



Corporate Social Responsibility Policy

Covestro (India) Private Limited

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| Name of the Document | Corporate Social Responsibility Policy |
| Area of applicability | India |
| Owner of the document | Head Communications, India |
| Approved by | Board of Directors of CIPL on June 7, 2021 |
| Valid from: | April 1, 2021 |

1. Guiding Principle

Covestro (India) Private Limited (CIPL) is fully owned subsidiary of Covestro AG. The purpose of Covestro to make the world a brighter place is deeply embedded in our c3 values of being Curious, Courageous and Colorful.

At Covestro, **sustainability** is an integral part of the business framework and is a guiding factor for all our products and technologies. Globally, we are committed to the Sustainable Development Goals (SDGs) laid out by United Nations and we have our sustainable goals laid out clearly as one among our non-financial goals.

This policy encompasses our mission to promote innovation and growth with products and technologies that benefit society and reduce the impact on the environment. This policy lays down the guidelines and mechanism for undertaking socially relevant programs for sustainable development of the community at large in accordance with Companies Act, 2013, CSR Rules and any other local regulations in that regard.

2. CSR Vision

We want to make an impact at the grassroots level and bring about conscience and sustainable changes at a community level to make the world a brighter place.

3. Objectives

The objective of the CSR policy is to lay down guidelines for CIPL to

- a. Function as a self-regulating mechanism for the CSR activities of CIPL
- b. Enable adherence to laws, ethical standards and international practices in this regard
- c. Crystallise our social commitment as a catalyst for rapidly achieving the UN Sustainable Development Goals

4. CSR Focus Areas

CIPL will focus primarily on the following areas which are increasingly becoming the need to be actioned upon across the world as well as aligned to United Nations Sustainable Development Goals

- **Access to Technology for societal benefit and upliftment through R&D support** – We will employ technology and/or technical know-how to provide opportunity & address social challenges and technology injustices.
- **Education and Equality** – We will work closely with the education system to improve enrollment in schools, improve the educational delivery process, provide financial & material support to underprivileged children as well as young adults to enhance their capacity to access and continue education, support with the improvement of education infrastructure and promote STEM education. While doing so we will also focus on the bridging the gender gap and promote education among girl child.
- **Health and wellness** - The areas of intervention under health & wellness will include preventive healthcare, awareness and support for maintaining personal hygiene, promoting an understanding and required preparation for achieving

balanced nutritional diet and support for curative healthcare. We will also work on aspects of water and sanitation at personal and community level.

- **Livelihood Generation and capacity building** – We will work on enhancing vocation skills especially among youths and women, work on livelihood enhancement projects, support in identifying and adoption of new income generation/ livelihood opportunities, support with the adoption of new technologies to improve agricultural and non-agricultural income, create value-addition opportunities for local commodities and products.
- **Environment** – We will promote practices that would help conserve natural resources, and energy by undertaking Tree Plantation, Species conservation, Soil & Water Conservation etc. Our Environment and Nature conservation activities will lead to environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water.
- **Promoting circularity and better waste management practices** - We will invest in institutional grants for fostering new knowledge which promote sustainable development. We will also undertake projects which addresses the issue of linear economy, promote circularity, reducing the waste generated and manages the waste.
- **Disaster relief** - We will respond to national need, which also include relief or rebuild which can arise from natural calamities

C IPL may also undertake need-based programs aligned to the activities listed in Schedule VII (annexed as an 'Annexure A') of the Companies Act, 2013 and the rules framed therein or as modified from time to time.

All CSR projects will be in line with Schedule VII of the Companies Act, 2013. Following shall not include the following namely;

- i. activities undertaken in pursuance of normal course of business of the company.
- ii. any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;
- iii. contribution of any amount directly or indirectly to any political party under section 182 of the Act;
- iv. activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);
- v. activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
- vi. activities carried out for fulfilment of any other statutory obligations under any law in force in India;

5. Governance Structure

The company has put in place following governance structure to ensure that CSR policy is implemented and monitored effectively. The roles and responsibilities are defined at each governance level.

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The Board of Director will be responsible for:

- Constituting the CSR committee through a Board resolution with the defined composition.
- To Approve the CSR policy as formulated by the CSR Committee through a Board resolution
- Disclose the contents of the CSR Policy in Board Report and also place it on the Company Website
- Ensure that every financial year funds committed by the Company for CSR activities are utilized effectively and will monitor implementation regularly.
- The Board may alter Annual Action Plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.
- The Board of a company 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.
- The Board shall ensure that activities included by a company in CSR Policy are in pursuance of Schedule VII of the Act
- The Board shall take into account the recommendations of the CSR Committee
- To ensure implementation of CSR activities approved by the Board
- To ensure that if the Company fails to spend the required amount on CSR, the Board shall specify the reasons for the same in the Board's report.

CSR Committee will be responsible for:

- Recommending the CSR Policy to the Board for approval which shall indicate the activities to be undertaken by the Company as specified in Schedule VII.
- Recommending the amount of expenditure to be incurred on the CSR activities referred above to the Board for approval.
- Ensuring that the CSR Policy of the Company is monitored on a regular basis and is updated from time to time for any change or enhancement in scope and the same is recommended to the Board for approval.
- Defining the modalities and monitoring the progress of the activities being undertaken under the policy.
- To form a CSR Steering Committee
- Approving the design of the CSR activities and the budgets proposed by the CSR Steering Committee and recommend to the Board for approval.
- Ensure monitoring of the CSR programs by CSR Steering Committee.

