

POWERGRID'S Corporate Social Responsibility and Sustainability Policy



1.0 Introduction

- 1.1 Corporate Social Responsibility (CSR) 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 Grid Corporation of India Ltd. (POWERGRID) include persons directly impacted by the activities of POWERGRID, employees, investors, shareholders, customers, business partners, clients, civil society groups, Government and non-Government organizations, local communities and their public representatives, Gram Sabhas and Panchayati Raj Institutions (PRIs) and society at large.

- 1.2 POWERGRID, a Navratna company, is one of the largest electrical power transmission utilities in the world. Transmission lines projects are environmentally clean and do not involve any disposal of waste, effluents and hazardous substances on land, air and water and therefore, transmission projects have been kept out of the purview of EIA Notification 2006. However, transmission line projects have some localized impacts on villagers whose lands are acquired for construction of substations and on natural resources like crops & trees, whenever Transmission Lines pass through agriculture fields or forest areas. Thus, the main focus of CSR activities required of the Corporation would be in undertaking CSR activities that benefit persons directly impacted by the activities of POWERGRID, as well as activities that help to reverse any adverse impact on the environment and ecology.
- 1.3 Realising this, POWERGRID, as a responsible corporate citizen, developed its Environmental and Social Policy and Procedures (ESPP) in 1998 to address the environment and socio-economic issues arising from its activities. ESPP is based on the basic principles of Avoidance, Minimization and Mitigation. The ESPP was revised in 2005 and 2009 after extensive discussions with the World Bank and through public consultations.
- 1.4 The ESPP outlined POWERGRID's approach and commitment to deal with environmental and social issues relating to its transmission projects, laid down the management procedures and protocols for the purpose that included the framework for identification, assessment, and management of environmental and social concerns at both organizational and project levels.

1.5 POWERGRID came out with its policy on CSR in 2009 way before the issue of guidelines by Department of Public Enterprises (DPE) in 2010. DPE issued detailed guidelines for Sustainable Development in September, 2011. Due to two separate guidelines, CSR and Sustainable Development were treated as two separate subjects, which posed practical difficulties in reporting overlapping activities. Considering this problem, DPE issued fresh Guidelines by clubbing together CSR and Sustainability guidelines in Jan.2013 under the title of “Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises”, which came into effect w.e.f. 1st April 2013. POWERGRID revised its CSR Policy in 2013 accordingly.

1.6 The Companies Act 2013 was notified in September 2013. Section 135, which deals with the CSR Activities, has been made effective w.e.f. 1st April 2014. The CSR Rules have also been made effective w.e.f. 1st April 2014. In addition to the CSR provisions of the Act and the CSR Rules, the Department of Public Enterprises (DPE) has formulated Guidelines on CSR and Sustainability which are applicable to Central Public Sector Enterprises (CPSEs) w.e.f 1st April 2014. In the DPE Guidelines the need for taking sustainability initiatives is emphasised in addition to the requirement of mandatory compliance with the CSR Rules. The CSR & Sustainability Policy of the Corporation is being revised anew to make it compliant with the Company Act 2013, DPE Guidelines and the corresponding Rules.

1.7 Vision and Mission of CSR & Sustainability

1.7.1 Vision

To be a Corporate that sets a long term strategy for Social & Economic Development of communities through initiatives in rural development, education, skill development, health and other areas of national importance and adhere to sustainable environmental practices.

1.7.2 Mission

To align CSR and Sustainability policy with the business policy so as to conduct business in a sustainable manner adhering to the principles of Avoidance, Minimization and Mitigation in dealing with environmental and social issues and to undertake high impact community development projects of national and local importance in consultation with stakeholders

2.0 **ACTIVITIES TO BE UNDERTAKEN UNDER CSR:**

2.1 The activities proposed to be undertaken under CSR shall include all the activities consistent with the CSR provisions of the Act, Schedule VII of the Companies Act 2013, CSR Rules, the Guidelines and the policy directions issued by the Government from time to time. (Henceforth, the Companies Act

2013 will be referred to as the 'Act 2013'). The focus would be on initiatives that promote Inclusive Growth and address the basic needs of the deprived, under privileged, neglected and weaker sections of the society, which comprise of SC, ST, OBC, Minorities, BPL families, Old and aged, women/girl child, physically challenged, economically weaker sections, etc.

