

POWER SYSTEM OPERATION CORPORATION LIMITED
(A Govt. of India Enterprise)



CSR and Sustainability Policy of POSOCO

Corporate Centre

New Delhi

(April 2022)

Corporate Social Responsibility (CSR) and Sustainability Policy

1.0 Background

Ministry of Corporate Affairs vide notification dated 27.02.2014 has notified the Provisions regarding Corporate Social Responsibility (CSR) in the Companies Act, 2013 and the Companies (CSR Policy) Rules, 2014 and in subsequent amendments thereof. These Provisions and Rules require formulation of a Corporate Social Responsibility Policy which shall indicate the activities to be taken up by the Company under CSR. In addition to the CSR Provisions of the Act and the CSR Rules, the Department of Public Enterprises (DPE) has also formulated Guidelines on CSR which are applicable to the Central Public Sector Enterprises (CPSEs).

1.1 Vision and Mission of CSR and Sustainability Policy of POSOCO

Vision:

Be a model corporate organization that strives hard towards fulfilling its social responsibility through initiatives in the education, skill development, health and other areas of national importance through sustainable development practices.

Mission:

POSOCO will endeavor for upliftment of the underprivileged and marginalized sections of the society through promoting preventive health care, education including special education, employment enhancing vocational skills, promoting gender equality and empowering women. POSOCO will also promote innovation, research and excellence in the area of power systems through collaborations with technology incubators located within academic institutions.

2.0 Concept

Corporate Social Responsibility (CSR), in the context of Public Sector Enterprises, is a way of conducting business, which enables the creation and distribution of wealth for the betterment of its stakeholders, through the implementation and integration of ethical systems and sustainable management practices.

Corporate Social Responsibility is a company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical.

Stakeholders of Power System Operation Corporation Limited (POSOCO) include persons/ organizations directly impacted by the activities of POSOCO, employees, investors, shareholders, civil society groups, Government and non-Government organizations, local communities and their public representatives and society at large.

3.0 Scope of CSR Program

POSOCO is a knowledge based control centre organization in Power Sector having statutory responsibilities to operate National Grid with no other business activities that involves pan India presence. POSOCO operates five Regional Load Despatch Centres (RLDCs) and One National Load Despatch Centre (NLDC) which are having statutory responsibilities of operating Regional and National Power System respectively.

The criteria of choosing activities under CSR are mentioned in Schedule VII of the Companies Act 2013. Based on which, the CSR activities shall be chosen by the Corporation.

4.0 Approval of CSR budget and formation of Board level and Management Level committee

4.1 CSR Budget

The Companies Act 2013 states that it shall be ensured that the company spends, in every financial year, at least two percent of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility and Sustainability Policy. Average net profit shall be calculated in accordance with the provisions of section 198 of the Companies Act 2013.

Accordingly, two percent of the average net profits of the Company made during the three immediately preceding financial years shall be earmarked every financial year for implementation of CSR activities.

Any amount spent in excess of prescribed amount under the Companies Act, may be set off against the requirement to spend under the Companies Act up to immediate succeeding three financial years subject to the conditions that – (i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any (ii) the Board of the company shall pass a resolution to that effect.

The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company. The surplus 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 such surplus amount shall be transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

All expenditure incurred on the activities involved in the need assessment/ baseline study, planning, implementation, monitoring and impact assessment of the project will be included in the CSR expenditure. However, sincere efforts should be made to keep such expenditure at optimum levels.

CSR expenditure shall include all expenditure including contribution to corpus for projects or

programs relating to CSR activities approved by the Board on the recommendations of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Companies Act, 2013.

An annual report on CSR shall form part of the Board's report of the company. The report shall be in accordance with the format prescribed under the CSR rules notified under the Companies Act, 2014 and amendments thereof. In case the amount allocated towards CSR is not fully spent, the reasons for not spending the amount shall be given in the Board Report.

Unless the unspent amount relates to any ongoing project (Ongoing Project means a multi-year project having timelines not exceeding 03 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), such unspent amount shall be transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Any amount remaining unspent, pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

Until a fund is specified in Schedule VII for the purposes of transferring the unspent amount, such amount, if any, shall be transferred by the company to any fund included in schedule VII of the Act.

4.2 Administrative Setup

Role of the Board of Directors

- i) The Board shall constitute a CSR Committee consisting of three or more Directors, out of which at least one Director shall be an Independent Director.
- ii) Approve the CSR and Sustainability Policy for the Corporation.
- iii) Disclose the contents of the Corporation CSR and Sustainability Policy in the Report of the Board of Directors.
- iv) Ensure placing of the contents of the Corporation CSR and Sustainability Policy on the website of the Corporation.
- v) Ensure that the CSR and Sustainability Policy is implemented. For this purpose it may

approve the modalities and administrative arrangements required by the Management within the Corporation.

