

CSR Policy

Godrej & Boyce Mfg. Co. Ltd

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1. Preamble

For over a hundred years, the Godrej brand has created a unique identity for its diverse businesses ranging from high tech engineering solutions to world-class consumer products. The Godrej Group is built on the cornerstones of integrity, trust, service, respect and environment and endeavours to pursue its vision of Godrej being in every home and workplace with the mission of enriching the quality of life, every day and everywhere.

The Godrej Group has embarked on a journey to ensure Brighter Living for all its stakeholders- customers, investors, vendors, employees and the community at large. Brighter living has made imagination and innovation a way of life at Godrej.

In line with this philosophy, Godrej, as part of its corporate social responsibility (CSR) commitment will make social and environmental investments to build a greener and inclusive India. The CSR activities of Godrej stem from its values of service towards society and empathy towards every individual. A fourth of the shares of Godrej & Boyce Mfg. Co. Ltd (hereafter referred to as 'the Company') are held in a Public Charitable Trust that invests in areas of environment preservation, healthcare and education.

The Godrej Group is committed to continually improve its CSR activities and has formulated and adapted a comprehensive CSR Policy called 'Godrej Good & Green'. In pursuance of the objectives of Godrej Good & Green, by 2020, we aspire to create a more employable Indian workforce, work towards building a greener India and innovate for good and green products. This Policy will help in driving our business towards sustainability by institutionalizing processes to bring into practice the concept of shared value.

In accordance with the strategy followed by the Godrej Group, the Company has also drafted its own CSR Policy. While this Policy is drafted as per the Godrej Groups' Good and Green policy, it includes projects/programmes that are to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.

2. Purpose

The purpose of this Policy is to:

- Define Godrej Good & Green, its strategic CSR policy
- Define the statement of intent reflecting the ethos of the company
- Define the projects/programmes and specific activities to be undertaken by the Company during the implementation year that are in consonance with the Company's vision and goals
- Define the implementation and monitoring process for CSR activities
- Define the partnership process which will serve as a guiding document (Standard Operating Procedure) for CSR activities
- Shed light on the manner in which surpluses from CSR projects will be treated
- Specify details of criteria which the partner organizations of CSR projects must qualify on

3. Policy Statement

The Company is committed to sustainable business development and responsible corporate citizenship. Through this CSR policy, the Company aligns its CSR strategy with the Godrej group's Good & Green vision and goals and endeavors to make social and environment investments to build a greener and inclusive India by adopting a shared value approach. This implies the development of profitable business strategies' that deliver tangible social benefits. Whilst upholding the Company's tradition of quality and craftsmanship built over more than a century, and meeting our commitment of profitable growth through sustainable development, we shall ensure that our operations comply with Corporate Sustainability Rules, 2014, as per Section 135 and sub-sections 1 & 2 of Section 469 of the Companies Act, 2013.

4. Scope of CSR activities in the Company

This Policy applies to all projects/programmes undertaken as part of our CSR initiative, and it will be further developed, reviewed and updated by reference to relevant codes of corporate governance and international standards or best practices.

In terms of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the CSR Policy relates to the CSR activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013, as projects or programs or activities (either new or ongoing) and the expenditure thereon, excluding activities undertaken in pursuance of its normal course of business.

4.1. Normal Course of Business

The Company has a significant presence in various businesses that include:

- Consumer durables such as refrigerators, washing machines, air conditioners, locks, home security systems and safes, and furniture
- Products for institutions such as office furniture, audio-visual solutions, access control systems, perimeter security solutions, bank security solutions, beverage vending machines, interior solutions, hospital and laboratory furniture
- Industrial products such as process equipment, material handling equipment, industrial storage solutions, tooling and precision equipment

While these businesses seem diverse, they are unified in that their development was founded on the principles of self-reliance and superior engineering capabilities.

