

# **UTES CSR & Sustainability Policy**

Issue 4, Rev. 4, August 2016

**सीएसआर एवं सस्टेनेबिलिटी पालिसी**

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## 1. Introduction

- 1.1 RITES Ltd., a Government of India Enterprise was established in 1974, under the aegis of Indian Railways. RITES is incorporated in India as a Public Limited Company under the Companies Act, 1956 and is governed by a Board of Directors which includes persons of eminence from various sectors of engineering and management. RITES Ltd., a Schedule 'A' Miniratna company and ISO 9001-2008 certified, is a multi-disciplinary consultancy organization in the fields of transport, infrastructure and related technologies. It provides a comprehensive array of services under a single roof and believes in transfer of technology to client organizations. In overseas projects, RITES actively pursues and develops cooperative links with local consultants / firms, as means of maximum utilization of local resources and as an effective instrument of sharing its expertise.

RITES is internationally recognized as a leading consultant with operational experience of 62 countries in Africa, South East Asia, Middle East and Latin America. Most of RITES foreign assignments are for National Governments and other apex organizations.

Over the years, RITES, has emerged as one of the leading Infrastructure Consultancy Companies in Public Sector in the Country, and has been playing a pivotal role in the development of transport sectors Viz, Railways, Highways, Ports, Airports, Waterways, Ropeways, Urban Transport, Urban Engineering, Container Depots; Institutional Buildings, Power Transmission and Rural Electrification etc. RITES has eventually diversified in providing multidisciplinary services from concept to commissioning for efficient and economic implementation of the projects.

- 1.2 RITES has played a pivotal role in development of Metro Rail Network in the country and is advising the various State/Central Govt. Departments on Urban Transport and Urban Development Projects.
- 1.3 RITES has made significant contributions towards society by working in remote areas under arduous conditions and at lower fee for the development of remote areas, undertaking construction management projects, rural road and rural electrification projects. Professional integrity and total transparency are the hallmarks of RITES practice of Corporate Governance. RITES website gives extensive information on the Company besides regularly notifying tenders, contracts awarded, job openings and inspection status of materials etc. RITES promotes the cause of Sustainable Development and gives due attention to social and environmental aspects and their impacts in all its studies, investigations, designs & DPRs.

- 1.4 RITES Board of Directors had approved the Issue 01 of CSR policy encompassing 1st long term CSR Plan in April 2010 followed by sustainability policy document in November 2011. Issue 02 of RITES CSR & Sustainability Policy was in-principle approved by Board of Directors in 201<sup>st</sup> meeting held on 25<sup>th</sup> February 2013 in view of the revision of DPE Guidelines on 1st Jan. 2013 (effective 1st April 2013). Issue 03 of CSR & Sustainability Policy is in accordance with the recommendations of Board level Committee on CSR & Sustainability meeting on 27<sup>th</sup> September 2013 and Companies Act 2013.
- 1.4.1 Issue 4, June 2014 is amended in accordance with Ministry of Corporate Affairs notification in exercise of the powers conferred under section 135 and sub – sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), effective from April 1<sup>st</sup>, 2014. This is as approved by the Board level Committee on CSR & Sustainability meeting on 30 May 2014.
- 1.4.2 Issue 4, Rev. 1, November, 2014 is amended in accordance with The Ministry of Corporate Affairs notifications dated 18<sup>th</sup> June 2014, 6<sup>th</sup> August 2014 & 24<sup>th</sup> October 2014 in exercise of the powers conferred by sub – section (1) of the section 467 of the Companies Act, 2013 (18 of 2013) & Clarifications with regard to provisions of Corporate Social Responsibility under section 135 of the Companies Act, 2013.
- 1.4.3 Issue 4, Rev. 2, March 2015 is amended in accordance with Office Memorandum from Department of Public Enterprises No. F. No.15 (13)/2013-DPE (GM) dated 20.11.2014 & letter from Prime Minister's Office No. PMO ID No. 82(10350)/2013-PMF dated 17.09.2014.
- 1.4.4 Issue 4, Rev. 3, August 2015 is amended in accordance with change in constitution of CSR Board Level Committee and change in CSR & Sustainability Cell Structure. This is as approved by the BOD on 24 July 2015.
- 1.4.5 Issue 4, Rev. 4, August 2016 is amended in accordance with change in constitution of CSR Board Level Committee. This is as approved by the BOD on 3 June 2016.

