

1.0 CSR Vision Statement and Objective:

Power Finance Corporation Ltd (PFC), through its Corporate Social Responsibility and Sustainable Development initiatives, shall continue to undertake projects for Sustainable Development, mainly focusing on fulfillment of Power and Energy needs of the society.

The aim of the Corporate Social Responsibility Policy (CSR Policy) is to ensure that the Corporation becomes a socially responsible corporate entity committed to improving the quality of life of the society at large.

As a socially responsible corporate entity, PFC would endeavour to:

- Promote and Leverage green technologies to produce goods and services that contribute to social and environmental sustainability.
- Take up projects that provide energy, Water and Sanitation facilities to the communities.
- Take up activities to support “Differently abled persons” and the “health sector”.
- Contribute to inclusive growth and equitable development in society through education, capacity building measures, empowerment of the marginalized and underprivileged sections/communities.

The objective of the PFC CSR policy is to:

- Ensure an increased level of commitment at all levels in the organization, to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of its stakeholders.
- Generate a societal goodwill for PFC through CSR activities and help reinforce a positive & socially responsible image of PFC as a corporate.

Further external legal opinion on the provisions of the Companies Act, 2013 has been obtained and the opinion clarifies that compliance with the requirements as laid down under Section 135 is mandatory. Opinion on Taxation issues is also obtained from external expert. As per the opinion the expenditure on CSR activities will not be considered as business expenditure under section 37 of the Income Tax Act. However, if the expenditure is covered under section 30 to 36 the expenditure actual incurred may be claimed as deduction under the respective section.

2.0 Strategy:

As a responsible corporate entity, PFC shall consistently strive to meet the expectations of the society by supporting initiatives for improving infrastructure/ quality of life of society/ community without compromising on ecological issues on sustainable basis. It shall not support activities which may create dissatisfaction within the society and which may affect social harmony in any manner.

CSR strategies should be developed with a shift from ad-hoc approach to the project-based accountability approach.

While implementing the CSR projects, PFC shall strive to undertake at least one project for the development of a backward district in the country and at least one project of environmental sustainability.

PFC shall constantly endeavour for up-liftment of women and support persons with disabilities particularly in the skill development initiatives.

PFC shall endeavour to take up long gestation, high impact projects from the budget allocated for Corporate Social Responsibilities and Sustainable Developments activities.

PFC shall support and provide resources for undertaking joint ventures in Public-Private Partnership/ corporate partnership mode for greater social impact.

PFC shall ensure that the surplus arising out of the CSR Projects or programmes or activities shall not form part of the business profit of the Corporation.

3.0 Thrust Areas:

In line with the Schedule-VII of the Companies Act 2013 wherein the activities to be undertaken by the Company are specified, PFC shall take up the activities in the following areas. The items listed below are broad based and must be interpreted liberally so as to capture the essence of the subjects enumerated below:

A. Ensuring Environmental Sustainability measures such as:

- (i)** Renewable Energy and Energy Efficient and Environment-friendly Technologies;
- (ii)** Support Research & Development activities in Renewable and clean energy initiatives;
- (iii)** Waste Management, Waste to energy etc.

B. Sanitation & Provision of Safe drinking water.

C. Promoting Education and employment enhancing vocational skills, such as:

- (i) Skill Development Training leading to employment for various under privileged sections of the society;
- (ii) Interventions in education sectors such as providing inputs to basic education needs in backward areas and support to girls education programmes.

D. Activities related to supporting Differently abled persons

E. Activities related to Health Sector.

F. Others

- (i) Contribution to the Prime Ministers National Relief Fund or any other fund set up by the Central government for socio-economic development and relief, rehabilitation and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- (ii) Contribution or support to technology incubators located within academic institutions approved by the Central Government.
- (iii) Any initiative of Ministry of Power w.r.t CSR activities.

4.0 Allocation of Funds (Budget):

At least 2% of the average Net Profit of the company earned during the three immediately preceding financial years shall be allocated every financial year for CSR activities.

PFC may build CSR capacities of its own personnel as well as those of Implementing Agencies through Academic / Training Institutions with established track record of at least three financial years but such expenditure shall not exceed five percent of its total CSR budget of PFC in one financial year.

One-off events such as marathons/ awards/ charitable contribution / advertisement / sponsorships of TV programmes etc. would not be qualified as part of CSR expenditure.

Expenses incurred for the fulfillment of any Act / Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure.

Salaries paid to regular CSR staff as well as to volunteers (in proportion of company's time / hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR expenditure.

Allocation of Budget

The allocation of funds for CSR activities be made on case to case basis.

The overall expenditure under CSR activity for a single project in a single State shall not be more than 25% of the total budget under CSR activity for that year.

5.0 Approach & Implementation Mechanism for Project-based Activities:

Implementation:

PFC shall take steps to implement the CSR agenda within the organization through the active involvement of the employees, who are important internal stakeholders.

PFC shall devise internal communication strategies to spread awareness of CSR amongst the employees, providing them with education and training necessary for attitudinal change and their conversion to socially and environmentally sustainable methods and practices of doing business, and adopting motivational tools to provide just the right momentum to push all such initiatives.

States/areas/regions where there is shortage of resources, mainly in regard to the defined thrust areas in the CSR Policy, shall be identified. The assistance should be project-based with a thrust on creating sustainable and replicable models.

CSR activities should be undertaken only through Govt. implementing agencies, and deviations, if any, in this regard should be submitted for approval of Board of Directors on case to case basis. In case of need based project required to be executed through implementing agencies other than Govt. implementing agencies, CSR unit shall invite Expression of Interest (EOI). However, the condition of inviting EOI shall not be applicable where the Implementing Agencies are Govt./Semi Govt. Bodies. Similar condition shall prevail in case of Baseline Survey/DPR & Impact Assessment Studies.

