

THDC INDIA LIMITED



“THDCIL CSR and Sustainability Policy 2015”#

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1.0 Preamble

- 1.1 In 2008, THDCIL had framed a Policy on Corporate Social Responsibility (CSR) known as 'Scheme for Corporate Social Responsibility – Community Development (CSR-CD)', which was adopted from financial year 2008-09. Consequent upon issue of guidelines by DPE in April, 2010, 'THDC CSR-CD Scheme 2010' was introduced. Subsequently, a separate policy on Sustainable Development was framed in 2012, which was based on DPE guidelines issued in September, 2011. As per aforesaid guidelines of DPE, Corporate Social Responsibility and Sustainable Development were treated as two separate subjects and accordingly dealt with separately for the purpose of MoU evaluation. Because of the close linkage between the concepts of Corporate Social Responsibility and Sustainable Development, DPE issued combined guidelines on Corporate Social Responsibility and Sustainability for CPSEs effective from 1st April 2013. In accordance with the said guidelines THDCIL CSR & Sustainability Policy-2013 was issued with the approval of the Board.
- 1.2 The Companies Act, 2013 has been enacted in August 2013 and Section 135 of the Companies Act deals with Corporate Social Responsibility, which is applicable to all companies, including CPSEs. The Companies covered under the eligibility criteria, based on threshold limits of net-worth, turnover, or net profit, as specified in Section 135(1) of the Companies Act, shall be required to take up CSR Activities. Companies (Corporate Social Responsibility Policy) Rule, 2014, under the provisions of the Companies Act, has also been notified, which is effective from 1st April, 2014. DPE has also issued revised guidelines vide OM Dated 21st October, 2014 on CSR and Sustainability for CPSEs effective from 1st April, 2014.
- 1.3 As required under Companies Act and CSR Rules, all companies covered under the eligibility criteria based on threshold limit of net-worth, turnover, or profit shall formulate a Corporate Social Responsibility Policy with the approval of Board for activities to be undertaken as specified in Schedule VII of the Companies Act. Also, as per DPE Guidelines all CPSEs must adopt a CSR and Sustainability Policy specific to the Company, with the approval of the Board of Directors. With the issuance of this policy, THDCIL CSR & Sustainability Policy-2013 issued with the approval of the Board stands superseded.

2.0 CSR & Sustainability Vision and Mission:

2.1 CSR Vision

- Socially responsible corporate, continuously enhancing value creation in society and community and promoting sustainable development.

2.2 Mission

- To build sustainable value based relationship with the key stakeholders through ongoing two way communication.
- To undertake CSR programmes¹ with a human face.
- To transparently share the CSR & Sustainability initiatives with the stakeholders.
- To ensure increased commitment at all levels in the organization to operate its business in an economically, socially and environmentally sustainable manner.
- To directly or indirectly take up CSR programmes that benefit the communities in and around its work centers and over a time result in enhancing the quality of life and economic well being of the local populace.
- To promote inclusive growth and address the basic needs of the deprived, underprivileged, neglected and weaker sections of the society.
- To generate through CSR initiatives, goodwill and pride for THDCIL among stakeholders and help reinforce a positive and socially responsible image of THDCIL as corporate entity.

3.0 Institutional Mechanism

3.1 Board Level CSR Committee

3.1.1 THDCIL shall have a Corporate Social Responsibility Committee (CSR Committee) of the Board constituted in terms of Sub-section (1) of Section 135 of the Companies Act 2013. The CSR Committee shall elect one Independent Director as Chairman of the Committee. Company Secretary shall be Secretary to the CSR Committee.

¹ The term 'CSR programmes' used in the Policy includes CSR Projects and CSR Activities.

- 3.1.2 The CSR Committee shall formulate and recommend to the Board for approval, the CSR and Sustainability Policy of the Company which shall indicate the activities to be undertaken by THDCIL relating to Schedule VII of the Companies Act and amount of expenditure to be incurred.
- 3.1.3 The CSR Committee shall monitor the CSR & Sustainability Policy from time to time and steer the CSR and Sustainability Programme of the Company.
- 3.1.4 The CSR Committee shall meet at least once in every three months and four times in a year.

