

## **MECON LIMITED**

### **Policy on CSR & Sustainability – March,2014**

#### **1. Objective**

The objective of CSR & Sustainability policy is to lay down guidelines for proper functioning of CSR & Sustainability activities to attain sustainable development of the nearby society.

#### **2. Background of CSR activities and CSR policy**

MECON LIMITED, a Public Sector Undertaking under the Ministry of Steel has been intimately associated with the Country's Iron and Steel Industry since more than five decades and has played a significant role in its growth and development.

MECON's concern towards Corporate Social Responsibility (CSR) has been duly reflected in its engagement in rural/community development activities since 60's. In order to fulfill the objectives of CSR, a dedicated group was formed way back in 1976 with a few handpicked individuals and the group was named as "Community Development Committee (CDC)".

MECON Board accorded approval in principle, to the scheme prepared by the study group for rural & community development program, vide Item No. 30/391 of 30<sup>th</sup> Meeting of Board of Directors of MECON held on 03.06.1978 and subsequent amendment in the "Object" clause of Memorandum of Association of the Company.

Subsequently in the year 2010, "CSR Cell" was formed to coordinate the CSR activities of the organisation in association with other employees drawn from various sections as per requirement.

Later on, MECON Board accorded approval to the CSR policy (Based on DPE Guidelines,2010), vide Item No. 192/3294 of 192<sup>nd</sup> Meeting of Board of Directors of MECON held on 22.12.2010.

#### **3. Need for a New policy on CSR & Sustainability**

A new guidelines on CSR and Sustainability for Central Public Sector Enterprises (CPSEs) was received from Ministry of Steel (MoS), Govt. of India vide their letter reference no. 4(57)/2012-Coord. Dtd. 21.05.2013 (Department of Public Enterprises, Govt. of India letter reference no. F.No. 15(7)/2012-DPE(GM)-GL-104 dtd. 12.04.2013) which has introduced certain new provisions.

Moreover, Section 135 & Schedule–VII of the Companies Act, 2013, which is related to CSR activities has also been published in the Gazette of India (Ref. No. 27 dtd. 30.08.2013). It has been notified on 27.02.2014 by Ministry of Corporate Affairs, to be made effective from 01.04.2014.

In view of the above, the existing CSR policy of MECON Limited needed a comprehensive revision and accordingly this new policy on CSR & Sustainability, encompassing the provision of DPE guidelines, April,2013 & the Companies Act'2013 (Notification dtd. 27.02.2014) is prepared.

#### **4. CSR & Sustainability considerations while conducting Business**

The Company shall carry its normal business in a manner that is beneficial to society & environment also in addition to propagation of business.

#### **5. Commitment & Involvement of Management & Employees**

The philosophy & spirit of CSR & Sustainability is to be spread across the organization through sensitisation & awareness programme for cross-section of employees. The programme would be arranged by HRD Section through external/internal faculties.

The HRD Section shall maintain records of evidence in the form of documents, reports, photographs etc. in respect of internalising socially responsible and sustainable policies in the organisation.

#### **6. Areas of operation**

The Company is in the field of Consultancy services and has no specific geographical area of commercial operation therefore it can take up CSR & Sustainability projects/activities at any location in India considering its business interests. However backward districts identified by Planning Commission for Backward Regions Grant Fund (BRGF) and included in DPE Guidelines,2013 (Annexure-II) shall be preferred area of operation.

Since the Head Office of MECON is situated in Ranchi, Jharkhand state shall get the priority for CSR & Sustainability projects/activities.

#### **7. CSR & Sustainability Projects/Activities**

The thrust of CSR & Sustainability shall be in the following areas, with special attention to the development of weaker/marginalized/under privileged sections of the society including SC/ST/OBC/Minorities, women and children, BPL families, old and aged, physically challenged etc.

- a) Capacity Building (Infrastructure Development)
  - i) Infrastructure development (for schools/colleges/orphanages/old age homes/community centres/hospitals/ health centres/akhras (meeting place for Gram Sabha/Panchyat)/roads/culverts etc.) in rural areas/backward areas and for institutions of physically challenged boys/girls/persons.
  - ii) Sanitation and public health/toilets in rural areas/backward areas
  - iii) Drinking water facilities (wells, tube wells with hand pump/solar pump) in rural areas/backward areas
- b) Empowerment of Communities, inclusive of Socio-Economic growth
  - i) Women empowerment/Livelihood generation centre (Stitching & Embroidery training centers for women)
  - ii) Skill development/vocational training (For Men & Women)
- c) Environment Protection
  - i) Afforestation/Social Forestry
  - ii) Rain water harvesting system
- d) Promotion of Green and Energy Efficient Technologies
  - i) Solar lighting system/non-conventional energy sources
  - ii) Energy conservation measures (Installation of LED lighting system)
- e) Development of Backward Regions as per Planning Commission's list of BRGF
  - i) Village/rural based programmes (Promotion of local culture & sports, Training on lac cultivation, honey bee keeping, vermin-composte preparation, sericulture, cultivation, horticulture, floriculture etc.)
  - ii) Infrastructure development (such as schools/colleges/hostels/community centres/ health centres/akhras (meeting place)/roads/culverts etc.) in adopted villages/other villages

