

Corporate Social Responsibility (CSR) Policy



Bharat Heavy Electricals Limited
New Delhi

July, 2017

Revision-II

Page 1 of 12

CONTENTS

S. No.	Section	Page No.
1	CSR Overview, Vision, Mission, Objective, Definition and Scope	3-5
2	CSR Policy Statement	6
3	Funding and Allocation	7-9
4	Implementation, Monitoring & Reporting	10
5	CSR Structure	11-12

1. CSR OVERVIEW, VISION, MISSION, OBJECTIVE, DEFINITION AND SCOPE

1.1 CSR Overview

Corporate Social Responsibility in BHEL is a continuing commitment to operate ethically and contribute to harmonious and sustainable development of society and planet through business, while improving the quality of life of the community and the society. CSR is, therefore, the organization's commitment to operate in an economically, socially and environmentally sustainable manner, while recognizing the interest of its stakeholders.

1.2 CSR Vision

A responsible corporate citizen working towards a better tomorrow.

1.3 CSR Mission

To sincerely & effectively discharge company's responsibility in the identified CSR thrust areas and other areas listed out in the Companies Act, 2013.

1.4 Objectives

The objectives of this policy are:

- To define CSR projects or programs which BHEL plans to undertake and which fall within the purview of the Companies Act 2013, the Companies (CSR Policy) Rules, 2014 and the prevailing DPE Guidelines;
- Modalities of execution of such CSR projects or programs;
- Monitoring process of such CSR projects or programs;
- To make the stakeholders aware about CSR practices in BHEL.
- To work keeping in mind the larger objective of sustainable development in conduct of business and in pursuit of CSR agenda

1.5 Terms and definitions

Unit(s) : Units/Regions/Divisions/Sites/Offices of BHEL;

Company : BHEL;
Board : Board of Directors (BOD) of BHEL;
BLC : Board Level Committee for Corporate Social Responsibility;
Level 1 : Level 1 Committee for CSR;
Level 2 : Level 2 Committee for CSR;
ULC : Unit Level Committee for CSR

Local Areas: District in which Unit operates and the districts contiguous thereto.

Project : An activity which entails planning the stages of execution in advance by fixing targets at different milestones, with pre-estimation of quantum of resources required within the allocated budget, and having a definite time span for achieving desired outcomes.

Mega Project: A project where the total cumulative value of the project (whether or not extending over one or more FYs) is more than Rs. 2 Cr. However, contribution to the Prime Minister's National Relief fund or any other fund set up by the Central Government will be excluded from the definition of the mega project even if value exceeds Rs. 2 Cr. Support to Schools and Skill Development as defined in clause 3.2.1 will not be treated as Mega Project.

Any undefined words and expressions used in 'BHEL CSR Policy' shall have the same meaning as defined for them in the Companies Act, 2013, the Companies (CSR Policy) Rules, 2014 and the Guidelines of DPE.

1.6 Scope

1.6.1 This policy broadly covers all relevant clause(s)/ sections of the Companies Act, 2013, the Companies (CSR Policy) Amendment Rules, 2014 and the Guidelines.

1.6.2 This Policy relates to the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of the Company.

- 1.6.3 As clarified by the Ministry of Corporate Affairs vide General Circular no. 21/2014 dt. June 18, 2014, CSR activities mentioned in Schedule-VII are to be interpreted liberally. Further, one-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programmes, etc. would not qualify as CSR activities.
- 1.6.4 The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities.
- 1.6.5 The amount spent on CSR initiatives in the pursuit of sustainable development while conducting normal business activities would not constitute a part of the CSR spend from 2% of profits as stipulated in the Act and the CSR Rules.
- 1.6.6 This policy document will be applicable for all BHEL units for implementation of CSR activities/programs.
- 1.6.7 Working instructions/ guidelines for this policy will be issued separately for the Units, with the approval of Director (HR).