CSR Unit should identify and obtain suitable proposals in the identified thrust areas from various sources i.e. Central govt. agencies, State govt. agencies, PSUs, reputed organizations etc.

A suitable mechanism shall also be developed to identify and screen the proposals from time to time.

CSR proposals shall be first examined by the CSR unit and suitable proposals shall be put up to CSR Committee of Directors (CoD) for consideration / approval following due approval process in PFC. After obtaining approval of

CoD, the proposals shall be put up for consideration & approval of the Board of Directors (BoD).

A Memorandum of Agreement (MOA) and other legal documents to safeguard the interest of the Corporation shall be signed with the Implementation /coordinating agency. Legal documentation shall be carried out by CSR Unit, after the same is duly vetted by L&D Unit.

Efforts shall be made to the extent possible to define the following while identifying the CSR projects:

- ✓ Programme objective
- ✓ Baseline survey
- ✓ Implementation schedule
- ✓ Responsibilities and Authorities
- ✓ Payment terms
- ✓ Major results expected and measurable outcome

At any stage, if the CSR Unit feels the need, they can engage the services of an outside expert in the field to assist them in Evaluation or Selection of Projects etc.

6.0 Monitoring and Evaluation/Impact assessment of CSR Activities:

The Implementing Agency shall be responsible for monitoring the project and shall provide periodic reports to PFC on the implementation part. The agency shall ensure that the project gets completed within the specified time period. PFC may appoint specialized agency/ consultants for monitoring the projects, if required.

The progress report of the activities undertaken shall be reported as under:

- a) Quarterly report to CSR Committee.
- b) Annual Report of CSR to Board of Directors.

The impact assessment shall be conducted by an external agency, particularly for larger projects which have a significant social / economic or environmental impact. The impact assessment study shall be conducted wherever applicable after the project completion and necessary gestation period.

6.1 Appointment of agency for impact assessment:

Specialized agencies such as Govt./ Semi govt. organizations/ PSUs/ NGOs/ Reputed Institutions and Academic Organizations etc. shall be selected as per DoP (CSR) as at point # 8.0.

7.0 CSR Reporting

The Board report of a company pertaining to financial year commencing from 1st April 2014 shall include an Annual Report on CSR containing particulars specified as per Companies Act 2013

7.1 Display of CSR Activities on its Website

CSR policy and the details therein shall be displayed on PFC's Website.

8.0 Approving Authorities (Delegation of Power):

Every proposal under CSR activity shall be put up to the CSR committee of Directors after following the usual approval process within PFC. Proposals approved and recommended by the CSR Committee shall be put up to the Board of Directors.

All the CSR project proposals shall be approved by the Board of Directors before award / implementation.

Delegation of Power (DoP)

S.N.	Activity/ Description	Approving Authority
1	Baseline survey/ DPR	Director-in-charge of CSR upto Rs. 3 lakh in each case but not more than Rs. 15 lakh in a financial year. CMD - Full powers with a maximum ceiling of Rs. 50 lakhs in a Financial Year.
2	Sanction of Projects	Board of Directors on recommendation of CSR Committee of Directors irrespective of amount.
3	Impact Assessment Studies	Director-in-charge up to Rs. 15 lakh in each case but not more than Rs. 50 lakhs in a financial year. CMD - Full power with a maximum ceiling of Rs. 75 Lakhs in a Financial year.
4	Expenditure for dissemination of CSR projects including photography, short films etc.	Upto Rs. 50,000 --- ED (CSR) Upto Rs. 1,00,000 --- Director-in-charge

S.N.	Activity/ Description	Approving Authority
		Above Rs. 1,00,000 --- CMD Overall limit for the above activities is Rs. 10 lakhs in a Financial year.
5.	Appointment of external expert to assist the CSR unit for any activity.	Full power – CSR Committee of Directors
6.	Extension of Project Completion Date	Up to 1 year - ED (CSR) Beyond 1 year - CSR Committee of Directors
7.	Minor changes without significant change in Scope of work	Director-in-charge to approve minor changes including quantity variations, interchange of beneficiaries, change in locations etc. without significant change in Scope of work or other issues with regard to implementation of the project within the sanctioned cost.

All programmes approved in terms of the above delegation to be subsequently brought to the notice of the CSR Committee of Directors.

For organizing Capacity Building Programmes for employees such as Training programmes, workshops, etc., PFC's internal approval procedure shall be followed.

9.0 Roles and Responsibilities:

1.	CSR Unit	CSR Unit shall evaluate the project(s)/ scheme(s) and put up its recommendations after due approval process in PFC to the CSR Committee of Directors.
2.	CSR Committee of Directors	CSR Committee of Directors shall consider the recommendations of the CSR Unit for approval and recommend the same to the Board of Directors (BoD).
3.	Board of Directors	BoD shall consider the recommendations of CSR committee for approval.

10.0 General:

- CMD is empowered to make any supplementary rules/orders to ensure effective implementation of the CSR policy.
- The policy will be reviewed or amended based on the circulars issued by Ministry of Corporate Affairs (MCA) from time to time.
- Any or all provisions of the CSR policy would be subject to revision/amendment in accordance with the guidelines on the subject as may be issued by the Government / DPE, from time to time.
- The Corporation reserves the right to modify, add, delete or amend any of the provisions of this Policy.
- The policy will supersede/ override all previous policies on Corporate Social Responsibility and Sustainable Development.
- In case of any doubt with regard to any provision of the policy and also in respect of matters not covered herein, a reference shall be made to CSR Unit. In all such matters, the interpretation and decision of the Director-in-charge of CSR shall be final.