- An annual action plan shall be formulated by the Committee and recommend to the Board for its approval, which shall include:
 - a. the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
 - b. the manner of execution of such projects or programmes;
 - c. the modalities of utilisation of funds and implementation schedules for the projects or programmes;
 - d. monitoring and reporting mechanism for the projects or programmes; and

- e. details of need and impact assessment, if any, for the projects undertaken by the Company.

The CSR Committee is constituted consisting of:

- Mr. Anand Srinivasan – Chairman, Board member
- Mr. Avinash Bagdi – Member, Board member
- Ms. Puneet Kapur - Secretary to the CSR Committee

CSR Steering Committee

The composition of CSR Steering committee:

- Head Corporate Communication – Convener
- Representative from Global Donation Team
- Head of Finance department
- Head of Procurement department
- CSR Manger – Secretary to CSR Steering Committee

Responsibility of CSR Responsible Function:

- Central coordinating point for the delivery of CSR activities.
- Interface with various organisation units to ensure effective implementation of CSR programs
- Identify and manage partners to implement programmes as required.
- Training and capacity building of the implementation teams

Responsibilities of the CSR Steering Committee:

- Check the feasibility of the CSR project proposals.
- Advise if alternate implementation partner evaluation required.
- Recommend programs, modality of operation and monitoring mechanism.
- Propose CSR programs to the CSR Committee for approval.
- Allocate resources for implementation of programs.
- To review ongoing CSR projects and seek update on project implementation from the relevant corporate function/ BE/ Site.
- Ensure that the CSR goals are achieved within the proposed timeframe and budget allocated. Periodically report the progress of each project to the CSR Committee.
- Support the CSR committee to ensure full compliance of the existing regulations as advised by LIPC

6. CSR Budget

CSR BUDGET / CSR SPEND

For achieving its CSR objectives Company will allocate at least 2% of the average net profits of the Company during the three immediately preceding financial years, calculated in accordance with the provisions of section 198 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time.

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The surplus arising out of the CSR activities will not be considered as a part of the business profits of the Company and shall be ploughed back into the same project, or shall be transferred to the Unspent CSR Account and it should be spent in pursuance of this CSR policy and annual action plan of the Company, or the Company may transfer such surplus amount to a Fund specified in Schedule VII of the Act, within a period of six months of the expiry of the financial year.

Any unspent amount, other than unspent amount relating to an ongoing project, will be transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year. Further, unspent CSR funds of ongoing projects will be transferred within a period of 30 days from the end of the financial year to a special account opened by the company in any scheduled bank called the “Unspent Corporate Social Responsibility Account”. Such amount shall be spent by the company towards CSR within a period of 3 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 30 days from the date of completion of the third financial year.

The Company may incur up to 5% of the total CSR expenditure as “Administrative overheads” for ‘general management and administration’ of Corporate Social Responsibility functions in the company in the financial year but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme.

7. Implementation

CIPL CSR programs will be identified, implemented and if need be, modified as per the Board approved CSR policy. CIPL will enhance its monitoring and evaluation mechanism that will ensure every program has:

- Clearly defined objectives (developed out of existing societal needs determined through baselines/studies/research), targets and timelines
- A robust progress monitoring system
- Undertake impact assessments as per the evaluation plan developed by CIPL
- A reporting framework and system aligned with the requirements of the Act

Implementation Approach

- i. The activities approved by the Board to be undertaken through -
 - (a) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or
 - (b) 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; or
 - (c) any entity established under an Act of Parliament or a State legislature; or
 - (d) 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.

- ii. The company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.
- iii. The company may also collaborate 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 in accordance with these rules.
- iv. Every entity, covered above shall have a unique CSR registration number generated by Ministry of Corporate Affairs

CIPL will seek to identify suitable programs for implementation in line with CSR vision and focused areas.

8. Monitoring and Reporting Framework

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

Program Monitoring:

Program monitoring mechanism will ensure:

- The CSR policy is implemented as per the Act and the Rules
- The CSR policy is implemented ensuring that all projects/programs as budgeted are duly carried out
- 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
- Reporting and review by CSR Committee on the quarterly basis

Evaluation:

- CIPL may undertake an assessment, as and when needed, in order to evaluate the social impact of its CSR programs on the communities. This will also help CIPL to obtain learnings which will help increase program efficiency and scalability.
- CSR Steering Committee is authorized to decide whether impact assessment is required and if needs to be internal, external or third-party evaluation.

Documentation and reporting:

- CSR projects and programs will be properly documented. Appropriate documentation of, annual CSR activities, implementing partners and expenditure entailed will be undertaken on a regular basis.
- The CSR activities will be reported as part of Directors Report of CIPL and as per any other statutory and regulatory reporting requirements.

9. General

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- In case of any doubt about any provision of the policy and also in respect of matters not covered herein, a reference to be made to CSR Responsible Function.
- The CSR Committee is the process owner of this policy.
- Any or all provisions of the CSR Policy would be subject to revision/amendment as may be issued from Government or internally, from time to time.
- In case of change in regulations / guiding principles governing the CSR policy, the CSR Committee can carry out changes in the policy to align the same with existing regulations. Such changes will be presented to the Board for their approval .

The Board of Directors of the Company has approved the CSR Policy on June 7, 2021

Annexure A

- eradicating hunger, poverty and malnutrition, 2promoting health care including preventive health care and sanitation 4[including contribution to the Swacch Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.
- promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
- promoting gender equality, 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.
- ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water 4[including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga].
- 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 art and handicrafts;
- measures for the benefit of armed forces veterans, war widows and their dependents Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;
- training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports

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- 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) or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;
- ix. Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defense Research and Development Organisation (DRDO), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) 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.

Explanation.- For the purposes of this item, 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.

- xii. disaster management, including relief, rehabilitation and reconstruction activities.