2. CSR POLICY STATEMENT

BHEL, a global engineering enterprise providing solutions for a better tomorrow, is committed towards holistic welfare of the society by undertaking CSR activities within the ambit of Schedule-VII of the Companies (CSR Policy) Rules, 2014, as amended from time to time. However, thrust areas for CSR activities will be:

- 2.1. **Inclusive India:** Mitigation of hunger and poverty through livelihood promotion/ augmenting income generation, Imparting vocational Skills
- 2.2. **Healthy India:** Promoting health care including preventive health care and sports;
- 2.3. **Clean India:** Sanitation and making available Safe Drinking Water, Cleaning and preserving the Rivers, Clean surroundings; toilets in schools specially for girls;
- 2.4. **Educated India:** Promoting education with thrust on informal education to reduce dropouts at primary school level, value education, digital education;
- 2.5. **Responsible India:** Women Empowerment, Setting up old age homes, day care centre and such other facilities for senior citizens, Rural Development Projects, and Slum Development Projects;
- 2.6. **Green India:** Ensuring environmental sustainability with emphasis on projects based on Solar Energy;
- 2.7. **Heritage India:** Protection of national heritage, art and culture;

In the above thrust areas priority will be given to under privileged, neglected and weaker sections of the society. The company shall give preference to the local areas for spending at least 75 % of the amount earmarked for CSR activities. The remaining amount may be utilised beyond local areas. However, contribution made to the Central Government Schemes, where defining the area as well as the scope is not possible for the company will be excluded while arriving 75:25 ratio. It is desirable that CSR initiatives should be taken up in project mode, to the extent possible. However, it shall exclude any contribution made to the Central Government Schemes.

Periodic review of this policy shall be done to ensure its continued suitability, adequacy and efficacy.

3. FUNDING & ALLOCATION

3.1 Funding

- 3.1.1 In line with extant provisions of section 135 of the Companies Act 2013 and requirements laid down in the Companies (CSR Policy) Rules, 2014; 2% of the average profit of the company computed in the manner prescribed in the Act during the three immediately preceding financial years will be allocated for CSR activities.
- 3.1.2 CSR budget for the relevant financial year computed as above shall be submitted to the Board.
- 3.1.3 The reasons for not spending the CSR amount shall be disclosed in the Annual Report. The unspent CSR amount would not lapse and would instead be carried forward to the next year for utilization for the purpose for which it was allocated, as far as possible.
- 3.1.4 Any surplus arising out of the CSR projects or programs or activities shall not form part of the Business profit of a company.

3.2 Allocation

CSR Budget will be utilized for the following heads on a year-to-year basis.

3.2.1 Support to Schools and Skill Development:

BHEL is extending financial support to many schools situated in the campus of Manufacturing Units. Also, BHEL is providing training for skill development to trade apprentices, diploma holders, graduate apprentices, vocational trainees etc. across the whole corporation. Expenditure incurred on school will be accounted on pro-rata basis in proportion to the strength of non-BHEL wards. In case of skill development, the spent in excess of the statutory limit specified by the Govt. will be accounted for under CSR expenditure.

3.2.2 Capacity Building including Administrative Overheads

In line with the Companies (CSR Policy) Rules, 2014, and DPE Guidelines, 2014 up to 5% of CSR Expenditure of the year shall be kept as a reserve for capacity building

including administrative overheads. This fund shall be utilized for capacity building of the company personnel as well as those of its implementing agencies (through Institutions with established track record of at least three financial years), baseline survey & Impact assessment and CSR staffs' salary.

3.2.3 MoU Projects

CSR Budget will be utilized for implementing CSR projects identified in MoU for the year signed with the Government of India. Allocation of CSR fund to Units for MoU projects will be approved by the Board on an annual basis.

3.2.4 Reserve for Emergency Needs

5% of annual CSR Budget will be kept as reserve for immediate relief in case of emergency needs like disaster, calamity, etc. If the same remains unutilized, it may be used in the last quarter of the financial year for other activities mentioned in Schedule VII of the Companies (CSR Policy) Rules, 2014.

3.2.5 Renewal/ Extension of ongoing CSR Projects

Request for renewal/ extension of completed/ ongoing CSR projects, submitted by specialized agencies having recommendation of aligned BHEL Unit/Region/Division, will be taken for review & approval. CSR Budget will be utilized for such projects. Before a request of renewal of project is raised to Corporate office, its impact assessment as per clause 3.2.7 should be conducted and report to be submitted along with the proposal.

3.2.6 Baseline Survey/ Need Assessment

Baseline/ need assessment survey is desirable prior to the selection of any CSR activity. The expenditure on baseline/need assessment survey shall be met from the administrative expenditure limit of 5% of overall annual CSR budget.

