

POLICY
ON
CORPORATE SOCIAL RESPONSIBILITY
OF
CATERPILLAR INDIA PRIVATE LIMITED

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1. **Preamble**

The mandated corporate social responsibility (CSR) funding under the provision of the Companies Act of 2013 has been formally introduced in April, 2014 in India. This legislation makes India the first country to codify “the social obligation of the private sector”. This is a unique developmental model that could become a template for the other emerging economies. The practice of CSR is not new to companies in India – but this Act brings more companies into the fold. This unique legislation could make us all critical agents of social change in the country.

Our vision is a world in which all people’s basic needs – such as shelter, clean water, sanitation, food and reliable power – are fulfilled in an environmentally sustainable way and a company that improves the quality of the environment and the communities where we live and work.

Our strategy is to provide work environments, products, services and solutions that make productive and efficient use of resources as we strive to achieve our vision.

We apply innovation and technology to improve the sustainability performance of Caterpillar’s products, services, solutions and operations. We believe sustainable progress is made possible by developing better systems that maximize life cycle benefits, while also minimizing the economic, social and environmental costs of ownership, as reflected in our sustainability principles.

We will execute our strategy by working to meet our aspirational sustainable development goals.

2. **CSR Mission**

Our mission is to enable inclusive and sustainable economic growth and to provide solutions that support local communities and protect the planet through infrastructure and energy development.

3. **Objectives**

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- a. Ensuring development of the community through various initiatives in the best interest of the poor and deprived sections of the society so as to build a better tomorrow for them.
 - b. Ensuring environmental sustainability.
 - c. To pursue CSR Programmes primarily in areas that falls within the economic vicinity of the Company's operations to enable close supervision and ensure maximum development impact. However, based on the needs of the communities, different areas could be explored.

4. Focus Areas

a. Eradicating hunger, poverty and malnutrition

- Provision of food, nutrition supplement, clothes etc. for the poor, children and other deprived sections of the society.
- Promoting sanitation, making available safe drinking water.

b. Promoting Health care including Preventive Health care

- Through awareness programmes, health check-ups, provision of medicine & treatment facilities , providing pre natal & post natal healthcare facilities, prevention of female foeticide through awareness creation, program for preventing diseases and building immunity.

c. Ensuring environmental sustainability and ecological balance through :

- Plantation drives in schools, villages, our manufacturing units & offices/business premises and other areas in general.
- Conservation of natural resources.
- Maintaining quality of soil, air & water.
- Optimize use of renewal resources.
- Promoting biodiversity.
- Animal welfare and veterinary services.
- Promoting alternate energy resources.

d. Employment and livelihood enhancing vocational skills and projects.

e. Measures for the benefit of armed forces veterans, war widows and their dependents.

f. Promotion of education:

- especially among children, women, elderly and the differently abled
 - Non-formal education programmes.
 - Supporting schools with infrastructure like benches, toilets, potable water, fans etc.
 - Supporting other educational institutions.
- g. **Promoting gender equality and empowering women** including:
- Adult literacy for women.
 - Training in vocations pursued by women.
 - Setting up homes for women & orphans;
 - Setting up old-age homes & other facilities for senior citizens
- h. Contribution or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- i. Rural Development Projects.
- j. **Other Activities**
- Promotion of Sports with special focus on training for rural sports, nationally recognised sports, Paralympic sports and Olympic sports.
 - Welfare for differently disabled persons
 - Setting up public libraries
 - Reducing inequalities faced by the socially and economically backward groups
 - Protection of national heritage, art, culture and handicraft; Restoration of Buildings & sites of historical importance & works of art.
- k. Such other activities as the Board may consider being appropriate.

5. **Approach to Implementation**

We will strive to implement the aforesaid CSR activities on our own to the extent possible. At the same time, we recognize need to work in partnership with other players also. This would include:

- a. Collaborating with various organisation, which are registered as a Trust or a Section 8 company under The Companies Act, 2013 or Society or NGOs or any other form of entity incorporated in India that specialise in the aforesaid activities.
- b. Contribution to various funds which are aligned with our Vision and Mission e.g.
 - Prime Minister's National Relief Fund
 - Any other fund set up by the Central Government for:

- Socio-economic development and relief for e.g. Swachh Bharat Kosh, Clean Ganga Fund etc.
 - For the welfare of Scheduled Castes, the Scheduled Tribes, other Backward classes, minorities and women.
- c. Collaborating or pooling resources with other companies to undertake aforesaid CSR activities.

6. CSR Funds

The corpus for the purpose of carrying on the aforesaid activities would include the followings:

- a. 2% of the average Net Profit made by the Company during immediately preceding three Financial Years.
- b. Any income arising there from.
- c. Surplus arising out of CSR activities carried out by the company and such surplus will not be part of business profit of the company.

