
Hyundai Motor India Engineering Private Limited
Policy on Corporate Social Responsibility

11.09.2023

Version History:

Version	Date of Release	Description	Author
1.0	01 ST September 2014	Baseline Version	HR Department
2.0	01 ST November 2018	Improvement Version	HR Department
3.0	01 st April, 2021	Improvement Version	HR Department
4.0	11 th September 2023	Policy Details Updated	L&S Dept. & CS

Policy on Corporate Social Responsibility

Preamble

Section 135 of Companies Act, 2013 mandates every company having a net worth of Rs. 500 Crore or more or turnover of Rs. 1,000 Crore or more or a net profit of Rs. 5 Crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility (CSR) Committee and the CSR Committee is responsible for formulating Company's CSR policy and monitoring the CSR programs and their performance. And the Board of Directors of every such company, 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.

Short title and applicability

This policy, which encompasses the Company's philosophy for outlining its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programs for welfare & sustainable development of the community at large, is titled as the '**HMIE CSR Policy**'.

This policy shall apply to all CSR initiatives and activities taken up at the various work-centers and locations of HMIE, for the benefit of different segments of the Society, and as identified under Schedule VII of the Companies Act, 2013 namely the deprived, under privileged and differently abled persons.

This Policy shall be read in line with Section 135 of the Companies Act 2013, 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 from time to time.

CSR - Vision Statement & Objective

In alignment with the vision of the Company, HMIE, through its CSR initiatives, will continue to enhance value and positively impact to support both the environment and the society / community in which it operates, through its services, conduct & initiatives, so as to promote sustained growth for the society and empowerment of the community, in fulfillment of its role as a Socially Responsible Corporate, with environmental and social concern.

Objectives of the HMIE CSR Policy is to:

- Ensure an increased commitment at all levels in the organization, to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of all its stakeholders.
- To directly or through implementing agencies take up programs that benefit the communities in & around the areas where the company operates in India and over a period of time, in enhancing the quality of life especially the underprivileged, and wherever possible, interact with identified NGOs and augment their efforts in this direction for overall well-being of the local populace.
- To generate, through its CSR initiatives, a community goodwill for HMIE and help reinforce a positive & socially responsible image to HMIE as a corporate entity.

Resources

For achieving its CSR objectives through implementation of meaningful and sustainable CSR programs, HMIE shall allocate at least 2% of the average net profit out of India operations for the preceding three financial years as its Annual CSR Budget.

Identification of thrust areas and strategic initiatives

For the purposes of focusing its CSR efforts in a continued and effective manner, the following seven thrust areas have been identified:

- a. Preventive healthcare / medical facility;
- b. Education / literacy enhancement;
- c. Community development & Orphanage;
- d. Environmental sustainability/ Protection/ Horticulture;
- e. Skill development / empowerment;
- f. Drinking water / sanitation;
- g. Sports & games;
- h. Infrastructure Development; and
- i. Other items as prescribed under the Companies Act, 2013 from time to time

As a guidance to distribute annual CSR Expenditure amongst the seven thrust areas, an indicative list, as below, has been suggested. However, the actual distribution of expenditure among these thrust areas will depend upon the local needs as may be determined by the need identification studies.

- (a) Contribution towards promoting preventive healthcare: viz., public health activities focused on prevention of diseases and promotion of good health, strengthening of health systems, etc.,
- (b) Skill Development: To support the National Skill Development and help Industries to move to a virtuous circle of higher productivity, employment, income growth, enhance employability and development

- (c) Education: To improve literacy/education programs / courses offered by educational institutes and Universities by participating in various Government schemes and initiatives through implementing agencies/ Corporates / NGOs/ Government Bodies
- (d) Sports: Training to promote nationally recognised sports and olympic sports for National and International level participation
- (e) Eradicating hunger and malnutrition: To support hygienic food systems, transport and to deliver sufficient and nutritious food for economically poor children in schools run by State / Central Government / NGOs and for the destitute and underprivileged.