3.2.7 Impact Assessment

Impact assessment study should be got done through external agencies for the CSR mega projects undertaken within a reasonable time frame after completion. The time frame is to be decided depending on the nature of work involved. Decision of Nodal

Officer/ Head of HR (not below the rank of AGM), based on recommendation of Unit Level CSR Committee, will be final in this regard. It is mandatory to get Impact Assessment study conducted by an external agency/third party identified by BHEL for each mega project. The third party will also evaluate overall performance of the implementing agency and suggest improvements required, if any, for future reference.

The expenditure on impact assessment study shall be met from the administrative expenditure limit of 5% of overall annual CSR budget.

3.2.8 Proposal through Registered Trusts/ Societies/ Govt. Agencies/ Customers

Proposals received from registered Trusts/ Societies (having established track record of minimum three years in undertaking similar programs or projects)/ Govt. Agencies/ CPSEs/ Customers etc. will be considered for review depending upon availability of budget during the year and on the merit of the proposal. Proposals received from Govt. Agencies/ CPSEs/ Customers will generally be given preference over that of Trusts/ Societies. Implementing agencies will submit CSR proposals in areas specified in CSR Policy statement and in the format provided by BHEL. The proposals pertaining to local areas shall preferably be routed through the relevant Unit(s), who will review them and forward the selected proposals to corporate office for further processing. The proposals falling beyond the local areas will be submitted to the corporate office. Decision of BHEL for acceptance or rejection of proposals will be final.

4. IMPLEMENTATION, MONITORING & REPORTING

After approval of the project, following points shall be followed during implementation:

- 4.1. If a project under implementation entails installation of equipment/ systems that are in the manufacturing range of BHEL, then the possibility of sourcing the same from the Company's concerned Units may preferably be explored during finalization of the budget for that project;
- 4.2. Need based change(s) in agreement format without compromising the interest of BHEL (to be signed with the agency) will require approval of Level 1 Committee for CSR;
- 4.3. Aligned Unit shall ensure monitoring, coordination and supervision of the project during its implementation;
- 4.4. The agreement with project implementing agency will be signed either by the Unit Head or by HR Head/ CSR Head of the Unit;
- 4.5. Activities which are clearly mandated to be performed by the Central/State governments are to be generally avoided. However, dovetailing/ participation on a joint mode for any central/state government or any CPSE sponsored initiative may be undertaken provided it is covered under Schedule-VII of the Companies Act, 2013 or Govt. guidelines on CSR.

Monitoring & Reporting

For all CSR projects/ activities, close supervision and monitoring will be done through Unit CSR Committees at respective Units. MIR in the prescribed format (as specified in Annexure of the Companies (CSR Policy) Rule, 2014 of the Companies Act 2013) will be furnished by Units to Corporate CSR Group every month. In addition, Units will submit status reports on need basis, as and when required.

After completion of the Project, aligned Unit shall ensure that a detailed Project Completion report (covering all aspects of project implementation from its inception up to its completion) is prepared and submitted by the implementing agency in consultation with the Unit.

5. CSR STRUCTURE

5.1 Corporate Level CSR Structure

There is a 3 tier committee structure at the Corporate Level, viz. Board Level Committee (BLC) for CSR, Level-1 Committee & Level-2 Committee for screening and approval of proposals. The BLC for CSR will consist of Director (HR), Director (Finance) and at least one Independent Director. Chairman of the Committee will be an Independent Director. Decision with regard to change in composition or reconstitution of the BLC will be within the purview of the Board. The Committee will meet at least once in a quarter.

The Board Level Committee (BLC) for CSR shall:

- (a) formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) monitor the CSR Policy of the company from time to time.

5.2 Unit Level CSR Structure

Nodal Officer

The concerned Unit Head will act as Nodal Officer for CSR programs/ activities related to local areas where the Unit operates. All proposals/ annual budget/ any other matter related to CSR to be submitted by Unit to Corporate Office for review will require recommendation of Nodal Officer.

Unit Level Committee for CSR

Unit Level Committee for CSR will consist of one member each (not below the rank of E1) from HR, Finance and Administration/ Factory Services Department as permanent members and additionally, depending on the nature/need of the project, members from other departments like Civil, Medical, Law, IT, etc. can also be co-opted in the Committee. Unit's CSR Co-

coordinator will be the Convener of the committee. Constitution/ reconstitution of Unit Level Committee for CSR will be with the approval of the Nodal Officer.

Unit Level Committee shall

- (a) review all proposals received at the Unit;
- (b) monitor the process and study impact of CSR programs/ activities periodically;
- (c) give suggestion(s) relevant to CSR programs/ activities whenever required.