- 2.2 The Corporation will give preference to the stakeholders directly impacted by its operation for CSR activities. Since such stakeholders are generally located in the periphery of the commercial operations of the Corporation, POWERGRID will accord priority for CSR activities in the local areas and neighbourhood areas of its operations.
- 2.3 The Geographical limits of a district where POWERGRID has its presence shall be considered as "local area" for CSR&S activities. In addition to the CSR activities in the local areas, POWERGRID shall also undertake CSR activities outside it. The ratio of CSR spends between the local areas and outside would be approximately 75:25. However, projects/ activities executed under the directives of GoI or of foremost concern in the national development agenda will be outside the purview of this ratio. The CSR committee is authorized to approve any project, irrespective of the amount involved, which is beyond the above ratio.
- 2.4 Ongoing CSR & Sustainability projects or programs or activities will qualify as valid CSR activities and will be completed as approved.
- 2.5 The Company will take into account its commitment to its stakeholders while selecting CSR activities provided such activities qualify as CSR activities under the Act 2013.
- 2.6 Priority will be given for CSR activities to the stakeholders directly impacted by the operations of the Corporation.
- 2.7 The focus will be on long gestation, high impact projects with commitment being made for the entire expenditure till the completion of the project. Activities which are ad hoc and philanthropic in nature shall be avoided.
- 2.8 The CSR activities will be undertaken as projects or programs or activities. Preference will be given to the project mode for the CSR activities.
- 2.9 CSR projects or programs or activities undertaken in India only shall amount to CSR expenditure.
- 2.10 **However, the following activities will not be considered as CSR activities:**
 - (i) Activities undertaken in pursuance of normal course of business of the Corporation.
 - (ii) Activities that benefit only the employees of the Corporation.
 - (iii) Activities taken up under R&R.
 - (iv) Contribution of any amount directly or indirectly to any political party.

- (v) Activities which the Board considers ad hoc and philanthropic in nature.
 - (vi) Any activity not approved by the Board or Competent Authority as decided by the Board.
- 2.11 Endeavour 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 include steps to avoid operations in environmentally sensitive areas, application of efficient and safe technology practices, abate pollution in all activities and operations, minimize energy losses and promote energy efficiency. Sustainability initiatives would also include welfare activities of employees consistent with the HR policy of POWERGRID.

3.0 Administrative Setup:

3.1 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 Policy for the Corporation.
- (iii) Disclose the contents of the Corporation CSR Policy in the Report of the Board of Directors.
- (iv) Ensure placing of the contents of the Corporation CSR Policy on the website of the Corporation.
- (v) Ensure that the CSR Policy is implemented. For this purpose it may approve the modalities and administrative arrangements required by the Management within the Corporation to achieve the goals of CSR and have them incorporated into the POWERGRID CSR Rules to be framed for the Corporation
- (vi) Approve the methodology proposed by the CSR Committee for transparent monitoring the progress of implementation of the CSR activities. The Board will decide the periodicity of Reporting to it 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 Policy. [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 Report of the Board of Directors.

- (ix) Make a mention in detail about the CSR policy and its implementation during the year in Report of the Board of Directors.
- (x) 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.
- (xi) The Board may delegate powers for ensuring implementation of the CSR Policy as it deems necessary.

3.2 Role of CSR Committee:

- (i) Formulate and recommend to the Board, a CSR Policy,
- (ii) Indicate the activities to be undertaken by the Corporation as specified in Schedule VII
- (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 as per provisions of the Act.
- (v) Approve the projects and programs to be undertaken by the Corporation in pursuance of the approved CSR Policy.
- (vi) Institute, with the approval of the Board, a transparent monitoring system for the CSR Policy.

3.3 Internal Administrative Set-Up:

The Corporate CSR department of POWERGRID will be responsible for servicing the Board through the CSR Committee in all matters relating to the CSR Policy of the Corporation. A Nodal Officer may be nominated by the Management, with the approval of the CSR Committee and the Board, for coordinating the overall CSR activities in POWERGRID. The CSR Rules of POWERGRID should incorporate the detailed duties and responsibilities of the CSR department, the Nodal officer and other entities of POWERGRID for the effective implementation of the CSR Policy.

4.0 Mode of Execution of CSR Activities:

- 4.1 The CSR activities shall preferably be implemented in project mode. The implementation of various activities will be normally done through placement of award by the Corporation as per 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. However, mode of implementation shall be spelt out at the proposal stage itself.
- 4.2 CSR activities/projects/programs may 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) 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;
 - b) 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.
- 4.3 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.
- 4.4 The Corporate CSR department will prepare an Annual Plan of CSR activities and Budget for the next financial year and put it up for approval of the CSR Committee by November of each year. The CSR Committee should send its recommendations on the Annual Plan to the Board by December of each year for final approval.
- 4.5 Thereafter, Corporate CSR department shall ensure that a detailed proposal is prepared for each project/activity as per the Rules of POWERGRID. These proposals must in turn be put up by the Corporate CSR department for approval of the CSR Committee/ Competent Authority as decided by the Board.
- 4.6 The planning, implementation, monitoring and impact assessment of CSR activities shall be included as an activity under MoU of various regions / Projects.

- 4.7 CSR activities shall also be a part of Key Result Areas (KRA) of the executives directly executing CSR projects.
- 4.8 While proposing and approving the activities of CSR the priorities laid down in the Policy shall be kept in mind
- 4.9 As a matter of policy, the communities intended to be benefitted shall be consulted and closely involved in the process of identifying, planning and implementation of the CSR activities. Wherever possible, the local authorities and specialised agencies may also be similarly consulted and involved.