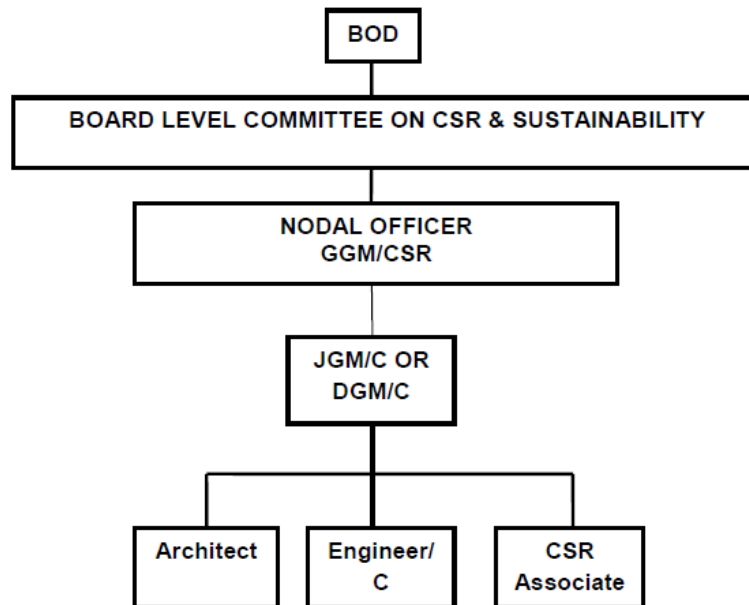
## 2. RITES CSR & Sustainability Policy

- 2.1 Corporate Social Responsibility and sustainability policy is our commitment to operate in economically, socially and environmentally sustainable manner that is transparent and ethical. It encourages engagement with the stake holders in determining their needs and expectations. The stake holders include employees, shareholders, investors, customers, clients, business associates, civil society groups, Center/State/local government, communities, environment and society at large.
- 2.2 RITES shall strive to integrate social and environment concerns in its business processes and work towards providing the best possible solutions for sustainable developmental needs of the society by:
  - 2.2.1 Spreading awareness amongst employees about the company's CSR & Sustainability policy, programmes & initiatives and the need and importance of adopting ethical business practices and implementation of CSR & Sustainability agenda of the company.
  - 2.2.2 Promoting the cause of Sustainable Development and giving due attention to social and environmental aspects and their impacts in all its activities including the feasibility studies, investigations, detailed designs & DPRs for various developmental projects in transportation & infrastructure sector.
  - 2.2.3 Encourage use of renewable energy resources such as solar, wind, biomass & others and reduce its carbon, water and waste foot prints.
  - 2.2.4 Engagement with stakeholders in undertaking CSR & Sustainability projects in and around the areas of companies offices/projects and also other backward region/areas with focus on creating the necessary infrastructure which will promote education, health, sanitation and provide connectivity/mobility, skills and preserve natural habitat, water resources, flora and fauna, greenery, environment, heritage and culture.
  - 2.2.5 Regular reporting of CSR & Sustainability performance of the company.
  - 2.2.6 Creating and enhancing the brand value of the company by adoption of highest standards of Corporate Governance and best management practices and application of its business expertise for the good of the community and society at large.
- 2.3 This policy flows from the Corporate Mission of the company.
- 2.4 CSR Policy relates to the activities to be undertaken as specified in Schedule VII of the sub – section (1) of section 467 of the Companies Act (18 of 2013). Refer Chapter 5.

### 3. Organisation Structure

- 3.1 Board level committee headed by an Independent Director has been constituted to oversee the implementation of CSR & Sustainability policy and to assist the Board of Directors to formulate suitable policies & strategies in this regard.
- 3.2 CSR & Sustainability Committee has been reconstituted on 3 June 2016
- 3.2.1 Members of the Committee at present:
- |                            |   |  |
|----------------------------|---|--|
| Sh. Satish Sareen          | : | Independent Director, Chairman CSR Committee |
| Dr. Vidya Rajiv Yeravdekar | : | Independent Director                         |
| Sh. Anil Kumar Goel        | : | Independent Director                         |
| Sh. A.P. Dwivedi           | : | Govt. Nominee Director                       |
| Sh. Ajay Kumar Gaur        | : | Director Finance / RITES                     |
- 3.2.2 Quorum for the CSR Board Level meeting/s shall be 2 persons.
- 3.3 The Board Level Committee will be assisted by a CSR & Sustainability cell headed by a senior executive and designated as nodal officer who will co ordinate with various SBUs & Divisions on policy, strategy, communication of progress/ performance of CSR & Sustainability initiatives of the company.

#### RITES CSR & Sustainability Cell Structure



- 3.4 CSR & Sustainability cell shall function under GGM/CSR as Nodal officer. The activities of CSR & Sustainability cell would include:
  - 3.4.1 Identification of stakeholders (both internal and external) and meaningful engagement with them to ascertain the needs of society/ community especially those from the underprivileged/unprivileged sections.
  - 3.4.2 Converting the needs of the society into meaningful CSR & Sustainability projects with clear ownership/mentorship and arrangements for regular post erection and commissioning operation and maintenance.
  - 3.4.3 Project appraisal and scrutiny including the assessment of capabilities of project execution agency (ies).
  - 3.4.4 Implementation of CSR & Sustainability policy.
  - 3.4.5 Seek the guidance of Board level CSR & Sustainability Committee for proper execution and/or monitoring the projects performance/progress, and
  - 3.4.6 Regularly reporting to Board Level CSR & Sustainability Committee.
  - 3.4.7 Impact Assessment
  - 3.4.8 Any other related activity.
  
- 3.5 Brief description of roles and responsibilities of various functionaries of CSR & Sustainability cell are given as below:
  - 3.5.1 **Nodal Officer (GGM/CSR):** overall coordination and oversight for implementation of RITES CSR & Sustainability Policy and regularly reporting the progress/performance to the Board level CSR & Sustainability committee.
  