3.2 Below Board Level Committee

- 3.2.1 An officer of the level of General Manager, heading the CSR and Sustainability functions shall be the designated Nodal Officer, who shall be the head of Below Board Level Committee (BBLC). The other members of the BBLC shall be drawn from various functional Departments/Units i.e. S&E, Finance, SEWA/TES as decided by the CSR Committee. Independent Experts in the field of CSR and Sustainable development, from outside the organization may also be nominated in the BBLC.
- 3.2.2 The Nodal Officer shall be permanent Special Invitee to the Board Level CSR Committee.
- 3.2.3 The Nodal Officer shall have a team of officials to assist him / her in co-ordination work. The composition of the team to assist the nodal officer shall be decided by the Director in charge of CSR in consultation with CMD.
- 3.2.4 The BBLC shall be responsible for entire CSR & Sustainability Programmes and its functions shall, inter alia, include the following:
- Preparation of proposals for CSR & Sustainability Programmes, location, estimation of each programme and preparation of annual budget and submitting the same for the consideration of CSR Committee and approval of the Board.
 - Implementation & Monitoring of CSR Sustainability Programmes.
 - Baseline/ need assessment survey and impact assessment of completed Programmes.
 - Preparation of Quarterly Progress Report and Annual Report on CSR to be placed before the Board through CSR Committee.

4.0 Planning

4.1 Resources

- 4.1.1 Every year, THDCIL shall ensure that at least 2% of the average net profit of the Company made during the three immediate preceding financial years is spent in pursuance of its CSR & Sustainability Policy, excluding such activities undertaken in pursuance of normal course of business.² The unspent amount would not lapse and will be carried forward to the next year for utilization for the purpose for which it was allocated.
- 4.1.2 Even if THDCIL is not covered under the eligibility criteria based on threshold limit of net-worth, turnover, or net profit as specified in the Act, but makes profit in the preceding year, the Company will take up CSR programmes as specified in the Act and the CSR Rules and spend at least 2% of the net profit made in the preceding year.
- 4.1.3 Expenditure on capacity building, such as training, workshops, seminars, conferences, etc for CSR, for own employees of the Company as well as those of implementing agencies, through Institutions with track record of at least three financial years will qualify as CSR expenditure. Such expenditure on capacity building, including expenditure on administrative overheads and base line / need assessment survey and impact assessment study shall not exceed 5% of the of total CSR expenditure in any year.
- 4.1.4 The Budget and Annual CSR and Sustainability Plan shall be approved by the Board on the recommendation of the CSR Committee.
- 4.1.5 Up to 5% of the annual CSR Budget may be earmarked for emergency needs for taking up permitted CSR programmes during natural calamities / disasters. However, it may be ensured that unutilized balance of such emergency fund is utilized for CSR programmes within the same financial year, so as to avoid any carry forward of unspent Annual CSR Budget.

4.2 Selection of CSR Programmes

- 4.2.1 Selection of CSR programmes must be related to the activities as specified in Schedule VII of the Companies Act 2013 vide **Annexure - I**. The entries in Schedule VII may be interpreted liberally so as to capture the essence of the subjects.

² Net profit to be calculated as per Section 198 of the Companies Act, read with CSR Rules 2(f).

4.2.2 Keeping in view the spirit of executing CSR & Sustainability programmes, the broad umbrella of THDCIL CSR initiatives will be titled '**THDC Sahridaya**' (Corporate with a Human heart). Focus areas where THDCIL shall undertake CSR programmes are titled by the objective they seek to achieve as under:

- i. **THDC Niramaya** (Health) - Nutrition, Health and Sanitation and Drinking Water projects
- ii. **THDC Jagriti** (Initiatives for a Bright future) – Education initiatives
- iii. **THDC Daksh** (Skill) - Livelihood Generation and Skill development initiatives
- iv. **THDC Utthan** (Progress)- Rural Development
- v. **THDC Samarth** (Empowerment)- Empowerment initiatives
- vi. **THDC Saksham** (Capable) - Care of the aged and differently abled
- vii. **THDC Prakriti** (Environment) - Environment protection initiatives

The nature of the CSR programmes to be undertaken under each of the above focus areas will be indicated in the 'CSR hand book of THDCIL'.

4.2.3 As far as possible, CSR programmes shall be undertaken in Project mode, which entails planning the stages of execution in advance, fixing targets, resources required within the allocated budget, and having a definite time span for achieving desired outcomes. For easy implementation, long-term CSR plans shall be broken down into medium-term and short-term plans.

