

Corporate Social Responsibility (CSR) Policy



Bharat Heavy Electricals Limited
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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 the approach and direction for CSR activities in the company.
- To define guiding principles for selection, implementation and monitoring of CSR activities and formulation of annual action plan for CSR in conformance with extant requirements under the Companies Act 2013, the Companies (CSR Policy) Rules, 2014, as amended from time to time.
- 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 CSR project having total outlay (total expenditure) of one crore rupees or more. 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 one crore. 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, as amended from time to time.

Display of CSR Activities on its website: Composition of CSR Committee, BHEL's CSR Policy and Projects approved by the Board, if any, shall be displayed on BHEL website for public access.

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, as amended from time to time.
- 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 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 in pursuance of obligations laid down in section 135 of the Companies Act, 2013, in accordance with the provisions contained in 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 funds specified in Schedule VII, 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 funds specified in Schedule VII.

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

3. FUNDING & ALLOCATION, SELECTION OF PROJECT AND ITS IMPLEMENTING AGENCY

3.1 Funding

3.1.1 In line with extant provisions of section 135 of the Companies Act, 2013 and extant requirements laid down in the Companies (CSR Policy) Rules, 2014, as amended from time to time. 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 earmarked amount for CSR activities during a particular financial year will be specified in the Annual Report and fully committed unspent amount in case of on-going projects will be transferred to a special account to be opened by the company in that behalf for that financial year in any scheduled bank called unspent CSR account within a period of 30 days from the end of financial year.

In case there is no on-going project, such unspent amount will be transferred to any of the funds mentioned in Schedule VII to the Act, within 6 months of the expiry of the financial year.

3.1.4 A) Any surplus arising out of the CSR projects or programs or activities shall not form part of the Business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

B). If Company spends an amount in excess of requirement i.e. 2% of profits as stipulated in the Act and the CSR Rules.

(i) The excess amount available for set off shall not include the surplus arising out of the CSR activities, if any.

(ii) The Board shall pass a resolution to that effect.

C). The CSR amount may be spent by the company for creation or acquisition of a capital asset, which shall be held by –

(a) A Company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number

or

(b) Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities;

or

(c) A public authority:

3.2 Allocation

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

CSR budget will be used for new CSR projects and preference will be given to theme based CSR projects as per Govt. guidelines.

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 Administrative Overheads

Administrative overheads means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme. Administrative overheads shall not exceed five percent of total CSR expenditure for the financial year.

3.2.3 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, as amended from time to time.

3.2.4 Renewal/ Extension of ongoing CSR Projects

Ongoing Project means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.

3.2.5 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.

3.2.6 Impact Assessment

If average CSR obligation is Rs. ten crores or more in three immediately preceding financial years, Impact Assessment shall be undertaken through an independent agency, of the CSR projects having an outlays (total expenditure) of rupees one crore or more; i.e. Mega Projects and which have been completed not less than one year before undertaking the Impact Assessment. The expenditure on impact assessments shall be booked towards CSR for that financial year, which shall not exceed 5% of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less. Impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

3.2.7 CSR Projects/Programs

BHEL may take up planning and implementation of CSR projects/programs by itself or in collaboration with other companies or through external agencies as specified under 3.3 and allocate CSR fund for the same.

3.3 SELECTION OF CSR PROJECT AND ITS IMPLEMENTING AGENCY

a. BHEL may plan and implement a CSR program/project by itself. BHEL may collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programmes in accordance with the Companies (CSR Policy) Rules, 2014, as amended from time to time.

b. In case of project proposal from an external agency, the implementing agency must fulfil the following conditions

- The organization must be a company established under section 8 of the Act, or a registered trust or a registered society, established by the Central Government or State Government; or
- An entity established under an Act of Parliament or a State legislature; or
- A company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12 A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

(c) Every entity, covered under section (b) above, who intends to undertake any CSR activity, must be registered with the Central government by filing the form CSR – 1 electronically with the Registrar, with effect from 01st day of April, 2021 and must have the unique registration number generated by the Govt. portal meant for this purpose.

(d) 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 (Thrust Areas) specified in this CSR Policy and in the format provided by BHEL. The proposals pertaining to local areas shall preferably be routed through the relevant BHEL 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 in selection of CSR 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 (i.e. BHEL Unit which has been assigned the project by the BLC for CSR or the Board for implementation) 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 Annexures of the Companies (CSR Policy) Rule, 2014 of the Companies Act 2013, as amended from time to time) 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, the CSR activities to be undertaken by the company during the year as specified in Schedule VII;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a),
- (c) utilization of funds and implementation schedules for the projects or programs,
- (d) monitor the CSR Policy of the company from time to time and Projects covered under CSR,
- (e) details of need and impact assessment, if any, for the projects undertaken by the company.

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 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.