  - 3.5.2 **JGM/C & or DGM/C:**
    - 3.5.2.1 Identification of stakeholders (both internal and external) and meaningful engagement with them to ascertain the needs of society/ community especially those from the underprivileged/unprivileged sections.
    - 3.5.2.2 Converting the needs of the society into meaningful CSR & Sustainability projects with clear ownership/mentorship and arrangements for regular post erection and commissioning operation and maintenance.
    - 3.5.2.3 Project appraisal and scrutiny including the assessment of capabilities of project execution agency (ies).
    - 3.5.2.4 Disbursal and accountal of funds including utilization certificates and Audit/evaluation by internal/external agencies.
    - 3.5.2.5 Any other related activity.

### **3.5.3 Architect:**

- 3.5.3.1 Coordination with various internal stakeholders/SBUs/divisions for regular update on progress of the project.
- 3.5.3.2 Agenda, minutes and other information/data required by the Board level CSR & Sustainability Committee.
- 3.5.3.3 Assist Nodal officer in conduct of reviews/appraisals and implementation of the directions of the Board level Committee.
- 3.5.3.4 Any other related activity.

### **3.5.4 Engineer/C:**

- 3.5.4.1 Inspection at project sites for monitoring physical and financial progress.
- 3.5.4.2 Measurements and quality control.
- 3.5.4.3 Assist JGM/C & or DGM/C for proper monitoring of project progress.
- 3.5.4.4 Any other related activity.

### **3.5.5 CSR Associate:**

- 3.5.5.1 MIS for CSR & Sustainability activities of the company.
- 3.5.5.2 Assist JGM/C & or DGM/C for data compilation and analysis.
- 3.5.5.3 Any other related activity.

3.6 CSR & Sustainability projects will be taken up after due diligence, need assessment or base line surveys conducted either by company or other NGOs, district/ local administration or by similar organizations. For selection of projects, assistance of concerned GM/GGM of regional project/ inspection office(s) and other SBU/ Divisional heads would be taken; however final compilation of list of projects shall be carried out by the nodal officer at corporate level, in consultation with top management.

3.7 The Board level committee shall assist BOD in formulating suitable policies and strategies to take the CSR & Sustainability agenda of the company forward ensuring:

- That the organization conducts its business with full integrity and transparency in most ethical manner following the guidelines of Corporate Governance.
- Welfare of employees by addressing their concerns of safety, security, professional enrichment and healthy working conditions.



- Inclusive growth and equitable development in society through capacity building and empowerment of marginalized and under-privileged sections/communities.
- Approval of the annual plans and budget for CSR & Sustainability activities of the company.

3.8 The role of CSR & Sustainability cell shall be as under:

- To exercise control over the implementation of CSR & Sustainability activities within the organization and also outside covering internal as well as external stakeholders.
- Preparation of CSR & Sustainability Agenda, plans/programmes in accordance with CSR & Sustainability Policy of the company.
- Coordination between various divisions and SBUs for selection, implementation, monitoring the performance/progress of CSR & Sustainability program.
- Engagement with various stakeholders (both internal and external) for identification of the needs, implementing agencies.
- Reporting progress/performance of the various CSR & Sustainability activities to the Board level committee.
- Increasing the awareness amongst the employees and other stakeholders on the issues of environment, sustainability and community engagement and involving them in determining the agenda of the organization.
- To control & regulate the expenditure on CSR & Sustainability activities ensuring compliance to DPE guidelines for utilization of funds.
- Sustainability reporting, impact assessment, promotional activities, including printing of promotional materials and publicity documentation of various activities and submission of regular reports.

## 4. Financial Budget and Expenditure Control

- 4.1 As per section 135 of Companies Act 2013, CSR is applicable to the companies with:
- Net worth of rupees 500 crore or more, or
  - Turnover of rupees 1000 crore or more, or
  - Net profit of rupees 5 crore or more; during any financial year.
- 4.2 With effect from April 1, 2014 Prescribed CSR Expenditure is 2% of the average net profit of the last 3 financial years or any part thereof. If the company fails to spend such amount, the reasons for not spending shall be specified in its report. Average net profit shall be calculated in accordance with section 198 of Companies Act 2013.
- 4.3 Net Profit shall mean the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:
- 4.3.1 Any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
- 4.3.2 Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:  
Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381 read with section 198 of the Act.
- 4.4 As per section 135 of Companies Act 2013, wef 1<sup>st</sup> April 2014 CSR Expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities approved by the Board on the recommendation 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 Act.
- 4.5 The expenditure incurred on baseline survey/ need assessment study, on capacity building programs such as training, workshops, seminars, conferences, etc. and on corporate communication strategies for engagement of all stakeholders, whether internal or external, to implement the CSR & Sustainability agenda of a company, would be accounted for as CSR & Sustainability expenditure from the budget allocated for this purpose.

- 4.6 80% of the annual Budget shall have to be spent on implementation of activities in the project mode. Activities not implemented in project mode also have to be in conformity with DPE guidelines.
- 4.7 5% of the annual budget shall be earmarked for emergency needs which would include following:
- Relief work undertaken during natural calamities/disasters.
  - Contribution to CM relief fund and/or NDMA.
  - Contribution to provide humanitarian assistance to the employees of other sick/loss making CPSEs under distress and in need of emergency aid for survival, with the approval of BOD, Ministry of Railways/DPE.
- 4.8 The various measures to be undertaken to control/manage expenditure are:
- Verification of project estimates by technical/engineering officers of RITES.
  - Financial vetting of projects that are submitted for consideration for MOU.
  - Release of stage-wise installments only after accounting for expenditure of previous installment. Advances against estimates issued after due appraisal.
  - Regular inspection visits by RITES officials to the project sites in order to ascertain the expenses incurred.