The Company prides itself for being one of India's most respected corporate houses known for philanthropy and initiation of labour reforms, besides being recognized for its fair, transparent and ethical dealings. The Company always ensures that it fulfils all regulatory requirements and upholds the law of the land. The Company's commitment to quality, attention to detail and customer centricity has helped it earn the trust of generations of Indians.

5. Good & Green Goals of Godrej

By 2020, the Godrej Group aspires to create a more employable Indian workforce, build a greener India, and innovate for 'good' and/or 'green' products. The Godrej Group's Good & Green goals for 2020 are:

- To train 1 million rural and urban youth in skills that enhance their earning potential through employability training programs
- To reduce waste to landfill, become carbon neutral, ensure a positive water balance, reduce specific energy consumption by 30% and increase utilization of renewable energy sources through the Greener India projects
- To generate a third of the Company's portfolio revenues from 'good' and/ or 'green' products and services – products and services that are environmentally superior or address a critical social issue (e.g., health, sanitation, disease prevention) for consumers at the bottom of the income pyramid

The Company's Good & Green CSR Policy contributes to the Group-wide goals of Godrej by undertaking projects or programs or activities (either new or ongoing) as specified in Schedule VII:

- Employment enhancing vocational skills
- Promoting gender equality
- Empowering women
- Livelihood enhancement projects
- Eradicating hunger, poverty and malnutrition
- Promoting preventive healthcare and sanitation
- Promoting education
- Setting up old age homes
- Ensuring environmental sustainability
- Measures for the benefit of armed force veterans, war widows and their dependents
- Promoting nationally recognized and Olympic sports
- Contribution to the Prime Minister's Relief Fund
- Contribution to technology incubators located within academic institutions
- Rural development projects

(Annexure 1: CSR projects as per Schedule VII)

6. Suggested Governance Structure

The Company has constituted a robust and transparent governing mechanism to oversee the implementation of the Good & Green Policy, in compliance with the requirements of Section 135 of the Companies Act, 2013.

6.1. CSR Committee

To incorporate CSR projects in a corporate structure, the Governing Council has constituted a CSR Committee in terms of Section 135 of the Companies Act, 2013.

6.1.1. Members

- Mr. Jamshyd N. Godrej, Chairman and Managing Director, Godrej & Boyce Mfg. Co. Ltd
- Mr. Navroze J. Godrej, Executive Director, Godrej & Boyce Mfg. Co. Ltd
- Mr. V. M. Crishna, Executive Director, Godrej & Boyce Mfg. Co. Ltd
- Mr. Anil G. Verma, Executive Director, Godrej & Boyce Mfg. Co. Ltd
- Mr. Pradip Shah, Independent Director, Godrej & Boyce Mfg. Co. Ltd
- Mr. Keki Elavia, Independent Director, Godrej & Boyce Mfg. Co. Ltd

The Company Secretary will serve as the Secretary of the CSR Committee.

6.1.2. Responsibilities

- Selecting the organization model for the CSR implementation: in-house versus outsourced and its legal entity (trust, society, Section 8 company etc)
- Identifying the implementation model (grant making, direct project execution, etc)
- Formalizing the job description, roles and responsibilities and reporting relationships for the CSR team, within itself and vis-à-vis the rest of the Company
- Integrating budgeting, procurement, payments and reporting for CSR within the existing finance administration and IT systems
- Analyzing accounting systems and chart of accounts and making required changes to record all expenses appropriately
- Establishing a method of allocation for the expenses (or assets created) that are partly for the CSR and partly for business or employee use
- Ensuring quarterly progress reviews

6.2. Task Forces

Project specific task forces will be constituted for implementation of the projects.

6.2.1. Members

In the Company's effort to make businesses sustainable it is working towards embedding Good & Green in the organization. Thus, over 300 passionate and committed employees are engaged in executing Good & Green goals. These employees form a part of the various task forces and sustainability forums.