- vi) Approve the methodology proposed by the CSR Committee for transparent monitoring of the progress of implementation of the CSR activities. The Board will decide the periodicity of Reporting the progress in implementation of the CSR activities.
- vii) Ensure that the Corporation spends annually at least two percent of the average net profit made during the three immediately preceding financial years on CSR and Sustainability Policy [Reference: Section 135(5)]. [Average Net Profit must be calculated as provided for in Section 198 of the Act 2013.]
- viii) Disclose the composition of the CSR Committee in its Report of the Board of Directors.
- ix) Make a mention in detail about the CSR and Sustainability policy and its implementation during the year in its Report of the Board of Directors.
- x) The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Director Finance-Chief Financial Officer shall certify to the effect.
- xi) In case of ongoing project, the Board of a Company shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.
- xii) When the Corporation fails to spend the specified amount for CSR activities the Board must specify the reasons for inability to spend the said sum, in the above mentioned Report of the Board of Directors.
- xiii) The board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year (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).
- xiv) The Board may delegate powers for ensuring implementation of the CSR and Sustainability Policy as it deems necessary.

Role of Board Level CSR Committee

As per the section 135 of the Companies Act, 2013, a CSR Committee shall be constituted consisting of three or more directors, out of which at least one director shall be an independent director. Role of the CSR Committee shall be as per the provisions of the Companies Act, 2013 read with the Companies (CSR Policy) Rules, 2014 and amendments thereof and shall include:

- i) Formulate and recommend to the Board an annual action plan, in addition to the CSR and Sustainability Policy. The annual action plan shall include:

- List of CSR Projects approved
 - Manner of execution
 - Modalities of utilisation of funds and implementation schedules
 - Monitoring and reporting mechanism
 - Details of need and impact assessment, if any, for the projects undertaken by the company:
- ii) Indicate that activities to be undertaken by the Corporation as specified in Schedule VII of the Companies Act, 2013.
 - iii) The CSR Committee may get a need assessment done for CSR project/program/activity through survey/ study by in-house experts or by external agency. Further, recommendations of State/district administration / Panchayati Raj Institutions, Ministries of Government of India and other stakeholders may be considered for undertaking activities/projects under CSR. On identifying the requirement of the community, a project will be prepared indicating the need for community development activity, time-frame of implementation, action plan, budget requirement etc. Long-term projects shall be broken into medium and short-term plans and annual plans.
 - iv) Recommend the amount of expenditure to be incurred on the CSR activities as per provisions of the Act.
 - v) Approve the projects and programs to be undertaken by the Corporation in pursuance of the approved CSR and Sustainability Policy.
 - vi) Institute, with the approval of the Board, a transparent monitoring system for the CSR and Sustainability Policy.

Management Level Committee

A Management Level Committee responsible for servicing the Board through the CSR Committee in all matters relating to the CSR Policy of the POSOCO, monitoring and effective implementation of the CSR activities shall be constituted with the details as below:

- i) Head of Corporate HR Dept. as Chairperson of the Committee
- ii) Head of any one RLDC
- iii) Head of Corporate Planning department of POSOCO Corporate Office
- iv) Head of Finance department of POSOCO Corporate Office

CMD is authorized to nominate members in the Management Level Committee from time to time.

Functions of Management Level Committee

- i) Identification of area of implementation of the CSR projects/ activities. Preference will be given to the 'Local Area' in selecting the location of the activities. 'Local Area' in case of POSOCO implies area in the vicinity of NLDC/ RLDCs.

- ii) Identification of the additional activities, if advised by the CSR Committee
- iii) Selection of agency for implementation of CSR activities
- iv) Co-ordination among RLDCs/NLDC/departments in reporting their CSR activities
- v) Providing adequate training and re-orientation to the employees engaged in the implementation of CSR activities
- vi) Any other work required for successful implementation of the activities
- vii) Assisting Board level CSR committee in monitoring and successful implementation of CSR and Sustainability policy
- viii) Identification of the CSR activities for next financial year
- ix) Assisting Board level CSR committee in preparation of Annual action plan

4.3 Allocation of funds

The allocation of funds for the activities may vary depending upon the number of projects/ activities allocated with the approval of CSR committee.

Further, all efforts shall be made for providing maximum benefits of the fund to the targeted community. Every effort should be made in optimizing the expenditure towards fees of specialized agency, CSR training etc. which forms part of the fund allocated to a specific project for its implementation.

5.0 Identification of Projects/ Activities

5.1 The Company may select their CSR projects from vast range of available options under the Schedule VII of the Companies Act, CSR Rules and the Guidelines and the policy directions issued by the Government from time to time. The priority should be accorded to activities which are of foremost concern in the national development agenda, like health and sanitation, education, safe drinking water for all, provision of toilets especially for girls etc. The main focus should be on sustainable development and inclusive growth and to address the basic needs of the deprived, underprivileged, neglected and weaker sections of the society which comprise of SC,ST, OBCs, minorities, BPL families, old and aged, women/girl child, physically challenged etc. However, the following activities will not be considered as CSR activities:

- i) Activities undertaken in pursuance of normal course of business of the Company
- ii) Activities that benefit only the employees of the Corporation
- iii) Contribution of any amount directly or indirectly to any political party.
- iv) Activities which the Board considers ad hoc and philanthropic in nature.
- v) Any activity not approved by the Board or Competent Authority as decided by the Board.
- vi) Activities supported by the company on sponsorship basis for deriving marketing benefits for its products or services.