Implementation

1. CSR programs will be undertaken majorly at the Head Office and by various work centers to the best possible extent within the defined ambit of the identified 'Thrust areas'.
2. The period / duration over which a particular program will be spread, will depend on its nature, extent of coverage and the intended purpose of the program to be met immediately.
3. Programs that involve considerable financial commitment and which are undertaken on a timeframe exceeding one financial year, will be considered as 'flagship programs' and accorded enhanced significance.
4. Largely, it may be ensured that atleast 60% of the CSR programs are executed in and around the areas where HMIE and its work centers operate.
5. Initiatives of State Governments, District Administration, Local Administration as well as Central Government Departments, Agencies, Self-help groups, etc., would be jointly synergized with the initiatives taken by HMIE that would enhance corporate branding in the community.
6. Project activities identified by HMIE under CSR are to be implemented by specialized agencies having the CSR Registration number, which could include - voluntary organizations, formal / informal elected local bodies such as Panchayats, Institutes / Academic Institutions, Hospitals, Trusts, Societies, Self-help groups, Government / Semi-Government / Autonomous organizations, Mahila Mandals, Professional Consultancy Organizations, Educational and Training Institutes etc.
7. The process of implementation of CSR programs will involve the following steps:

Internal Monitoring Systems

The CSR Working Group shall maintain an oversight on CSR programs identified and initiated by HMIE. The Working Group shall submit its report to the Managing Director through the Company Secretary. The Managing Director shall place such report, along with his recommendations to the CSR Committee. Based on the recommendations of the CSR Committee, the Board of Directors shall approve the implementation plan/ project and the budget.

The Board shall also be empowered to make modifications, if any, for smooth implementation of the project(s) within the overall time period, subject to recommendations from the CSR Committee.

Criterion for identifying Executing agency

While identifying programs, CSR Working Group will identify a professional external agency who can execute the said program. In case of program execution by NGOs / Voluntary Organizations, the following minimum criteria to be met:

- a. The NGOs/ Voluntary Organizations has a permanent office / address in India;
- b. The NGO is a registered entity under the applicable laws;
- c. Possesses a Valid CSR registration number;
- d. Possesses a valid Income-tax Exemption certificate; and
- e. The antecedents of the NGO / agency are verifiable / subject to confirmation.
- f. Established history of 3 years in undertaking similar programs / projects.

Monitoring and feedback

Implementation of this policy will be monitored and reviewed periodically through a three- tier structure comprising of CSR Working Group/Company Secretary CSR Committee and the Board of Directors.

