



KENNAMETAL INDIA LIMITED

Corporate Social Responsibility (CSR) Policy

Amended and effective August 18, 2021

1. Context

Kennametal India Limited is committed to maintain Social, Environmental, Economical, Human rights, Ethical and Governance standards for the benefit of all its Stakeholders.

Kennametal India Corporate Social Responsibility strategy is in line with the guidelines adopted by our ultimate holding Company Kennametal Inc., USA. Kennametal has several policies and standards in place in line with our core values, covering Business Ethics and Governance, the Code of Conduct, and policies such as Environment, Health, and Safety (EHS); Quality; Living Our Values, Protecting our Planet.

Our employees are empowered to demonstrate our EHS commitment by striving for:

100% Safe – pursuing a goal of zero injuries, illnesses, and incidents by living the belief that all are preventable. We will pursue the goal of zero through senior leader ownership of safety, preventative actions and processes, and by establishing leadership roles for employees in safety.

Protecting Our Planet – providing sustainable solutions by reducing the total environmental impact of our products and operations. We will protect our planet by continuously improving our management of energy and natural resources, protecting recycling and recovery of materials, and preventing pollution across our global footprint.

Further, Corporate Social Responsibility is focused on enhancing the lives of the local community in which it operates. This takes shape by way of providing new skills and in general, creating a better quality of life for the people in the communities in which the company operates. We strongly believe in contributing towards the betterment of society and endeavor to create a positive impact, while achieving our business goals.

Mission & Vision

Our Mission –

Through the skill and innovation of our people, we deliver industry-leading tools and technologies that solve customer challenges and enable exceptional performance.

Our Vision –

Transform how everyday life is built.

1.1 In the light of Companies Act 2013

Pursuant to Section 135 of the Companies Act, 2013, and the Companies (Corporate Social Responsibility Policy) Rules, 2014 every Company having net worth of Rs. 500 Crores or more or turnover of Rs. 1,000 Crores or more or net profit of Rs. 5 Crores or more during the immediately preceding financial year shall constitute Corporate Social Responsibility Committee ('CSR Committee') and the CSR Committee shall:

- a) formulate and recommend the CSR Policy which shall indicate the activities to be undertaken by the Company as prescribed,
- b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a),
- c) monitor the CSR Policy of the Company from time to time.

This Policy on Corporate Social Responsibility (CSR Policy) has been formulated by the CSR Committee and then was recommended to the Board of Directors of the Company ('Board') for its approval and amendment thereto.

Section 135 of the Act read with the Companies Rules, 2014 states that the Company's CSR activities shall be restricted to the projects or programs relating to activities in the Schedule VII to the Act.

The Companies Act, 2013 further provides that the Board of every company referred to in which Section 135(1) applies, shall ensure that the Company spends, in every financial year, at least two percent, 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 operates, for spending the amount earmarked for CSR activities;

Provided further that, if the Company fails to spend such amount, the Board shall, in its report made under clause (o) of the sub-section (3) of the section 134, specify the reasons for not spending the amount and, unless the unspent amount relates to any ongoing project, transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Provided also that if the Company spends an amount in excess of the requirements provided under this sub-section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed.

Further, MCA had notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 on January 22, 2021. Accordingly, the Board of Directors at its Meeting held on August 18, 2021, adopted this amended Policy pursuant to amended CSR Rules.

1.2 Objectives of the Policy

This Policy shall be read in line with Section 135 of the Companies Act, 2013, the Companies (Corporate Social Responsibility Policy) Rules, 2014 and such other rules, regulations, circulars, and notifications (collectively referred hereinafter as 'Regulations') as may be applicable and as amended/notified from time to time and will, *inter-alia*, provide for the following:

- Establishing a guideline for compliance with the provisions of the Regulations to dedicate a percentage of the Company's profits for CSR activities.
- Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting and monitoring of activities as well as formulation of the annual action plan.
- Creating opportunities for employees to participate in socially responsible initiatives.