## 5. CSR Activities & Thrust Areas

- 5.1 RITES CSR & Sustainability programs execution is a two-fold strategy: internalizing the CSR & Sustainability initiatives amongst the employees of RITES constituting a part of corporate agenda and in the external sphere, initiatives are primarily in the form of various projects/ seminars/ conferences/ meetings, etc.
- 5.2 RITES' primary focus is on creation of needed infrastructure and creation of avenues for employment and income generation for empowering the people and inclusion in economic mainstream, facilitating sustainable development of marginalized and under privileged sections of the society in and around areas of company's operations and in backward regions . These infrastructure assets then can be taken over by local community/ NGOs/ SHGs for day to day operations and maintenance.
- 5.3 CSR Activities:
- 5.3.1 The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.
- 5.3.2 The Board of a company may decide to undertake its CSR activities approved by the CSR Committee, through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise:  
Provided that –
- 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 three years in undertaking similar programs or projects;
  - The company has specified the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.
- 5.3.3 A company may also collaborate with other companies for undertaking projects or programs 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 programs in accordance with these rules.
- 5.3.4 Subject to provisions of sub-section (5) of section 135 of the act, the CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure.
- 5.3.5 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 in accordance with section 135 of the Act.
- 5.3.6 Companies may build CSR capacities of their own personnel as well as those of their Implementing agencies through Institutions with established track

records of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of the company in one financial year.

5.3.7 Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.

5.4 As per schedule VII of Companies Act 2013, the companies are required to take CSR activities in the following areas:

- i. Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- ii. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- iii. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- v. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- vi. Measures for the benefit of armed forces veterans, war widows and their dependents;
- vii. Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
- viii. Contribution to the fund set up by the Central Government for socio – economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women. Contribution towards Prime Minister's National Relief Fund flowing out of budgetary resources, profits or from the balance sheets of PSUs are not accepted;
- ix. Contribution or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- x. Rural development projects;
- xi. Slum area development.

## 6. Guidelines for Selection of Projects & Execution Agencies

### 6.1 Location of projects

6.1.1 Priority shall be given to the CSR & Sustainability projects which are located in and around the offices/operations of the company so as to connect with the people, environment and stakeholders closely impacted by its commercial operations. Besides, it is easier to mobilize the resources required for execution of CSR & Sustainability projects and ease of regular oversight on the progress/performance of the projects.

6.1.2 However, at least one CSR & Sustainability Project shall be selected from the backward districts. The backward districts referred to here are those which have been identified by the Planning Commission, Government of India for its Backward Region Grant Fund (BRGF) scheme.

### 6.2 No of Projects

6.2.1 Even though DPE guidelines provide for two projects in MOU (one from Backward districts, and one for environment sustainability), company shall take up adequate number of projects in its annual plan for CSR & Sustainability agenda. Out of these, some of the projects will be from environment sustainability and others from CSR & Sustainability activities. Depending upon the exigencies, more projects can be taken up in the draft MoU, so as to comply with commitment to stake holder(s) / MoU requirements of financial expenditure.

### 6.3 Criteria for selection of projects:

6.3.1 The project has to be from amongst thrust areas of the company as given in previous chapter. The project proposal shall be scrutinized for the following:

6.3.1.1 Total project cost and the annual expenditure on various milestones to be completed during the year.

6.3.1.2 Intended beneficiaries and the supporting ground level data (primary, secondary and/or tertiary) justifying the project.

6.3.1.3 Viability of the project.

6.3.1.4 Funding arrangements for initial construction/creation of infrastructure and subsequent maintenance and operation of the project.

6.3.1.5 Clear milestones through which physical and financial progress of the project can be monitored.

- 6.4 Criteria for selection of executing agencies:
- 6.4.1 The executing agency/ organization must be a legally recognizable entity registered with state govt. / district administration/ income tax/ service tax or any other relevant government department.
  - 6.4.2 Experience Profile of the agency/organization should indicate similar experience in execution of projects of similar nature/value (at least 1 project of estimated value executed by the agency in their own name in the last 3 years).
  - 6.4.3 Annual accounts of the firm must be audited by Chartered Accountants/ authorized accountants by the centre/state governments/ institute of chartered accountants of India or ICWAI
  - 6.4.4 Financial soundness of the firm
  - 6.4.5 Availability of Technical expertise/ experts with the agency/ organization
  - 6.4.6 Credentials of the agency/ organization duly verified by the central/state PSUs/ government departments
  - 6.4.7 Previous working experience of the agency/organization with RITES and other PSUs.