6.2.2. Responsibilities

- Evaluate projects and partners as per the developed framework
- Build collaborations with other organizations on CSR projects, wherever possible
- Implement projects based on set targets and action plans
- Regularly monitor the activities

- Send quarterly reports to the CSR Committee

7. CSR Spend

The CSR Spend of the Company, in every financial year, would be at least 2% of its average net profits during the three immediately preceding financial years as per the guidelines prescribed under Section 198 of the Companies Act, 2013 or such higher amount, if approved by the Company. The total CSR Spend will be decided as a part of the Annual Operating Plans, in accordance with the goals and priorities identified for each of the different pillars by the CSR Committee.

8. Project Life Cycle

The CSR projects of the Company are strategically planned and managed. Following are a few stages of a project:

8.1 Project Selection

The Company would conduct projects in India especially around the areas of operation. The respective task forces in consultation with the Corporate Good & Green team will undertake a need assessment study to understand the social and environmental needs.

8.2 Project Approval

The projects suggested by the task forces in consultation with the Corporate Good & Green team will be presented for the approval of the Board-level CSR Committee. Budgets will be finalized and disclosed at the beginning of every financial year.

8.3 Implementation

The CSR projects of the Company will be implemented either by itself or with the help of implementation agencies. The final projects approved by the CSR Committee will be handed over to the task forces, who in turn will break down the project into time-bound targets and action plans for the partners and individual divisions. This process will be conducted in consultation with the CSR Committee.

8.4 Monitoring

The task forces would be responsible for executing and monitoring approved projects, which may include site visits, meetings and progress reports etc. This will be done based on the milestones and success indicators, defined for the project, together with the implementing agency. It will be the responsibility of the implementing agency to provide the project progress report on a periodic basis. These will be submitted to the CSR Committee for the quarterly review meetings. Each of these projects will be monitored continuously through IT enabled systems to ensure transparency in the implementation process.

8.5 Reporting

The Board-level CSR Committee, based on reports presented by the task forces and the corporate CSR Office, will annually publish a report on the CSR projects as part of the Board's report. The report will disclose information in the format as prescribed by Section 135 of the Companies Act, 2013.

9 Building Partnerships

As mentioned earlier in 8.2, the Company will execute projects by itself and also in partnership with various implementation agencies.

9.2 Partner Qualifications and Due Diligence

The Company will undertake measures to ensure that projects are awarded to certified implementation agencies, be they vocational training institutes, registered trusts, societies or Section 8 Companies operating in India and which are not set up by the Company. The Company will ensure that the implementation agencies have a clearly explained mission/vision and an established track record of three years in undertaking similar projects or programmes. They should be able to produce their latest audit, annual reports and registration forms according to Section 80G/12A.

Potential partner NGOs will undergo thorough due diligence and will be checked to ensure that they fulfill the criteria listed in Section 135. The NGO will need to produce the following documents:

- Registration according to Section 80G and 12A
- Latest Annual Report
- Latest Audit Report

9.3 Partnership Process

The process to be followed to establish partnership with implementation agencies is as follows:

- Identification of implementation partner-** The first step is to identify an implementation agency which may be a vocational training institute, registered trust, society or a Section 8 Company or an NGO.
- Due Diligence of partner-** A due diligence exercise is to be conducted to help ascertain the risks as well as the benefits of the partnership, and to determine if the implementation agencies have the reputation, competence and integrity to deliver effective training. As per the due diligence process details submitted by prospective implementation agencies will be verified and due diligence visits will be conducted by the working team.
- Signing of Memorandum of Understanding (MOU) and Service Agreements (SLA) -** After a thorough due diligence, an MOU and SLA will be signed so as to enter into a formal arrangement with the implementation agency for a duration of 3 years. The SLA will define the specific terms of the contract and scope of work.

10 Treatment of Surpluses

Surpluses generated from CSR activities undertaken by the Company will be tracked and channelized into our CSR corpus. They will be used in the further development of these CSR initiatives, and will not be added to the normal business profits of the Company.