1.3. Definitions

In this Policy unless the context otherwise requires:-

- 'Act' means the Companies Act, 2013;
- 'Administrative overheads' means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the Company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or program;
- 'Corporate Social Responsibility' means Corporate Social Responsibility (CSR) as defined in Section 135 of the Companies Act, 2013 and Companies Corporate Social Responsibility Policy) Rules, 2014;
- 'CSR Policy' means a statement containing the approach and direction given by the board of a Company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan;
- 'Ministry' means the Ministry of Corporate Affairs
- 'Net Profit' means net profit as defined in Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 as set out below:

Net Profit as per financial statements prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:

- i. any profit arising from any overseas branch or branches of the Company, whether operated as a separate company or otherwise; and
- ii. 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 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;
- “Ongoing Project” means a multi-year project undertaken by a Company in fulfillment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.

Words and expressions used in this CSR Policy and not defined herein but defined in the Act shall have the meaning respectively assigned to them in the Act.

1.4. CSR Activities

The Policy recognizes that Corporate Social Responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as notified under Schedule VII of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as may be amended from time to time. Kennametal CSR activities, amongst others, will focus on:

- i. Eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation & making available safe drinking water;
- ii. Promoting education, including special education & employment enhancing vocation skills especially among children, women, elderly & the differently-abled & livelihood enhancement projects;
- iii. Promoting gender equality, empowering women, setting up homes & hostels for women & orphans, setting up old age homes, day care centers & such other facilities for senior citizens & measures for reducing inequalities faced by socially & economically backward groups;
- iv. Ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agro-forestry, conservation of natural resources & maintaining quality of soil, air & water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;

- v. Protection of national heritage, art & culture including restoration of buildings & sites of historical importance & works of art; setting up public libraries; promotion & development of traditional arts & handicrafts;
- vi. Measures for the benefit of armed forces veterans, war widows & their dependents; Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;
- vii. Training to promote rural sports, nationally recognized sports, Paralympic sports & Olympic sports;
- viii. Contribution to the Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) any other fund set up by the Central Government for socio-economic development & relief & welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities & women;
- ix.
 - a) Contribution to incubators or research and development projects in the fields 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) 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. slum area development
- xii. disaster management, including relief, rehabilitation and reconstruction activities.

CSR activities shall be undertaken as projects, programs or activities (either new or ongoing) excluding activities undertaken in pursuance of the normal course of business of the Company.

1.5. Annual spends / Allocation of Funds

- 1.5.1 The Company shall spend not less than 2% of the average Net Profits of the Company made during the three immediately preceding financial years calculated as per Regulation 135 of the Act read with applicable CSR Rules.

The amount would be calculated as per the Regulations. All reasonable efforts will be made to ensure that the annual CSR allocation is fully utilised in the respective year. However, if the Company fails to spend such amount, the Board of Directors shall, in its report under clause (o) of sub-section (3) of section 134 of the Act, shall specify the reasons for not spending the amount. and, unless the unspent amount relates to any ongoing project referred to in sub-section (6) of section 135 of the Act as stated in clause 1.5.2. below, transfer such unspent amount to a Fund specified in Schedule VII of the Act as stated in Clause 1.4 "CSR Activities" within a period of six months of the expiry of the financial year.

- 1.5.2 Further, 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, undertaken in pursuance of its CSR Policy, shall be transferred by the Company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.
- 1.5.3 The tax treatment of CSR spend will be in accordance with the Income Tax Act, 1961 as may be notified by Central Board of Direct Taxes (CBDT).

2. CSR Committee

2.1 Composition of CSR Committee

The CSR Committee will consist of three or more members of the Board with one of them being an Independent Board member.

The Committee will meet at least twice in a year to discuss and review CSR activities and Policy. The Quorum for the CSR Committee shall be in accordance with the applicable Acts and Rules read with SEBI Regulations as may be prescribed from time to time.

2.2 Committee Members

The members of the Committee shall be appointed by the Board and may be changed at any time with or without cause and replaced by the Board. The members of the Committee shall serve for such term or terms as the Board may determine. Chairman of the Committee shall be designated by the Board, or, if it does not do so, the Committee members shall elect a chairperson by vote of a majority of the full Committee. In the absence of the Committee Chairman, the Members attending shall elect one of them to be Chairman for that Meeting from amongst the independent Non-Executive Directors.

