Corporate Social Responsibility (CSR) Policy

Bharat Heavy Electricals Limited
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1. CSR OVERVIEW, OBJECTIVE, DEFINITION AND SCOPE

1.1 CSR Overview

Corporate Social Responsibility in BHEL is a continuing commitment to behave 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 Objective

The purpose of this policy is:

- 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 Guidelines on CSR as and when issued by Department of Public Enterprises;
- 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.

1.3 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.

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 Crore.

Any undefined words and expressions used in ‘BHEL CSR Policy’ shall have the same meaning as defined for them in the Companies (CSR Policy) Rules, 2014 and “the Companies Act, 2013”.

1.4 Scope

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

1.4.2 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.

1.4.3 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.

1.4.4 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.

1.4.5 This policy document will be applicable for all BHEL units for implementation of CSR activities/programs.

1.5 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. However, thrust areas for CSR activities will be:

2.1. Mitigation of hunger and poverty through livelihood promotion/ augmenting income generation;
2.2. Promoting health care including preventive health care;
2.3. Sanitation and making available Safe Drinking Water;
2.4. Promoting Education with thrust on informal education to reduce dropouts at primary school level, toilets in schools specially for girls, value education, enhancing vocational skills;
2.5. Setting up old age homes, day care centre and such other facilities for senior citizens
2.6. Ensuring environmental sustainability with emphasis on projects based on Solar Energy;
2.7. Protection of national heritage, art and culture;
2.8. Rural Development Projects;

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. At least 75% of the new proposals (i.e. CSR proposals approved for the first time on or after 1.4.2014) shall be taken up in project mode. The Provisions of the Companies Act, 2013 and CSR Rules made thereafter (including DPE Guidelines, as and when issued, on CSR) shall have overriding effect vis-à-vis the provisions of this policy.

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 net profit of the company made during the three immediately preceding financial years will be allocated for CSR activities.

3.1.2 CSR budget for the relevant financial year shall be approved by the Board.

3.1.3 The unspent CSR amount would be permitted, in exceptional circumstances, to carry forward to the next year, provided the reasons for not utilizing the entire CSR amount allocated in a particular year, and the plan(s) for utilizing the unspent amount in the next year is approved by the Board and disclosed in its Annual Report.

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, for all schools where the strength of BHEL wards is less than 50%. 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 CSR Capacity Building Reserve

In line with the Companies (CSR Policy) Rules, 2014, up to 5% of CSR Budget of the year shall be kept as CSR Capacity Building Reserve; to be utilized for capacity building/ enhancement initiatives of the company personnel as well as of the implementing agencies, through Institutions with established track record of at least three financial years.

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 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 3.2.8 should be conducted and report to be submitted along with the proposal.

3.2.6 Baseline Survey/ Need Assessment

Baseline survey/ need assessment to be emphasized before start of the project since baseline data is the basis for assessing outcome of CSR activities. Project proposals received from registered Societies or Trusts should be supported by preliminary baseline survey/ need assessment report at the time of submission of proposal to
BHEL. The Baseline Survey report from external agency will be mandatory for CSR projects valuing more than Rs. 20 Lakh. Units/ Corporate office may empanel qualified external agencies and maintain their list to conduct baseline survey/ need assessment for the projects aligned to them.

For baseline survey/ need assessment of CSR projects, up to 5% of the CSR budget may be utilized. For any project, ceiling value of expenditure on baseline survey/ need assessment will be 5% of the approved project cost.

3.2.7 Impact Assessment

Impact assessment will be necessary for projects valuing more than Rs. 1.0 Lakh, within a reasonable time frame after completion of the project. Unit may utilize own resources or engage external agencies for impact assessment of CSR projects other than ‘Mega’ projects. This 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. Impact Assessment for ‘Mega’ projects will necessarily be conducted through a third party identified by BHEL. The third party will also evaluate overall performance of the implementing agency and suggest improvements required, if any, for future reference.

Units/ Corporate office may empanel qualified agencies and maintain their list to conduct impact assessment for the completed projects aligned to them. Broad guidelines for empanelling external agencies will be issued by corporate office to the Units. For impact assessment of completed CSR projects, up to 5% of the CSR budget may be utilized. For any project, ceiling value of expenditure on impact assessment will be 5% of the approved project cost.

3.2.8 Salary to CSR Staff

Salaries paid by the company to regular CSR staff as well as to volunteers of the company (in proportion to company’s time/hours spent specifically on CSR) will be factored into CSR project cost as part of CSR expenditure.
3.2.9 **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 be given priority 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 be submitted to the relevant Unit, 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 PPP 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

Following Committees shall be overseeing all activities related to CSR projects/ programs in the company:

5.1 Committees at Corporate Level

5.1.1 Board Level Committee (BLC) for CSR:
It 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.

5.1.2 Level 1 Committee for CSR:
It will assist Board Level Committee for CSR in all matters related to CSR programs/activities of the company and will consist of the following senior officials of Corporate Office:
- Head of Corporate HSE & CSR - Chairman;
- Head of Corporate Finance - Member
- Head (Administration) - Member
- In-charge (Corporate Communication) - Member
- In-charge (HSE) - Member
- In-charge (CSR) - Convener

Re-constitution of Level 1 Committee will be with the approval of Director (HR) and Director (Finance). Level 1 Committee may invite Executive from Medical/ Law Discipline etc., as per requirement.
Level 1 Committee shall
(a) formulate criteria for selection of projects submitted by applicants keeping in view
    the Companies Act, 2013, CSR Policy, DPE Guidelines for CSR and directions
    from the BLC & the Board;
(b) monitor the process and study impact of CSR programs/ activities periodically,
    with support from the Units;
(c) approve need based changes in the agreement format (to be signed with the
    agency after approval of the project);
(d) give suggestion(s) relevant to CSR programs/ activities whenever required.

5.1.3 Level 2 Committee for CSR:
This Committee will assist Level 1 Committee for CSR in all matters related to CSR
programs/ activities of the company and will consist of officials from Corporate CSR
(Convener), Corporate HSE, Corporate Finance and Corporate Communication (not
below the rank of E1). Re-constitution of Level 2 Committee for CSR will be done
with the approval of Head (Corp. HSE & CSR). Level 2 Committee may invite
executives from other disciplines, if required.

Level 2 Committee for CSR shall
(a) review all CSR proposals put up by the CSR Department and submit a report to
    the Level 1 Committee;
(b) give suggestion(s) relevant to CSR programs/ activities whenever required.

5.2 Unit Level CSR Structure
5.2.1 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.
5.2.2 **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-ordinator 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.