmental sustainability ecological balance, conservation of natural resources and maintaining quality of soil and water.

Activities include tree plantation and Catchment Area Treatment by dam de-silting - removal of soil from the dam, thereby increasing its capacity to withhold and store water. Additionally, setting up an Eco-impact centre for creating awareness around biodiversity,

pitching of silt on the periphery of the lake, water saving, soil restoration and creation of biodiversity with recreational value are being undertaken under this project.

2. A similar program as above at Bangalore with NGO United Way to develop eco system at Mantapa Lake.
3. Waste management Project at South Delhi: To set up community-based scientific, holistic, and decentralized solid waste management system in an urban slum in Madangiri, Delhi. The objective is to create awareness around waste segregation practices, improve living conditions and hygiene levels in the community, divert waste from landfills and increase recovery of resources from household waste.

The Company may carry any other CSR activities/programs under the focus areas would be areas as per Schedule VII of the Act and approved by the Chairman, CSR Committee of the Board.

8. PLANNING, IMPLEMENTATION AND IMPACT ASSESSMENT

8.1 Partner Selection: SKF may implement its CSR projects/ programmes either directly or through its partners. In case of implementation of CSR projects/ programmes through partners, SKF shall conduct partner on-boarding evaluation and due diligence. This will be done based on key considerations of credibility, expertise and relevance. Partner identification may be done via the following mediums:

- a) Company inviting proposals for different sectors; and
- b) Proposals submitted directly by implementation/ execution vendors/ agencies or NGOs.

8.2 Due Diligence of partners: Due diligence of shortlisted partners may be conducted based on documents received from organization or on-ground visit or both. The following parameters may be considered:

- a) Legal Status: Should be a registered Society, registered public Trust or a Section 8 Company
- b) Section 12A certificate under Income Tax Act, 1961
- c) Section 80G certificate under Income Tax Act, 1961
- d) Should not promote any political groups
- e) Should not promote any religious groups
- f) Entities mentioned in point no. (a) above, other than those established by the Company either singly or along with any other Company, should have at least 3 years of experience of working in the focus area of the Project
- g) MOA and AOA of the company or the charter documents of the Section 8 company/trust/ society
- h) All the partners must have CSR registration number after filing of Form CSR-1 with the Registrar of Companies, Ministry of Corporate Affairs.

Any exception to above, would require approval of Chairman, CSR Committee of the Board.

8.3 Program Evaluation: Each program proposal submitted by the shortlisted partner will be evaluated on the following parameters:

- a) Relevance of the program
- b) Experience of partner in executing similar projects

- c) Clearly defined Outcomes
- d) Efficiency of execution and fund utilization
- e) Sustainability
- f) Monitoring and Reporting mechanism
- g) Risk Assessment

8.4 Impact Assessment

The Company shall undertake impact assessment, through an independent agency, of their 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 Company after undertaking impact assessment, may book the expenditure towards CSR 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. PROGRAM MONITORING, EVALUATION AND REPORTING

The CSR projects/programs will be monitored, evaluated, and reported, as specified in the Annual Action Plan, approved by the Board.

10. GOVERNANCE

- 10.1 SKF CSR structure has been formulated to ensure efficient functioning with clearly delineated roles and responsibilities for CSR Committee and CSR team.
- 10.2 **Board:** Board shall perform such functions as required under the Act including constituting CSR Committee from time to time as per the provisions of the Act. The functions of the Board shall inter-alia include the following:
 - a. Board shall ensure that the CSR activities are undertaken by the Company in adherence to this policy.
 - b. The Board shall satisfy itself that the funds so disbursed have been utilised 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.
 - c. In case of on-going project, the Board shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modification if any, for smooth implementation of the project within the overall permissible time period.
 - d. The Board may approve Annual Action plan and thereafter may alter the same at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.
 - e. The Board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.
 - f. If the company spends an amount in excess of mandated amount under the Act, such excess amount may be set off against up to immediate succeeding three financial years.
 - g. such other functions as may be required under the Act.

10.3 CSR Committee of the Board: Roles and Responsibilities of the CSR Committee of the Board:

- a) The CSR Committee shall formulate and periodically review/monitor the CSR Policy which shall indicate the projects/ programmes/activities to be undertaken by the Company as specified in Schedule VII of the Act and associated frameworks, processes and practices of the Company and make appropriate recommendations to the Board.
- b) The CSR Committee shall ensure to take appropriate measures to undertake and implement CSR projects/programmes/activities successfully and shall monitor the CSR Policy from time to time.
- c) The CSR Committee shall identify the areas as well as monitor and review the performance of CSR projects/programmes/activities periodically.
- d) The CSR Committee shall recommend the amount of expenditure/CSR budget to be incurred on CSR projects/programmes/activities as well as regularly report and make recommendations to the Board.
- e) To recommend Annual Report on CSR activities.
- f) To review and submit impact assessment reports to the Board.
- g) The CSR Committee of the Board shall meet as and when required.
- h) The CSR Committee shall formulate Annual Action plan and recommend the same to the Board.
- i) Such other functions as mandated by the Board of Directors or as mandated under the Act and the rules made thereunder.

10.4 CSR Steering Committee of Management (Monitoring Mechanism): The Steering Committee may consist of members drawn from within different functions of the Company. The Steering Committee shall be led by the Managing Director, who may decide upon the Steering Committee members.

The Steering Committee shall ensure effective implementation & monitoring of CSR Annual Action Plan as approved by the Board Committee. It may undertake new CSR program (not covered under Annual Plan) provided the same is managed within the approved CSR Annual Budget and is approved by the Corporate Social Responsibility Committee of the Board.

This team shall meet as frequently as required and will deliberate on program updates, new program proposals, monitor the expenditure against the budgets and provide inputs to the CSR Team.

10.5 CSR Team: CSR team shall consist of CSR Head and Program Managers of flagship programs. This team actually runs the programs and manages the activities and gives updates to the CSR Committees from time to time. This team meets as and when required.

11. REPORTING

- a) CSR Head shall periodically present to the CSR Committee of the Board, status on current and proposed CSR activities of the Company.
- b) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR activities.
- c) The Board and the CSR Committee must approve and provide in its Board Report on an annual basis, the annual report on the CSR activities after the end of each financial year.

12. DISCLOSURE

The Company shall make disclosure of its CSR Policy, Projects/Programs/activities approved by the Board, as well as the composition of the CSR Committee of the Board and such other details, as required under the Act from time to time on Company's website.

13. EFFECTIVE DATE

This policy supersedes the previous CSR policy and will be effective from 1st April 2021.

Any subsequent amendment/modification in regard to CSR provisions/rules notified by the Ministry of Corporate Affairs, shall automatically apply to this Policy. In case any provision(s) of this CSR Policy is contrary to or inconsistent with the provisions of the Act and the Rules framed thereunder ("Statutory Provisions"), the Statutory Provisions shall prevail.