## **7. Implementation and Control for Monitoring of CSR & Sustainability Projects**

- 7.1 The project once approved in MOU for the relevant year would be put up for approval of financial sanction of expenditure by competent authority. While processing the case for financial sanction CSR & Sustainability cell shall ensure the following:
- (i) Technical appraisal of the project including availability of land, its ownership and encumbrances if any which may delay the project schedule.
  - (ii) Financial appraisal of the project especially the cost estimates and the funding arrangement
  - (iii) Clarity on definition of project milestones and their measurability, especially approvals and clearances for the plan/designs/layouts from the state/ central govt departments
  - (iv) Time chart/ project schedules and funding requirements for each stage
  - (v) Payment terms and its linkages with the physical progress and contribution of share from other parties, if any.
  - (vi) Draft MoU with the execution agency/organization detailing the roles and responsibilities of the agency, RITES and any other party
  - (vii) Project Documentation
- 7.2 After the sanction of competent authority, sanction letter is to be issued by CSR & Sustainability cell to execution agency/organization clearly identifying the commitments of both the parties and finalization of draft MoU within 30 days of the sanction letter. The execution agency/organization shall raise the demand for the release of funds at various stages of the project which have been identified in the sanction letter. The demand shall be scrutinized for:
- (i) Its accuracy and correctness
  - (ii) Compliance to conditions in the sanction letter/MoU
  - (iii) Certificate of Utilization of previously released funds, if any
  - (iv) Physical progress verified through photographs, site visits and bills of the material/contractor, etc.
  - (v) Any other relevant requirement/parameter/document/evidence
- 7.2.1 Performance Indicators for evaluating the projects are placed at Annexure-III.
- 7.3 Monitoring of the project progress:
- 7.3.1 Execution agency/organization shall submit quarterly reports of physical and financial performance of the project in terms of the sanction letter and CSR & Sustainability cell shall monitor the project performance/ progress through periodical site visits/ progress reports submitted by the agency. After the site



visit, an inspection report shall be put up to the nodal officer of the CSR & Sustainability cell. In any case, quarterly progress report shall be prepared and submitted to the board level committee on CSR & Sustainability.

7.3.2 The chairman of the board level committee shall apprise the progress/performance of company's CSR & Sustainability activities to the Board of Directors on 6-monthly basis.

7.4 Evaluation by Independent External Agency(ies)

7.4.1 Normally project shall be monitored by RITES own staff either from CSR & Sustainability cell or from the other SBUs/ Divisions to ensure that project progresses as per the plan and activities are carried out ensuring conformity to design and the efficacy of quality control process during the construction and subsequent maintenance. Since RITES has expertise in project management, monitoring will be done by RITES own staff. However, for the sake of objectivity and transparency an independent external agency may be appointed for evaluation of CSR & Sustainability Projects and its benefits to the intended beneficiaries.

## **8. Impact Assessment & Feedback from Beneficiaries**

- 8.1 In order to determine the degree of success and effectiveness of the company's CSR & Sustainability initiatives, an impact assessment shall be carried out after the project is completed and expiry of necessary minimum gestation period (period for impact to be felt). A survey shall be conducted to assess the impact of CSR & Sustainability project in terms of social, economic and environmental benefits accrued to the intended beneficiaries.
- 8.2 All the CSR & Sustainability projects/activities are undertaken with anticipated impact on society and environment. Against these perceptions and expectations of impact that the completed activity/project should be measured to ascertain the degree of the success, or failure. Impact assessment is not only concerned with the mere outputs or outcomes involving accomplishment of set targets and goals at various stages of progress in implementation but the cumulative effect of these outcome(s) on the developmental process affecting society, economy and environment.
- 8.3 The survey is conducted through the means of a structured questionnaire designed keeping in mind the prior data of baseline survey or need assessment study. The stakeholders are interviewed during the site visits and their responses are recorded in order to gauge the impact of the CSR & Sustainability projects in their social, environment and economic well-being.
- 8.4 The surveys shall be done by the RITES CSR & Sustainability Cell either by own staff or through the help of an external agency. The requirements highlighted during the need assessment study and the proposed benefits and impacts are verified against the ground level conditions and the beneficial impacts seen/felt by the stakeholders.
- 8.5 The local community, stakeholders are involved in feedback via surveys, interactions during site visits and their involvement in the day to day operations and assessment of further developmental needs. It is recognized that the impact assessment shall be qualitative in nature and exact quantification of the benefits accrued may be difficult to be ascertained. The sample size selected for impact assessment shall be representative of the population and would include the officials of local/district administration, NGOs, SHGs, gram panchayats, gram sabhas, local councilors and other members of local community both young and old, gents and ladies, boys and girls to the extent possible.

- 8.6 The report of impact assessment shall include:
- (i) Name, address and contact details of the person/household surveyed
  - (ii) The parameters on which the impact assessment is based
  - (iii) The status in terms of then and now
  - (iv) Photographs of the group meeting/ community engagement along with the date and location
  - (v) Photographic or narrative description of improvement
  - (vi) Details of survey team members and their role in the survey
  - (vii) Brief summary about the new initiatives which can be taken up further
- 8.7 The report shall be scrutinized, analyzed for deficiencies, if any by the nodal officer and salient features shall be brought to the notice of board level committee. The report shall form one of the basis for further improvement in the company's CSR & Sustainability initiative.