7. Guiding Principles for Constitution of CSR Committee

The CSR Committee of the Board shall be composed of at least three (3) Directors. The CSR Committee shall include one (1) independent director, if any. Members of the CSR Committee may be replaced by any other member of the Board. The CSR Committee will formulate and recommend a CSR Policy to the Board.

The Committee will meet at least twice in a year to discuss and review CSR activities and Policy. A quorum of two members is required to be present for the proceedings to take place (either physically or through other electronic mode). Such other meetings of the Committee can be convened as and when deemed appropriate. The Committee members may attend the meeting either physically or through other electronic modes as permitted under the Regulations. The Committee shall have the authority to call such employee(s), senior official(s) and or externals, as it deems fit with approval of the Chairman of the meeting.

8. Monitoring

The CSR committee will provide regular progress report to the Board. This report would indicate:

- a. Achievement since last progress report in terms of coverage compared to the target and reasons for variance.
- b. Achievement of the year-to-date in terms of coverage compared to the target, plans to overcome shortfalls if any and support required from the Board to overcome the shortfalls.
- c. Actual year-to-date spends compared to the budget and reasons for variance.
- d. In respect of activities undertaken through outside Trust/Society/NGO's etc. there will be mechanism of reporting of progress on each such activities and the amount incurred thereon.

9. Rules Governing CSR Policy

In view of the provisions of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time, the Company is obliged to observe the below-mentioned provisions with respect to CSR Policy:

- a. As per the CSR Policy, the Company shall undertake such CSR activities as projects or programmes (either new or ongoing) not comprising the activities undertaken in pursuance of its normal course of business.
- b. The CSR projects or programs or activities undertaken in India only shall amount to CSR expenditure or as announced by Gol from time to time as qualifying programs/activities.
- c. The Board of the Company may undertake its CSR activities through registered trust or registered society, or a company established by the Company or its holding or subsidiary or associate company under Section 8, operating in India, provided that, if such entities are not set up by the Company or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar projects and programmes. Provided that, before considering any such Trusts, Societies, or Section 8 Companies for the purpose of allocating funds, the Company should conduct a comprehensive “due diligence” of such organizations to ensure its expertise or track record in social projects and also, to ensure its political neutrality. Provided also that, the Company has specified the projects or programmes to be undertaken through these entities, as well as specified modalities of utilization of funds and the monitoring and reporting mechanism on such projects and programmes.

- d. The Company shall ensure that necessary details of its CSR initiatives are mentioned in the Board Report of the relevant financial year and on the Company's website in the prescribed format. **(As per Annexure A).**
- e. The Company shall not consider the CSR activities as CSR projects or programmes or activities that benefit only the employees of the Company and their families. This may also encourage its employees to actively and voluntarily participate in the CSR initiatives undertaken by the Company.
- f. The corpus of the CSR activities would include the following:
 - 2% of the average net profits for the three preceding financial years:
 - surplus arising out of CSR activities:
- g. In no case, the surplus arising out of the CSR activities shall form a part of "business profits" of the Company.
- h. Contribution made by the Company of any amount directly or indirectly to any political party shall not be considered as "CSR activity".
- i. The Company may build CSR capacities of its own personnel as well as those of their Implementing agencies through Institutions with established records of at least three financial years, however, such expenditure shall not exceed five percent of total CSR expenditure of the Company in one financial year.
- j. **CSR Reporting:** The Board's report pertaining to the relevant financial year commencing on or after 1st day of April 2014, shall include an annual report on CSR containing particulars specified in **Annexure A.**

10. Role of the Board of Directors

The Board shall perform the following duties so far as the CSR Policy of the Company and the activities relating thereto are concerned. It shall:

- a. approve the "Corporate Social Responsibility Policy" for the Company after considering the recommendations made by the CSR Committee;
- b. disclose the contents of the Company's CSR Policy in the Board Report and shall display the same on the Company's website as per the particulars specified in **Annexure A;**
- c. ensure that the activities included in the CSR Policy of the Company are undertaken by the Company;
- d. ensure that the Company spends at least two per cent (2%) of the average net profits of the Company made during the three immediately preceding financial years in every financial year;

- e. ensure that preference is given to the local area and areas around it where it operates, for spending the amount allocated for CSR activities;
- f. ensure that activities covered by the Company in its CSR Policy as CSR projects or programmes are within the scope of Schedule VII of the Companies Act, 2013. **(Annexure C).**

11. Amendments to the Policy

The Board of Directors on its own and/or as per the recommendations of CSR Committee can amend this Policy, as and when required as deemed fit. Any or all provisions of the CSR Policy would be subject to revision/amendment in accordance with the Regulations on the subject as may be issued from relevant statutory authorities, from time to time.