Composition of the CSR Committee is as follows

1. Mr. Kuen Han Yi, Chairman of the CSR Committee
2. Mr. Sanghyun Jang, Member
3. Ms. Youngah Chang, Member

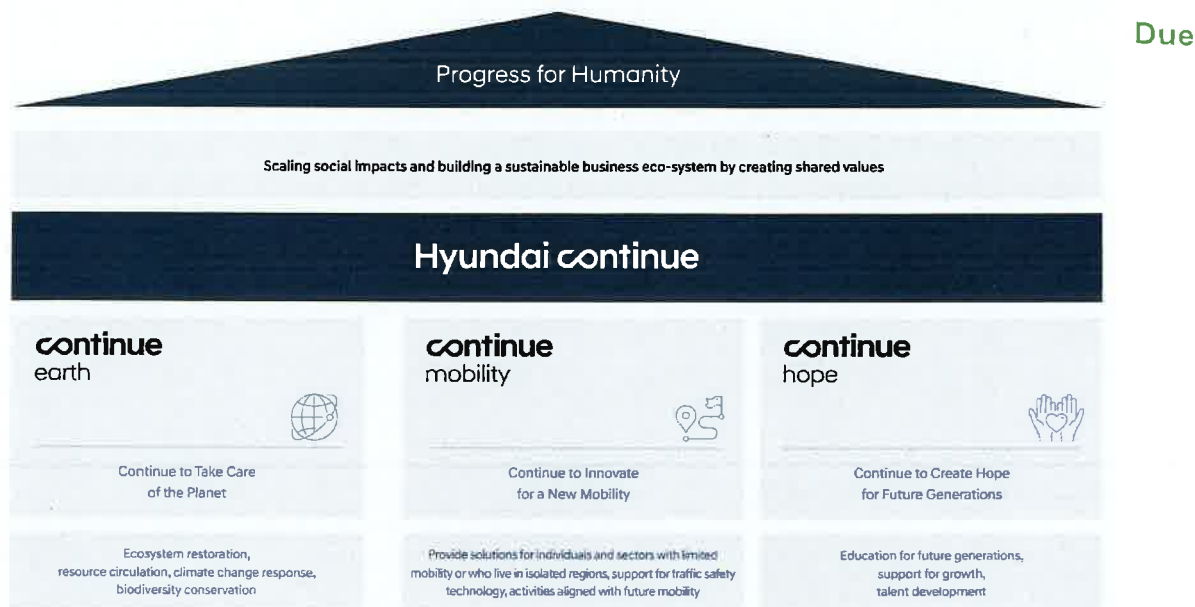
Role of CSR Working Group

- a) CSR Working Group is an internal group of members consisting of interested /nominated / elected employees
- b) CSR Working Group shall prepare the need assessment report within the contours of the CSR Policy and Guidelines
- c) The assessment report shall contain the details of the Implementing agency along with the due diligence report and the detailed project proposal.
- d) CSR Working Group shall act as a support Group to Company Secretary/CSR Committee / Board of Directors and shall be responsible for implementation of CSR projects.
- e) CSR Working Group may identify such locations to carry out CSR activities and mention the same in its report. Any adhoc proposals, may be included by the CSR Working Group for necessary approvals before disbursement of the CSR Funds.
- f) CSR Working Group shall review the focus areas from time to time & make additions or deletions, based on the priorities for each year.
- g) CSR Working Group can execute the activities by itself or through an Implementing Agency, which has a minimum 5 years of experience in the relevant CSR activities.
- h) Internal GAR Approval Must be obtained for each of the CSR Activities to be proposed.

Monitoring and Reporting Mechanisms

- The Management will cause to conduct inspections on a periodical basis, through independent professional third parties / professional institutions.
- CSR initiatives of the Company will also be reported in the Annual Report of the Company as per the Companies Act, 2013.

The effective monitoring and implementation of the project with reference to the approved timelines and year-wise allocation shall be certified by the CFO for information of the Board, on annual basis.



Diligence of Implementing Agency:

Implementing a Corporate Social Responsibility (CSR) project requires a thorough due diligence process to ensure the project's effectiveness, sustainability, and alignment with the organization's goals. Here's a step-by-step guide to help you prepare a due diligence process for implementing an agency for a CSR project:

1. Define project objectives: Clearly articulate the objectives and expected outcomes of the CSR project. This will serve as the foundation for evaluating potential implementing agencies.
2. Identify potential implementing agencies: Research and identify potential implementing agencies that have the necessary expertise, experience, and resources to carry out the project effectively. Consider their track record, reputation, and alignment with your organization's values.
3. Conduct initial screening: Develop a screening questionnaire or checklist to assess potential implementing agencies. Include criteria such as organizational capacity, relevant experience, financial stability, legal compliance, and ability to meet project requirements.
4. Request information and proposals: Request detailed information and proposals from shortlisted agencies. Ask for their organizational profiles, past project experience, team structure, methodology, timelines, budgets, and any other relevant information.

5. Review proposals: Evaluate the received proposals based on predetermined criteria and project objectives. Assess the agency's understanding of the project, alignment with your organization's goals, feasibility, and cost-effectiveness.
6. Conduct background checks: Perform comprehensive background checks on the shortlisted agencies. Verify their legal compliance, financial stability, reputation, and any potential conflicts of interest. You may also consider contacting their previous clients for references.
7. Site visits and interviews: Arrange site visits and conduct interviews with the shortlisted agencies. This will allow you to assess their infrastructure, operational capabilities, team dynamics, and their ability to deliver the desired outcomes.
8. Evaluate financial stability: Assess the financial stability of the potential implementing agencies by reviewing their audited financial statements, annual reports, and any other financial documents. Ensure that they have the necessary financial resources to execute the project.
9. Assess risk management capabilities: Evaluate the potential implementing agencies' risk management systems and their ability to identify and mitigate project risks. Look for evidence of proactive risk management and contingency planning.
10. Evaluate monitoring and evaluation mechanisms: Review the agencies' monitoring and evaluation frameworks. Assess their ability to measure and report on the project's progress, impact, and sustainability. Consider their data collection, analysis, and reporting capabilities.
11. Consider stakeholder engagement: Evaluate how the potential implementing agencies involve stakeholders such as local communities, government authorities, and other relevant parties. Look for evidence of their ability to build partnerships and engage stakeholders effectively.
12. Make a final selection: Based on the evaluation of the proposals, background checks, site visits, and interviews, select the implementing agency that best aligns with your organization's goals, has the required capacity, and demonstrates a strong track record.
13. Formalize the agreement: Once the implementing agency is selected, negotiate and formalize a detailed agreement that outlines project objectives, scope, deliverables, timelines, financial terms, monitoring and evaluation mechanisms, and reporting requirements.
14. Monitor and evaluate: Continuously monitor the implementing agency's progress, adherence to project timelines, and achievement of desired outcomes. Conduct regular evaluations to assess the project's effectiveness and make adjustments as necessary.