4.2.4 If required, THDCIL will collaborate with other companies / CPSEs for undertaking CSR programmes and pool the resources and capabilities for greater social, economic and environmental impact. The collaboration with other companies will be in such a manner that THDCIL is in a position to report separately on such programmes in accordance with CSR Rules.

4.2.5 CSR & Sustainability programmes will be aligned with business policies and strategies of the Company and such CSR programmes will be selected which can be better implemented / monitored through in-house expertise, so as to exploit Company's core competence and resource capability in implementation of CSR programmes.

4.2.6 'THDCIL's CSR Communication Strategy' approved by the Board envisages ongoing communication with the key stake holders to ascertain their views and suggestions regarding the CSR and sustainability initiatives under taken / to be under taken by the Company. However, the final decision in selection and implementation of CSR activities would be that of the Board level CSR Committee.

4.2.7 As a part of the sustainability initiatives within the organization, THDCIL shall give due importance to environmental sustainability even in normal mainstream activities by ensuring that its operations and processes promote renewable sources of energy, reduce / re-use / recycle waste material, replenish ground water supply, protect / conserve / restore the ecosystem, reduce carbon emissions and help in greening the supply chain. However, expenditure towards such sustainability initiatives would not constitute a part of CSR spends from 2% of profits as stipulated in the Act and the CSR Rules.

4.3 Selection of location and beneficiaries

4.3.1 Preference will be given to the local area in selecting the location of CSR and Sustainability activities. The definition of "Local area" for this purpose will be

(i) the periphery of the Company's plant / project / business activities and (ii) the Broad Geographical Area directly impacted by the Company's business operations. Priority shall also be accorded to CSR and Sustainability Programmes for the benefit of those stakeholders who are directly impacted by Company's operations and activities.

4.3.2 At least 65% of the annual CSR budget should be allocated to CSR programmes for local area and for the benefits of stakeholders who are directly impacted by the Company's business operations / activities.

4.3.3 After giving preference to local area, THDCIL will undertake CSR programmes anywhere in the country.

4.3.4 Baseline/ need assessment survey will be desirable prior to the selection of any CSR programme. Baseline surveys may not be required in all cases, provided there is credible documentary evidence of having got the need assessment study done through own resources, or through some specialized agency, or having accessed reliable data in this regard from recognized authoritative secondary sources.

5.0 Implementation

5.1 The CSR and Sustainability programmes will be mainly implemented through SEWA-THDC and THDC Education Society (TES), the two Company sponsored / established registered Societies. CSR programmes may also be undertaken by the Projects / Units of THDCIL directly.

- 5.2 THDCIL may take up the implementation of CSR activity directly through the Projects/ Units of the Company with its manpower and resources, if it feels confident of its organizational capability to execute such programmes.
- 5.3 The CSR and Sustainability programmes may also be undertaken through trust, society or company under section 8 of the Companies Act not established by THDCIL if such entity has been created exclusively for undertaking CSR activities or where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Companies Act. Such trust, society or company must have an established track record of three years in undertaking similar programmes and THDCIL will specify the programmes to be undertaken through these entities, the modalities of utilization of funds on such programmes and reporting mechanism.
- 5.4 While engaging or partnering with external agencies, care shall be exercised to ascertain the credentials so as to select only reliable, specialized agencies which have the necessary capabilities and expertise to implement the CSR Programmes.
- 5.5 Engagement of external specialised agencies is the discretion of the THDCIL, but preferably they shall be engaged from the available panels of such agencies maintained by the Government Ministries / Departments, autonomous organisations, or the National / Regional CSR Hub.
- 5.6 At times, implementation of CSR & Sustainability programmes requires specialized knowledge and skills for which services of external specialized agencies may be sought.

