

1.Introduction :

Shanthi Gears Limited (“SGL”/“the Company”) is a public limited company (CIN:L29130TZ1972PLC000649) forming part of the Murugappa Group. The equity shares of the Company are listed on the BSE Ltd., and the National Stock Exchange of India Ltd.

SGL is a market leader in the business of Gears and Gear products

The Company’s businesses are indisputably founded on its core values. It owns responsibilities for all its stakeholders alike – customers, shareholders, employees and the community – always aspiring to create a long-term and sustainable value for their betterment.

The Company and its employees are guided by the spirit of the Murugappa Group, “The Five Lights” each light representing one value of the Group, namely, Integrity, Passion, Quality, Respect and Responsibility.

The Company firmly believes in and follows the quote from the Arthashastra, “The fundamental principle of economic activity is that no man you transact with will lose; then you shall not.”

2.Purpose :

Being a public listed company, the Company recognizes that its accountability is not limited only to its investors from a financial perspective but also to the larger society and hence, this Policy on Business Responsibility (“Policy”) lays down the broad principles to guide the Company in delivering its various responsibilities to its stakeholders. The Policy is intended to ensure that the Company adopts responsible business practices in the interest of the social set up and the environment to contribute beyond financial and operational performance. The objective of this Policy is to lay down the criteria and parameters that are to be considered by the Board of Directors of the Company while deciding on the declaration of Dividend from time to time. This Policy is applicable to dividend declared/recommended on the equity shares of the Company and does not cover dividend on preference shares, if any, where the rate of dividend is governed by the terms of the issue of preference shares or any other form of dividend.

3.Scope :

This Policy is formulated in accordance with Regulation 34 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”). This Policy also reiterates the Company’s commitment to follow the nine principles laid down in the National Voluntary Guidelines on Social, Environmental and Economic responsibilities of Business published by the Ministry of Corporate Affairs while conducting its business to the extent these are relevant.`

4. Authority and Responsibility :

The Board of Directors of the Company shall have the authority to oversee and implement this Policy. The Chief Executive Officer is responsible for implementing the Business Responsibility initiatives stated in this Policy.

This Policy may be reviewed and amended from time to time by the Managing Director of the Company in line with changes in the regulatory requirements as well as changes in Company policies. All material changes may be placed before the Board of Directors of the Company ("Board") for its approval.

5. Effective Dates :

This Policy shall be implemented with effect from such date as the Board may in its approval indicate.

6. Principle wise Policies / Practices

The Company shall conduct its business practices/activities in alignment with the following Key Principles which are broadly based on the Principles envisaged in the National Voluntary Guidelines in the interest of social set up, environment and governance:

Principle 1: The Company should conduct and govern itself with ethics, transparency and accountability

The Company is committed to developing governance structures, procedures and practices that ensure ethical conduct at all levels; and promoting the adoption of this principle across its value chain. Commitment to ethical and lawful business conduct is a fundamental shared value of the Board of Directors, senior management and all employees of the Company. Communication must be transparent and should assure access to information about its decisions that impact relevant stakeholders. The Company should not engage in practices that are abusive, corrupt or anti-competition and should truthfully discharge its responsibility on financial and other mandatory disclosures. Due care should be taken to avoid complicity with the actions of any third party that violates any of the principles contained in this Policy.

The Company is committed to the highest standards of corporate governance in all its activities and processes. The above principle is enshrined in the various policies laid down by the Company from time to time including the Code to regulate, monitor and report trading by Insiders in the Company's securities and the SGL Code of Conduct that shall act as a guide and govern the employees.

Principle 2: The Company should provide products and services that are safe and contribute to sustainability throughout their life cycle

The Company undertakes to assure safety and optimal resource use over the life-cycle of its products. Efforts will be made to ensure that everyone connected with it be it designers, producers, value chain members, customers and recyclers are made aware of their responsibilities.

Conscious efforts to raise consumer awareness of their rights through education, product labelling, appropriate and helpful marketing communication, full details of contents and composition as well as promotion of safe usage and disposal of its products and services will be made. In order to improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations, there will be regular reviews. The rights of people who may be owners of traditional knowledge, and other forms of intellectual property will be recognized and respected. Duly recognizing that over-consumption results in unsustainable exploitation of the planet's resources, the company will promote sustainable consumption, including recycling of resources.

The Company is engaged in manufacturing business. It continuously strives to reduce its own carbon footprints, influence the stakeholders to encourage them reduce their footprints and also engage with employees to help reduce their personal footprints through various initiatives.

The Company shall at all times create consumer awareness about their rights as required under the regulatory norms and the SGL Code of Conduct.

The Company, at all times, strive to upgrade the work culture and take such initiatives that work towards the conservation of the surrounding environment.

principle 3: The Company should promote the well-being of all employees

The Company will respect the right to freedom of association, participation, collective bargaining, and will provide access to appropriate grievance redressal mechanisms. There should be equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability or sexual orientation.

No unit shall use child labour, forced labour or any form of involuntary labour, paid or unpaid. Further, the Company will ensure timely payment of fair living wages to meet basic needs and economic security of its employees. The Company will take cognizance of work-life balance of all its employees especially that of women and arrangements to provide appropriate facilities for the well-being of its employees including those with special needs will be made.

The Company will strive to keep the workplace environment safe, hygienic and humane, upholding the dignity of the employees including conducting training and sending suitable communications on regular basis.

The Company will concentrate on continuous skill and competency upgrading of its employees by providing access to necessary learning opportunities on an equal and non-discriminatory basis besides promoting employee morale and career development through human resource interventions.