In case of any clarification on any matter, including interpretation of this Policy, the Company Secretary of the Company shall be contacted. The decision of the Board of Directors on all matters, relating to this Policy, shall be final and binding upon all concerned. This Policy is subject to continuous review and updates as may be required from time to time.

- 12.** In case of any contradiction, Section 135 of the Companies Act 2013, the Companies (Corporate Social Responsibility Policy) Rules, 2014 and subject to further modification and amendment by the Government will prevail over the CSR Policy of the Company and shall be given effect to.
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ANNEXURE A

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

1. A brief outline of the Company's CSR Policy including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programmes:
2. The composition of the CSR Committee:
3. Average Net Profit of the Company for last three financial years:
4. Prescribed CSR Expenditure (two percent 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:

Sr. No	CSR project/ activity identified	Sector in which the Project is covered	Projects/ Programmes 1.Local area/others 2.specify the state and District where projects or programmes were undertaken	Amount outlay (budget): Project or Programme wise	Amount spent on the project/ programme Sub-heads: 1.Direct expenditure on projects or programmes 2.Overheads	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency*
1							
2							
3							
	TOTAL						

*Give details of Implementing Agency

1. In case, the Company has failed to spend the two percent of the average net profit of the last 3 financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.
2. A Responsibility statement of the CSR Committee that the implementation and monitoring of the CSR Policy is, in compliance with the CSR objectives and Policy of the Company.

Signed

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(Chairman - CSR Committee)

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(Director)

ANNEXURE B
CORPORATE SOCIAL RESPONSIBILITY

Section 135 [Companies Act, 2013]

1. Every company having “net worth” of rupees five hundred crore or more, or “turnover” of rupees one thousand crore or more or a “net profit” of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.
2. The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.
3. The Corporate Social Responsibility Committee shall—
 - a. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
 - b. recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
 - c. monitor the Corporate Social Responsibility Policy of the company from time to time.
4. The Board of every company referred to in sub-section (1) shall—
 - a. after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and
 - b. ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company
5. The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount;

Explanation— for the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.

ANNEXURE C
Schedule VII
(Companies Act, 2013)

Following are the activities that may be included by companies in their corporate social responsibility policies:

They are activities relating to:

1. eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swachh Bharat Kosh set –up by the Central Government for the promotion of sanitation and making available safe drinking water;
2. promotion of education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
3. promoting gender equality and 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;
4. 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 including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.
5. 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;
6. measures for the benefit of armed forces veterans, war widows and their dependents;
7. training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;
8. contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
9. contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
10. rural development projects;

11. Slum area development, 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.
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ANNEXURE D
DEFINITIONS

- (1) **“Act”** means the Companies Act, 2013.
- (2) **“Corporate Social Responsibility (CSR)”** means and includes but is not limited to:-
- (i) Projects or programmes relating to activities specified in Schedule VII to the Act;
or
 - (ii) Projects or programmes relating to activities undertaken by the board of directors of a company (Board) 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 will cover subjects enumerated in Schedule VII of the Act.
- (3) **“CSR Committee”** means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Companies Act, 2013.
- (4) **“Member”** means the member of Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Companies Act, 2013.
- (5) **“CSR Policy”** relates to the activities to be undertaken by the company as specified in Schedule VII of the Act and the expenditure thereon, excluding activities undertaken in pursuance of the normal course of business of a Company.
- (6) **“Net Profit”** means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:-
- (a) Any profit arising from any overseas branch or branches of the Company, whether operated as a separate company or otherwise; and
 - (b) Any dividend received from other companies in India, which are covered under and complying with the provisions of Section 135 of the Act:

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956,

(1 of 1956) shall not be required to be re-calculated in accordance with the provisions of the Act:

Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of Section 381 read with Section 198 of the Act.

(7) CSR Expenditure:

It shall include all expenditure including contribution to corpus or on projects or programmes relating to CSR activities approved by the Board on the recommendation of its CSR Committee but does not include any expenditure on an item not in conformity or not in line with activities falling within the purview of Schedule VII of the Act.

ANNEXURE E

CSR Delegated Authority 2018

Business Units/Miscellaneous	Percentage allocation of CIPL CSR Fund	Delegated Authority
IPSD/DTO	20	General Manager, IPSD
MH&U/ ITDD	25	Facility Manager 5, MH&U
Disaster Relief Fund	10	All Committee Members
Strategic – Presently 2 projects education (Skill Development programs/ basic needs/clean India)	40	Business Resource Manager/ Company Secretary/ Government and Corporate Affairs Manager
Administration	05	All Committee members