5.2 Endeavor shall be made to promote sustainable development through initiatives by conducting business in a manner that is beneficial to both business and society. Sustainability initiatives would also include welfare activities of employees consistent with the HR Policy of POSOCO.

6.0 Mode of Execution of CSR Activities

6.1 The CSR activities shall preferably be implemented in project mode. The implementation of activities will be done through placement of award as per the prevailing Works & Procurement Policy of the Corporation. Services of various departments of Central/State Govt. Panchayati Raj Institutions etc. may also be availed for implementation of CSR activities as deposit works.

CSR activities/projects/programs shall also be taken up in association with a registered trust or a registered society or a company established by the Corporation or its holding or subsidiary or associate company under section 8 of the Act 2013 or otherwise provided that:

- a) A registered public trust or a registered society shall be registered under section 12A and 80G of the Income Tax Act, 1961
- b) If such trust, society or company is not established by the company or its holding or subsidiary or associate company, it shall have an established track record of at least three years in undertaking similar programs or projects or activity;
- c) The CSR Committee/Competent Authority has specified the project or program to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.

6.2 Implementing agencies carrying out CSR activities shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar. On submission of the Form CSR-1 as per the guidelines mentioned in 'Companies (CSR Policy) Rules 2021', a unique CSR Registration number shall be generated by system automatically. The provision of filing the CSR-1 shall not affect the CSR projects or programmes approved prior to 1st April 2021.

6.3 The Corporation may collaborate with other Corporations/Companies/PSUs for undertaking projects or programs or CSR activities. However, CSR Committees of respective CPSEs/Companies should be in a position to report separately on such projects or programs in accordance with the Companies (CSR) Rules.

6.4 An Annual Plan of CSR activities and Budget for the next financial year shall be prepared and put it up for approval of the CSR Committee by March of each year. The CSR Committee should send its recommendations on the Annual Plan to the Board by April of each year for final approval.

6.5 CSR activities may also be a part of Key Result Areas (KRA) of the executives directly executing CSR projects.

- 6.6** While proposing and approving the activities of CSR the priorities laid down in the Policy shall be kept in mind.
- 6.7** Multi-year project may be undertaken in fulfilment of CSR obligation of the Company, but not exceeding 3 years excluding financial year in which it was commenced.
- 6.8** The communities intended to be benefitted by the CSR schemes may be consulted and closely involved in the process of identifying, planning and implementation of the CSR activities. Wherever possible, the local authorities and specialized agencies may also be similarly consulted and involved.
- 6.9** Specialized agencies shall be engaged for implementation of the schemes.
- 6.10** The Specialized Agency appointed shall enter into an Agreement/MoU with Power System Operation Corporation Limited (POSOCO) before starting project activities.
- 6.11** The disbursement of Funds to the Specialized Agency appointed shall be released according to the agreement.
- 6.12** The CSR amount may be spent by a 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 as prescribed under the CSR Rules or (b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or (c) a public authority (as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005)).

7. Periodic Monitoring:

Monitoring of CSR activities is very crucial and shall be a periodic activity. The management level committee shall periodically review (at least one meeting in each quarter) the progress of the CSR schemes undertaken for implementation.

8. Documentation & Dissemination:

The Implementing agency shall provide POSOCO details related to the CSR project like expenditures/ procurement / publicity material etc. with respect to the project.

9. Display on Company Website:

The composition of the CSR Committee, CSR and Sustainability Policy and CSR Projects approved by the Board shall be disclosed on POSOCO's website for public access.

10. Evaluation and Reporting

CSR projects above ₹ 1 Crore shall be evaluated by an independent external agency. The projects below ₹ 1 Crore may get evaluated through internal mechanism, if required. This evaluation is both concurrent and final. The agency appointed for external evaluation shall submit the reports of the CSR projects/ activities undertaken by POSOCO for providing required feedback & inputs to improve the CSR activities in future. Evaluation exercise shall be completed by December month of next financial year.

11. General

- 11.1 This policy shall stand modified by the provisions of the Companies Act/ Companies (CSR) Rules as amended from time to time and government guidelines as and when these are in place and made enforceable.
- 11.2 This policy would serve as the referral document for planning and selection of CSR activities, though, whenever in doubt, cross reference to Companies Act & Companies (CSR) Rules is advised to avoid any inconsistency with the latter.
- 11.3 The power to modify / amend the CSR and Sustainability Policy will rest with the Board of Directors.