## 9. Performance Reporting

- 9.1 The performance of CSR & Sustainability projects/ programs/ agenda shall be monitored on regular basis in terms of project milestones and the financial expenditure and also the physical progress/quality of the works undertaken.
- 9.2 Execution agency/ organization shall submit Monthly progress reports on the CSR & Sustainability initiatives to the CSR & Sustainability cell, who will scrutinize the reports for delays, if any, proper utilization of funds and monitor the progress against the milestones and the budget estimates as sanctioned.
- 9.3 CSR & Sustainability cell shall also be involved in the regular monitoring and reporting of the performance of the CSR & Sustainability projects/activities through means of site visits, interactions with the stakeholders and the documentary evidence.
- 9.4 Quarterly progress reports highlighting the salient features in the progress of the company's CSR & Sustainability initiatives covering internal programs as well as external projects/activities shall be put up by Nodal officer to the board level committee.
- 9.5 Half yearly progress report on CSR & Sustainability initiatives shall be put up to the Board of Directors.
- 9.6 The CSR & Sustainability policy and related information shall also be uploaded on the company's website and updated regularly.
- 9.7 The CSR & Sustainability initiatives shall be published in the Company's Annual Report as a mandatory disclosure to the shareholders of the company and society at large.
- 9.8 The format for monthly progress report is at Annexure-I.
- 9.9 The format for Annual Report on CSR Activities is at Annexure – II. This is in accordance with section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), wef 1<sup>st</sup> April 2014.
- 9.10 CSR policy shall be displayed on website. This is in accordance with section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), wef 1<sup>st</sup> April 2014.

## 10. Clarifications with regard to provisions of CSR under Sec. 135 of Companies Act

Clarifications with regard to provisions of Corporate Social Responsibility under section 135 of the Companies Act, 2013 have been issued by Ministry of Corporate Affairs vide No. 05/01/2014-CSR, General Circular No. 21/2014 dated 18<sup>th</sup> June, 2014:

Ministry has received several references and representation from stakeholders seeking clarifications on the provisions under Section 135 of the Companies Act, 2013 (herein after referred as 'the Act') and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as well as activities to be undertaken as per Schedule VII of the Companies Act, 2013. Clarifications with respect to representations received in the Ministry on Corporate Social Responsibility (herein after referred as ('CSR')) are as under:-

(i) The statutory provision and provisions of CSR Rules, 2014, is to ensure that while activities undertaken in pursuance of the CSR policy must be relatable to Schedule VII of the Companies Act 2013, the entries in the said Schedule VII must be **interpreted liberally** so as to capture the essence of the subjects enumerated in the said Schedule. The items enlisted in the amended Schedule VII of the Act, are broad-based and are intended to cover a wide range of activities as illustratively mentioned in the **Annexure IV**.

(ii) It is further clarified that CSR activities should be undertaken by the companies in project/ programme mode [as referred in Rule 4 (1) of Companies CSR Rules, 2014]. One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programmes etc. would not be qualified as part of CSR expenditure.

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

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

(v) "Any financial year" referred under Sub-Section (1) of Section 135 of the Act read with Rule 3(2) of Companies CSR Rule, 2014, implies 'any of the three preceding financial years'.

(vi) Expenditure incurred by Foreign Holding Company for CSR activities in India will qualify as CSR spend of the Indian subsidiary if, the CSR expenditures are routed

through Indian subsidiaries and if the Indian subsidiary is required to do so as per section 135 of the Act.

(vii) 'Registered Trust' (as referred in Rule 4(2) of the Companies CSR Rules, 2014) would include Trusts registered under Income Tax Act 1956, for those States where registration of Trust is not mandatory.

(viii) Contribution to Corpus of a Trust/ society/ section 8 companies etc. will qualify as CSR expenditure as long as (a) the Trust/ society/ section 8 companies etc. is created exclusively for undertaking CSR activities or (b) where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act.

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## 11. REFERENCES

1. Section 135, Companies Act 2013 w.e.f 1 April 2014
2. DPE Revised Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (effective 1/4/2013).
3. DPE OM No.3(12)/2012-DPE(MoU) dated 10/01/2013.
4. DPE CSR Guidelines dated 9<sup>th</sup> April 2010 and further communication dated 4<sup>th</sup> February 2011, 21<sup>st</sup> June 2011, 1<sup>st</sup> November 2011.
5. DPE SD Guidelines dated 23<sup>rd</sup> September, 2011 and further communication dated 19<sup>th</sup> December 2011, 24<sup>th</sup> February 2012.
6. Backward Districts identified by the Planning Commission for Backward Regions Grant Fund (BRGF).
7. UN Global Compact Principles.
8. UN Millennium Development Goals.
9. OECD Guidelines for Multinational Enterprises.
10. Global Reporting Initiative's Sustainability Reporting Guidelines.
11. AccountAbility's AA 1000 standard.
12. ISO 14001 environmental management standard.
13. Social Accountability International's SA 8000 standard.
14. BoD approved RITES CSR Plan and RITES Sustainability Development Plan and resolutions thereof.
15. National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business by Ministry of Corporate Affairs, Govt of India.