2.3 Scope of Functions of CSR Committee

The functions of the CSR Committee will be as follows:

- A. formulate and recommend to the Board a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company and also an Annual Action Plan in pursuance of its CSR Policy, which shall include the following, namely:
 - i. the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
 - ii. the manner of execution of such projects or programmes as specified in Act
 - iii. the modalities of utilisation of funds and implementation schedules for the projects or programmes;
 - iv. monitoring and reporting mechanism for the projects or programmes; and
 - v. details of need and impact assessment, if any, for the projects undertaken by the company:

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

- B. recommend the amount of expenditure to be incurred on these activities referred to in clause (a); and
- C. monitor the Corporate Social Responsibility Policy and Annual Action Plan of the Company from time to time.

3. Procedures

3.1 Organizational / Implementation Mechanism

1. The Executive Assistant to Managing Director or any other personnel as may be authorised from time to time of Kennametal India Limited will deal with all activities related to CSR. Consultants with required competency and experience shall also be hired from time to time for identified projects to be in-charge of implementation of the projects.
2. Kennametal India Limited may take up the projects directly or through any of the reputed NGOs or any other agency/respective district authorities as may be decided with the approval of Board by taking recommendation from the CSR Committee.
3. The CSR Committee constituted by the Board of Directors shall periodically monitor the specific CSR projects.

3.2 Review and Reporting

1. The Committee shall formulate policy including the activities specified in Schedule VII.
2. The Board shall disclose the composition of the Committee, contents of Policy in its report and the same shall also be placed on the website of the Company including Projects approved by the Board.
3. For the purpose of CSR reporting the Net Profit shall mean average of the annual net profit of the preceding three financial years ending on or before 30th June of the financial year will be considered.

3.3 Treatment of Surplus

1. Any surplus arising out of CSR activities shall be ploughed back into the same project or 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 6 months of the expiry of the financial year.
2. Any excess amount may be set off against the requirement to spend up to immediate succeeding 3 financial years subject to the conditions that;
 - A. The excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of above point no.1;
 - B. the Board of the Company shall pass a resolution to that effect.

3.4 Capital Assets

1. Any capital asset acquired / created for the purpose of CSR has to be in the name of only a Section 8 Company or a registered public trust or registered society having CSR registration Number and cannot be held in the name of the Company itself.
2. Any capital asset created by the Company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of 180 days from such commencement comply with the requirement as per the above point, which may be extended by a further period of not more than 90 days with the approval of the Board based on reasonable justification.

3.5 Transfer of Unspent CSR

The Company should spend the entire amount of CSR commitments during the year in which the same is required to be spent pursuant to Section 135 of the Act. Any amount unspent during the year in which it is due, shall be treated as specified in the provisions of Section 135 of the Act read with the CSR Rules.

3.6 General

1. All administrative expenses on CSR including expenditure on wages & salaries, tours and travels, training & development of personnel deputed on CSR activities would be borne from CSR funds. The Board shall ensure that the administrative overheads shall not exceed 5% of total CSR expenditure of the Company for the financial year.
2. The Board of Directors of the Company with the recommendation of the CSR Committee shall take decision on sanctioning works/allocation of funds for CSR and appointing authorized agencies for implementing Projects/Activities.
3. If it is observed that any CSR activity taken up for implementation is found not properly implemented, the CSR Committee at its discretion may discontinue funding the project at any time during the course of implementation.

4. Monitoring

- A. Appropriate documentation and amendments of the CSR Policy, annual CSR activities, and expenditures will be undertaken on a regular basis and same will be available to the Board of Directors of the Company.
- B. Initiatives undertaken on the CSR front will be reported in the Annual Report of the Company.

- C. The CSR Committee and persons / entities authorised by it, will conduct due diligence checks on the current projects/partners on a quarterly basis and report anomalies, if any, immediately.
- D. Based on analysis of current projects, carry out roadmap planning for allocation of budget and selection of projects. The same will be done at least once in a financial year.
- E. Plan and publish an annual calendar of major events so as strive for maximum participation of stakeholders/society.

5. Amendments to the Policy

The Board of Directors 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.