6.0 Monitoring

- 6.1 Monitoring of CSR and Sustainability programmes will be done concurrently with implementation to assess the progress vis-à-vis planned.
- 6.2 To ensure transparency and effective implementation of the CSR programmes undertaken, a robust monitoring mechanism will be instituted by the Company, providing for periodic monitoring at different levels using the following indicative medium:
- i. Monthly Progress Report
 - ii. Quarterly Progress Report
 - iii. Video Conferencing
 - iv. Site Visits

- v. Documentary evidence including photographs, films and videos
- vi. Other in – house monitoring mechanisms, as determined by the CSR Committee
- vii. Third Party can be engaged for monitoring with due care to eliminate conflict of interest

7.0 Reporting

- 7.1 Monthly Progress Report will be submitted to the Director In-charge of CSR & Sustainability.
- 7.2 Quarterly progress report on CSR and Sustainability will be placed before the Board after consideration by the Board Level CSR Committee.
- 7.3 The Board's report in the Annual Report shall include Annual Report on CSR containing particulars specified in **Annexure-II** and the same shall be displayed in the THDCIL's website.
- 7.4 A brief narrative on the action taken for implementation of DPE guidelines on sustainability initiatives shall also be included in the Board's Report on CSR.
- 7.5 Annual Sustainability Report will be published and displayed on Company's web site as per the 'THDCIL's CSR Communication Strategy'.

8.0 Impact Assessment

Impact assessment of all completed CSR & Sustainability programme above Rs 5.00 lakhs will be done through specialized external agencies and the report containing the success/failure shall be submitted to Board Level CSR Committee.

9.0 General Provisions

- 9.1 THDCIL shall execute all CSR activities and programmes in terms of the systems and procedures as detailed in the 'CSR Handbook' (as maybe notified from time to time) which are aligned/based on the provisions of Section 135 of the Companies Act, 2013, the CSR Rules and the subsequent clarifications and amendments as notified by Ministry of Corporate Affairs/ Department of Public Enterprises.
- 9.2 If necessitated, new CSR programmes can be taken up during the course of a year, with the Board's approval based on the recommendations of the CSR Committee, in addition to CSR activities already incorporated in the annual CSR plan.

- 9.3 The surplus arising out of CSR projects or programmes or activities shall not form part of the business profit of the Company.
- 9.4 One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorship of TV programme etc would not be qualified as part of CSR expenditure.
- 9.5 Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.
- 9.6 The CSR projects or programmes or activities that benefit only the employees of THDCIL and their families shall not be considered as CSR activities.
- 9.7 CSR programmes undertaken only in India will be considered for the purpose of mandated two percent expenditure.
- 9.8 For every CSR project/ programme of THDCIL, the implementing agency shall abide by the provisions of the THDCIL's 'Ethics Policy' and 'Whistle Blower Policy'.

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**Activities which may be undertaken under Corporate Social Responsibility
Policy vide Schedule VII of the Companies Act 2013**

- i. Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation, including contribute to Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
- ii. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and differently abled and livelihood enhancement projects.
- iii. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres, and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- iv. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water, including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.
- v. Protection of natural heritage, art and culture, including restoration of building and sites of historical importance and works of art; setting up public-libraries; promotion and development of traditional art and handicrafts.
- vi. Measures for the benefit of armed forces veterans, war widows and their dependents.
- vii. Training to promote rural sports, national recognized sports, paralympic sports and Olympic sports.
- viii. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- ix. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- x. Rural development projects.
- xi. Slum area development. *

**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.*

(The above entries in Schedule VII have been updated incorporating amendments notified up to 24.10.2014)

Annual Report on CSR Activities, with the following information, to be included in the Board’s Report

1. A brief outline of the Company’s CSR Policy, including overview of projects or programs proposed to be undertaken and reference to the web-link to the CSR Policy and Projects or programs.
2. The composition of CSR Committee.
3. Average net profit of the Company for the last three years.
4. Prescribed CSR expenditure (i.e. 2% of item 3 above).
5. Details of CSR spent during the financial year.
 - (a) Total amount to be spent for the financial year.
 - (b) Amount unspent, if any.
 - (c) Manner in which the amount spent during the financial year as detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR projects or activities identified	Sector in which the project is covered	Project or Programs (1) Local area or other (2) State and district where project or programs was undertaken	Amount outlay (Budget) Project or program wise	Amount spent on project or programs Sub-head: (1)Direct expenditure on projects or programs (2)Overheads	Cumulative expenditure up to the reporting period.	Amount spent: Direct or through implementing agency (Give details of implementing agencies)
1							
2							
3							
TOTAL							

6. In case the CSR spent is less than two percent of the average net profit of the last three financial years or any part thereof, reasons for not spending the amount shall be specified in the Board’s Report.
7. A responsibility statement of CSR Committee that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company.

Sd/ CEO/MD/Director	Sd/ Chairman-CSR Committee
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