## Annexure-I Format for Monthly Progress Report

PROJECT Category: CSR & Sustainability/ R&D/ Milestone	
Progress Report for the period: From	To
Title of Project:	
Start Date (Month & Year):	
Implementing Agency:	
Monitoring Agency:	
Evaluating Agency:	
Budget sanctioned for the project:	
Actual Cumulative Expenditure	
Target as on date	Actual
Scheduled Completion Date (Month & Year):	

S.No	Important Milestones	Start date	Target completion date	Expected completion date	Status/ Progress of the work	Remarks

Comments, if any:

Signature of Project Coordinator:
Name:
Designation:
Date:



## Annexure-II Format for the Annual Report on CSR Activities

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web – link to the CSR policy and projects or programs.
2. The Composition of the CSR Committee.
3. Average net profit of the company for last three financial years
4. Prescribed CSR Expenditure (two per cent. Of the amount as in item 3 above)
5. Details of CSR spent during the financial year.
  - (a) Total amount to be spent for the financial year;
  - (b) Amount unspent, if any;
  - (c) Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
1.							
2.							
3.							
4.							

\* Give details of implementing agency:

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board Report.
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

Sd/-  (Chief Executive Officer or Managing Director or Director)	Sd/-  (Chairman CSR Committee)	Sd/-  [Person specified under clause (d) of sub-section (1) of section 380 of the Act]  (wherever applicable)
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## Annexure-III Performance Indicators

For each project/activity, corresponding performance indicator(s) may be identified, monitored and measured to gauge the actual performance of the project that has been taken.

There can be 3 types of indicators:

### a. Environmental Condition Indicators (Ambient) (ECI)

Indicators that influence the local, regional, national or global condition of the environment, ecology and energy

### b. Operational Performance Indicators (OPI)

Indicators that impact the:

- Inputs of materials, energy and services
- Design, installation, operation and maintenance of the facilities and equipment
- Outputs of products, services, wastes and emissions (recycled, reused materials, etc.)

### c. Management Performance Indicators (MPI)

Indicators that are based on:

- Implementation of policies and programmes (trainings)
- Resource allocation & efficient utilization
- Financial performance (environmental cost management)
- Community relations (interaction on environmental issues)

## Examples of Performance Indicators

### • Waste Management

- **Project Objective(s):** To reduce hazardous waste generated
- **ECI:** Concentration of toxic contaminants in waste outlet stream
- **MPI:** Percentage of targets to achieving project objective that have been successful as planned.
- **OPI:** Amount of hazardous waste produced per unit of product

### • Water Management

- **Project Objectives(s):** To reduce water consumption
- **ECI:** Concentration of contaminants in water inlet to plant.
- **MPI:** Cost of Water Savings after implementation of project/activity to achieve objective
- **OPI:** Water consumption per unit of product

### • Energy Management

- **Project Objectives(s):** To increase the energy efficiency

- **MPI:** Number of persons trained in implementing Energy Management Systems in the plant.
  - **OPI:** Energy used annually per unit of product
- **Renewable Energy**
    - **Project Objectives(s):** promote utilization of renewable Energy
    - **MPI:** Resource allocation for setting up RE generation projects and / or Voluntary procurement of RECs.
    - **OPI:** Percentage of total electricity used from renewable energy either through purchase of RE or RECs.
- **Biodiversity Conservation**
    - **Project Objectives(s):** To implement initiatives to protect a particular animal species in the vicinity of the plant.
    - **ECI:** Population of specific animal species within a defined area
    - **MPI:** Percentage of initiatives targets that have been achieved
- **Material & Natural Resource Management**
    - **Project Objectives(s):** To implement initiatives to ensure the soil quality in the surrounding area of the plant.
    - **ECI:** Contaminant concentration in soil
    - **MPI:** Percentage of initiative targets that have been achieved
- **Internalization of CSR & Sustainability Agenda**
    - No. of employees covered through CSR & Sustainability initiatives – levels/grades
    - Products/services/processes/initiatives introduced during the year in line with the CSR & Sustainability agenda
    - Reduction in paper consumption, etc.
    - Involvement of employees in formulation of corporate communication strategy for CSR & Sustainability initiatives.
    - Establishment of feedback channels from key stakeholders
- **Reporting/ Disclosure**
    - Publishing annual reports on CSR & Sustainability in the company's Annual report
    - Regular uploading of information on CSR & Sustainability initiatives on company's website
- **Construction Projects**
    - Physical Progress: Achievement of milestones
    - Financial Performance: Actual Expenditure on Project v/s Sanctioned budget
    - Financial Performance

- **Training/ Seminar/ Conferences/ Workshops/ Engagement with Stakeholders**

- No. of man days
- Expenditure budgeted v/s actual
- No. of meetings/seminars
- No. of action points