The Company's policies, systems and practices will ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.

The above Principles have been appropriately enshrined in its policies put in place from time to time by the Company to ensure well-being of its employees including the following:

- Whistle blower policy
- Policy on prevention of Sexual Harassment
- Leave Guidelines
- Transfer Policy
- Travel Policy
- Safety Policy

Principle 4: The Company should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

The Company should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product & services and associated operations on the stakeholders and should resolve differences with stakeholders in a just, fair and equitable manner. The systems and process in place to systematically identify stakeholders and for understanding their concerns and for engaging with them will be reviewed from time to time. Special attention to stakeholders in areas that are underdeveloped may be given.

The Company's Corporate Social Responsibility (CSR) policy that drives the initiatives undertaken by the Company towards the benefit of the disadvantaged, vulnerable and marginalized stakeholders shall ensure the above principles.

The grievance redressal and the feedback mechanism available for shareholders and customers to assess the services levels and other complaints shall follow the spirit laid down herein.

Principle 5: The Company should respect and promote human rights

The Company appreciates that human rights are inherent, universal, indivisible and interdependent in nature. Conscious efforts should be taken to understand the regulatory aspects of human rights. Care should be taken to integrate respect for human rights in management systems, wherever applicable, in particular through assessing and managing human rights impacts of operations. Access to grievance redressal mechanism set up for all individuals impacted by the business will be provided.

The Company will recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalized groups and the business units within their sphere of influence, endeavor to promote the awareness and realization of human rights across their value chain and will not be complicit with human rights abuses by a third party.

The Company in its business operations shall treat all customers with fairness and shall adhere to the SGL Code of Conduct. The Company will recognize and respect the human rights of all relevant stakeholders, including that of its customers, shareholders, investors, public at large. The Company

will strive to abide with the aforesaid principle and discourage violating practices by any third party to the extent possible.

Principle 6: The Company should respect, protect, and make efforts to restore the environment

In its effort to respect, protect and restore the environment, all units will utilize their resources in an optimal and responsible manner ensuing sustainability through reduction, re-use, re-cycling and managing waste. Appropriate measures to check and prevent pollution will be undertaken and wherever required assessment of any environmental damage, if any, would be taken up with due regard to public interest. Equitable sharing of access and commercialization of biological and other natural resources and associated traditional knowledge will be encouraged. The Company will also seek to improve its environmental performance by adopting cleaner production methods, promotion of energy efficient and environmental friendly technologies. Suitable processes and systems may be developed with contingency plans and processes that help in preventing, mitigating and controlling environmental damages caused due to the Company's operations. Wherever possible, the Company will be involved in proactive persuasion and support to the value chain extended for adoption of this principle.

The Company shall facilitate and adhere to the principle of respecting, protecting and restoring the environment. The Company shall promote ecological sustainability and green initiatives by adopting energy saving mechanisms, sensitizing employees to reduce the carbon footprint of the Company.

The Company shall commit itself to take all necessary initiatives towards continued reduction in the utilisation of natural resources and also man-made resources. The Company shall proactively promote the same across the value chain by mandating compliance by various stakeholders.

The Company shall also persuade and encourage its vendors to reduce the carbon footprint.

Principle 7: The Company, when engaged in influencing public and regulatory policy, should do so in a responsible manner

While pursuing policy advocacy, the Company will ensure that its advocacy position is consistent with this Policy and to the extent possible, the trade and industry chambers and associations and other such collective platforms be utilized to undertake such policy advocacy.

As a corporate citizen, the Company shall operate within the democratic setup and constitutional framework.

The Company, being a part of various chambers and associations shall strive to make recommendations/representations before regulators and associations for advancement and improvement of the businesses it operates in.

The Company shall strive to perform the function of policy advocacy in a transparent and responsible manner while engaging with all the authorities and will take into account the Company's as well as the larger national interest.

Principle 8: The Company should support inclusive growth and equitable development

Every SBU should understand the impact of its operations on social and economic development take appropriate action to minimize negative impact, if any. They should innovate and invest in products, technologies and processes that promote the wellbeing of society.

SBUs operating in regions which are underdeveloped should be sensitive to local concerns and make efforts to complement and support the development priorities at local and national levels. In case the business operation causes any displacement of communities, appropriate resettlement and rehabilitation of communities must be ensured by the SBUs.

The Company has always been known for its tradition of philanthropy and community service long before it was even mandated under the Companies Act, 2013. The Company shall continue with its philosophy to reach out to the community by supporting service-oriented philanthropic institutions in the field of education and healthcare as the core focus areas. The Company shall be guided by its Corporate Social Responsibility Policy for inclusive growth and equitable development.

Principle 9: The Company should engage with and provide value to their customers and consumers in a responsible manner

The overall well-being of the customers and that of society must be taken into account while serving the needs of customers. The Company should refrain from restricting the freedom of choice or free competition while designing, promoting and selling their products.

Care should be taken that all requisite information will be truthfully and factually, disclosed through labelling or other means, including wherever required, the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services. Product promotion or advertisement should be done in a manner which is not misleading or violating the principles of this Policy. Due care and caution to be exercised while providing goods and services that result in over exploitation of natural resources or which lead to excessive conspicuous consumption.

There should be adequate grievance handling mechanisms to address customer concerns and feedback.

The Company has a robust mechanism in place for the redressal of grievances its customers and shareholders may have for recording and escalating their grievances/feedback. Senior personnel facilitate as the Redressal Officers to ensure timely redressal of such grievances.

The Company shall ensure that the promotion and advertisement of its products do not mislead or confuse the customers and other stakeholders or in any way violate the principles of this Policy.