5.0 Monitoring of CSR Activities:

- 5.1 The CSR Committee will be responsible for setting up a transparent monitoring system of the CSR activities of the Corporation.
- 5.2 The Board may be kept informed regarding the progress in implementation of CSR Policy and activities in keeping with the periodicity decided by the Board.
- 5.3 Impact assessment must be done for each project undertaken under CSR. For projects costing above Rs 3 crores the impact assessment shall be undertaken through external agencies. However, keeping in mind economy of scale the impact assessment, for smaller projects costing below Rs 3 crores, internal impact assessment shall be carried out as per guidelines and Rules framed and approved by the Chairman and Managing Director. Moreover, 20% of projects below Rs 2 Crores and all individual projects above Rs. 2 crore shall be audited by the Internal Audit annually.

6.0 Reporting:

6.1 Role of the Board:

- (i) The Board's report on CSR activities pertaining to a financial year commencing on 1st Day of April 2014 shall include an annual report on CSR containing particulars specified in the Companies (CSR) Rules.
- (ii) The Board shall disclose the contents of the CSR Policy in its Report and also have the same placed on the website of the Corporation as per the particulars specified in the Annexure to the Rules.
- (iii) If 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.

6.2 Role of the CSR Committee:

- (i) The CSR Committee will periodically submit reports on implementation of CSR Policy to the Board of Directors as directed by the Board.

- (ii) The CSR Committee will issue a responsibility statement, signed by the CMD, the Chairman of CSR Committee and Person specified under **clause (d) of sub-section (1) of section 380 of Act 2013**, that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Corporation.

6.3 Role of Corporate CSR department:

- (i) Corporate CSR department will ensure that documentation of all the activities is meticulously maintained at sites, regional offices and corporate office for audit and reporting.
- (ii) The Corporate CSR Department will compile the reports received from Corporate Centre, the Regions and sites of CSR activities undertaken and prepare a comprehensive Annual Report for the Corporation and submit to the same to Board through the CSR Committee.
- (iii) The CSR Committee, with the approval of the Board, shall decide on the manner of publicity to be given to the Annual Report and its harmonization with the Report of the Board of Directors keeping in mind the provisions of the Act 2013.

7.0 Funding of CSR activities:

- 7.1 The Corporation will be required to spend annually at least two percent of the average net profit made during the three immediately preceding financial years on CSR Policy. [Average Net Profit must be calculated as provided for in Section 198 of the Act 2013.]. In case, the company fails to spend such amount, it shall have to specify the reasons for not spending it. However, commitments / sanctions made during the year shall not lapse and the sanctioned projects shall be completed under CSR.
- 7.2 Resources may be pooled with other CPSEs/companies for taking up high value projects, which have greater visibility, more number of beneficiaries, and wider and long lasting visible impacts. 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.
- 7.3 Expenditure on building CSR capacity of personnel of Corporation as well as implementing agencies through Institutions with established track records of at least three financial years shall be considered as valid CSR expenditure. However, such expenditure shall not exceed five percent of total CSR expenditure of the Corporation in one financial year.
- 7.4 Any surplus funds arising out of CSR projects or programs or activities shall not form part of the business of the Corporation. The CSR Committee may recommend for approval of the Board schemes for utilizing such funds for CSR activities.

- 7.5 All expenditure incurred on the activities involved in the need assessment / baseline study, planning, implementation, monitoring and impact assessment of the projects will be included in the CSR expenditure, including expenditure on administrative overheads, but such expenditure shall not exceed five percent of total CSR expenditure of the company in one financial year.
- 7.6 The projects/activities sanctioned during previous years under CSR or sustainable development shall continue. Appropriate funds shall be provided to them till their completion.
- 7.7 The delegation of financial powers to approve CSR projects/activities shall be notified separately from time to time after approval of the Board of Directors.
- 7.8 CSR expenditure shall include all expenditure including contribution to corpus for projects or programs relating to CSR activities approved by the Board on recommendation of its CSR Committee, but do not include any expenditure on item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Act. The amount spent on sustainability initiatives in the pursuit of sustainable development while conducting normal business activities would not constitute a part of the CSR spend.

8.0 Communication Strategy

The electronic media shall be used for broader communication with the stakeholders. Display in website, emails, Annual CSR booklet, Annual Report etc. will be key instruments to decipher the CSR initiatives of POWERGRID.

9.0 General:

- 9.1 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.
- 9.2 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.
- 9.3 The power to modify /amend the CSR Policy will rest with the Board of Directors.
- 9.4 The Chairman and managing Director will be responsible for framing the Rules in accordance with and in furtherance of the CSR Policy 2014, as approved and as amended by the Board from time to time and also for the overall implementation of the CSR Policy, 2014, in POWERGRID.