## Annexure-IV Clarifications with regard to provisions of CSR

### Annexure referred to at para (i) of General Circular No. 21/2014 dated 18.06.2014

Sl. No.	Additional items requested to be included in Schedule VII or to be clarified as already being covered under Schedule VII of the Act	Whether covered under Schedule VII of the Act
1.	<p>Promotion of Road Safety through CSR:</p> <p>(i) (a) Promotions of Education, "Educating the Masses and Promotion of Road Safety awareness in all facets of road usage,</p> <p>(b) Drivers' training,</p> <p>(c) Training to enforcement personnel,</p> <p>(d) Safety traffic engineering and awareness through print, audio and visual media" should be included.</p> <p>(ii) Social Business Projects : "giving medical and Legal aid, treatment to road accident victims" should be included.</p>	<p>(a) Schedule VII (ii) under "promoting education".</p> <p>(b) For drivers training etc. Schedule VII (ii) under "vocational skills".</p> <p>(c) It is establishment functions of Government <b>(cannot be covered)</b>.</p> <p>(d) Schedule VII (ii) under "promoting education".</p> <p>(ii) Schedule VII (i) under 'promoting health care including preventive health care.'</p>
2.	Provisions for aids and appliances to the <b>differently- able</b> persons - 'Request for inclusion	Schedule VII (i) under 'promoting health care including preventive health care.'
3.	<p>The company contemplates of setting up ARTIIC (Applied Research Training and Innovation Centre) at Nasik. Centre will cover the following aspects as CSR initiatives for the benefit of the predominately rural farming community:</p> <p>(a) Capacity building for farmers covering best sustainable farm management practices.</p> <p>(b) Training Agriculture Labour on skill</p>	<p>Item no. (ii) of Schedule VII under the head of "promoting education" and "vocational skills" and "rural development".</p> <p>(a) "Vocational skill" livelihood enhancement projects.</p> <p>(b) "Vocational skill"</p>

	<p>development.</p> <p>(c) Doing our own research on the field for individual crops to find out the most cost optimum and Agri – ecological sustainable farm practices. (Applied research) with a focus on water management.</p> <p>(d) To do Product Life Cycle analysis from the soil conservation point of view.</p>	<p>(c) ‘Ecological balance’, ‘maintaining quality of soil, air and water’.</p> <p>(d) “Conservation of natural resource” and ‘maintaining quality of soil, air and water’.</p>
<b>4.</b>	<p>To make “Consumer Protection Services” eligible under CSR. (Reference received by Dr. V.G. Patel, Chairman of Consumer Education and Research Centre).</p> <p>(i) Providing effective consumer grievance redressal mechanism.</p> <p>(ii) Protecting consumer’s health and safety, sustainable consumption, consumer service, support and complaint resolution.</p> <p>(iii) Consumer protection activities.</p> <p>(iv) Consumer Rights to be mandated.</p> <p>(v) all consumer protection programs and activities” on the same lines as Rural Development, Education etc.</p>	<p>Consumer education and awareness can be covered under Schedule VII (ii) “promoting education”.</p>
<b>5</b>	<p>a) Donations to IIM [A] for conservation of buildings and renovation of classrooms would qualify as “promoting education” and hence eligible for compliance of companies with Corporate Social Responsibility.</p> <p>b) Donations to IIMA for conservation of buildings and renovation of classrooms would qualify as “protection of national heritage, art and culture, including restoration of buildings and sites of historical importance” and hence eligible for compliance of companies</p>	<p>Conservation and renovation of school buildings and classrooms relates to CSR activities under Schedule VII as “promoting education”.</p>

	with CSR	
6	Non Academic Technopark TBI not located within an academic Institution but approved and supported by Department of Science and Technology.	Schedule VII (ii) under “promoting education”, if approved by Department of Science and Technology.
7.	Disaster Relief	<p>Disaster relief can cover wide range of activities that can be appropriately shown under various items listed in Schedule VII. For example,</p> <p>(i) medical aid can be covered under ‘promoting health care including preventive health care.’</p> <p>(ii) food supply can be covered under eradicating hunger, poverty and malnutrition.</p> <p>(iii) supply of clean water can be covered under ‘sanitation and making available safe drinking water’.</p>
8.	Trauma care around highways in case of road accidents.	Under ‘health care’.
9.	Clarity on "rural development projects"	Any project meant for the development of rural India will be covered under this.
10.	Supplementing of Govt. schemes like mid-day meal by corporates through additional nutrition would qualify under Schedule VII.	Yes. Under Schedule VII, item no. (i) under ‘poverty and malnutrition’.
11.	Research and Studies in the areas specified in Schedule VII.	Yes, under the respective areas of items defined in Schedule VII. Otherwise under ‘promoting education’.
12.	Capacity building of government officials and elected representatives – both in the area of PPPs and urban infrastructure.	No.
13.	Sustainable urban development and urban public transport systems	Not covered.
14.	Enabling access to, or improving the delivery of, public health systems be considered under the head “preventive healthcare” or “measures for reducing	Can be covered under both the heads of “healthcare” or “measures for reducing inequalities faced by socially & economically backward groups”,

	inequalities faced by socially & economically backward groups”?	depending on the context.
<b>15.</b>	Likewise, could slum re-development or EWS housing be covered under “measures for reducing inequalities faced by socially & economically backward groups”?	Yes.
<b>16.</b>	Renewable energy projects	Under ‘Environmental sustainability, ecological balance and conservation of natural resources’,
<b>17.</b>	(i) Are the initiatives mentioned in Schedule VII exhaustive?  (ii) In case a company wants to undertake initiatives for the beneficiaries mentioned in Schedule VII, but the activity is not included in Schedule VII, then will it count (as per 2(c)(ii) of the Final Rules, they will count)?	(i) & (ii) Schedule VII is to be liberally interpreted so as to capture the essence of subjects enumerated in the schedule.
<b>18.</b>	US-India Physicians Exchange Program – broadly speaking, this would be program that provides for the professional exchange of physicians between India and the United States.	No.

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