This process may vary based on the specific requirements and scale of the CSR project. It's essential to tailor the due diligence process to meet organization's needs and ensure the success of the project.

a) Responsibilities of the Implementing Agency:

1. Submit Project Proposal [Format #1] inline to HMIE CSR Theme along with all relevant details
2. Understand and follow Memorandum of Agreement

3. Agency can propose the activities, upon approval from the CSR Working Group, execution can be carried out.
4. CSR Working Group approved quotations shall proceed for the execution of the works.
5. For any payment in advance or to be paid activities, all have to be furnished by the agency with all relevant documentation [Invoice, receipts, etc]
6. In case of any deviations from Project Proposal and actual implementation, formal approval must be obtained from CSR Working Group
7. Submit Monthly/Quarterly Progress Report to HMIE
8. For all purchase under project quotations from 3 vendors need to be obtained for all parts/services where Unit cost is more than Rs. 10,000 or total Value is more than Rs. 1 Lakhs
9. Prepare all necessary details for periodical review and inspection by HMIE
10. Submit Project Impact Report with final outcome and results of activities
11. Submit Utilization Certificate from Certified Chartered Accountant

b) Activities through Volunteers from within the company:

- (i) CSR committee can invite volunteers within the company for supporting the execution process.
- (ii) Certain guidelines to be followed for identifying & execution of the projects:

a. Permissible Clause:

- i. Transportation: Can be reimbursed at actuals [Encourage to go in a group rather individual basis].
- ii. Food Expenses: Not exceeding Rs.300/- per person / per day shall be reimbursed.
- iii. Accommodation: Eligible to get reimburses accommodation expenses as appropriate for the activity to stay night. Mandatory to stay in twin sharing [Except gender parity]
- iv. On duty: Based on the need, activities can be planned on a working day or non-working day subject to the approval from the immediate approving authority.

b. Non- Permissible Clause:

- i. Daily Allowance: For carrying out any out station activity, not entitled for the daily allowance.
- ii. Holiday working: No holiday working shall be entitled for any member carrying out from the planning to execution.

General

- (i) The administrative overheads towards CSR shall not exceed 5 % of the total CSR expenditure for the financial year.

- (ii) Any surplus arising out of the CSR activities shall not form part of the business profit of the company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent as per procedures laid down in Section 135 read with Schedule VII and Rules Thereto under the Companies Act, 2013 (as amended from time to time).
- (iii) If the CSR spends during a financial year exceeds its CSR obligations, the excess amount may be set off against the CSR obligations of immediately succeeding 3 financial years
- (iv) Auditing Process: CSR implementation will be audited by Secretarial Auditors (yearly) and any other internal Audit as may be required from Finance from time to time and subsequent reporting to Management.

Notes

In case of any clarification with regard to any provision of the policy and in respect of matters not covered herein, a reference to be made to the Company Secretary (IHoD - Legal & Secretarial). In all such matters, the interpretation and decision of the Managing Director shall be final.

Any or all the provisions of the CSR Policy would be subject to revision / amendment in accordance with the guidelines on the subject as may be issued from Government, from time to time.

The Company and the CSR Committee reserves the right to modify, cancel, add, or amend any of these Rules.

Formats and Templates

- a. # Format A : Project Proposal Template
- b. # Format B : Memorandum Understanding
- c. # Format C : Project Progress Report