- iii) Sanitation and public health/toilets in adopted villages/other villages
  - iv) Drinking water/Irrigation facilities (well, tube wells with hand pump, deep borewells with pumping system) in adopted villages/other villages
- f) Upliftment of the Marginalised and Underprivileged Sections of the Society
- i) Education (Free literacy programme at various centers in slum/backward areas)
  - ii) Aiding Institutions of Differently Abled/Disabled/ Handicaped persons
- g) Community Healthcare
- i) General Health camps
  - ii) Specialised Health camps
  - iii) Specialised Medical treatment (Indoor treatment)
  - iv) Health Awareness camps (HIV/AIDS, General Health etc.)
- h) Other activities
- i) Promotion of Art & Culture
  - ii) Promotion of local Sports & Games
  - iii) Awareness Programs (In-house & External).
  - iv) Projects/activities as per United Nations 8 (Eight) Millennium Development Goals (MDGs) (Annexure-IV of DPE guidelines – April,2013).

With effect from 01.04.2014 the CSR activities shall be as per Schedule–VII (notified on 27.02.2014 by Ministry of Corporate Affairs) as part of the Companies Act, 2013. MECON's CSR & Sustainability activities as arranged according to Schedule-VII is enclosed as Appendix–A.

MECON shall select one CSR project in any backward district of the country, and one project on environmental sustainability for the purpose of MoU evaluation.

The activities which are clearly mandated to be performed by the Government and/or for which Central/State Government's schemes have been sanctioned, should be refrained, as it could result in unnecessary duplication.

However, the efforts of the Government in crossing the 'last mile' may be supplemented for achieving the targets/goals, if it is accurately assessed that the resource gap and inadequate capacities are critical constraints in achieving the targets/goals of a particular government scheme/initiative/welfare project. Here also, duplication in allocation of funds must be strictly avoided.

Moreover, activities which are adhoc and philanthropic in nature shall be avoided, as it shall not be considered a valid CSR activity.

The only exception being contributions made for natural calamities/ disasters.

## **8. Selection & Need Assessment of CSR & Sustainability Projects/Activities**

All the requests/applications from Villagers/Gram Sabahs/Panchyat/ Ward Members/NGOs/Trusts/Societies/Beneficiaries etc. shall be scrutinised and screened by CSR Cell and then their need assessment would be arranged.

The need assessment/baseline survey shall be carried out through in-house expertise and recourses.

However, in case of specialized CSR & Sustainability projects/activities for which in-house capacity is not available, the baseline survey/need assessment shall be carried out by specialised agencies.

In any case, the Company shall maintain the documentary evidence of having got the need assessment study done through its own expertise and resources, or through some specialised agencies, or having accessed reliable data in this regard from recognised authoritative secondary sources.

## **9. Approval of CSR & Sustainability Projects/Activities**

All the CSR & Sustainability projects/activities shall be approved by Board Level Committee and ratified by Board of Directors. All subsequent purchase/procurement activities related to approved CSR & Sustainability Projects shall be processed as per "Board Approved Procurement and Disposal Procedure" of the company, as applicable.

## 10. Allocation of funds

### a) Till FY 2013-14

MECON shall allocate the CSR fund as per the details indicated below,

Sl. No.	PAT in the previous year	Range of Budgetary allocation (As % of PAT in previous year)
1.	Less than ₹ 100 Crores	3% - 5%
2.	₹ 100 Crores to ₹ 500 Crores	2% - 3%
3.	₹ 500 Crores and above	1% - 2%

The above table shall not be applicable, if the Company is in a loss or having a negative net worth.

### b) FY 2014-15 onwards

With effect from 01.04.2014, MECON shall spend in each financial year, at least 2.0% of the average net profits of the company made during the three immediately preceding financial years.

The above shall not be applicable if the Company does not meet the criteria as covered under sub-section (1) of Section 135 of the Companies Act, 2013 for three consecutive financial years.

- c) Any unspent/unutilized CSR fund of a particular year, shall be carried forward to the following year, i.e. the CSR budget will be non-lapsable in nature. However, the reason for not being able to spend shall be disclosed and every effort shall be made to spend the unutilised budget of any year within the next two financial years.
- d) In case the Company is unable to spend the unutilised CSR fund within the next two financial years, the unspent amount would be transferred to a 'Sustainability Fund', which shall be used for CSR & Sustainability activities.
- e) At least 80% of the CSR budget shall be earmarked for activities which shall be implemented in project mode.
- f) Upto 5% of CSR budget shall be earmarked for Emergency needs, which shall include relief work undertaken during natural calamities/disasters, and contributions towards Prime Minister's/ Chief Minister's Relief Funds and/or to the National Disaster Management Authority.

Further, on exceptional circumstances, emergency needs may be enhanced by another 5% of CSR budget subject to approval of Administrative Ministry. However, this shall not be a regular feature.

In case, the fund allotted for Emergency needs is not utilized, it shall be carried over to the following year for other CSR & Sustainability projects/activities, which if not spent within two years would be transferred to the 'Sustainability Fund'.

- g) The CSR Committee (Board Level Committee) shall recommend to the Board, the amount of expenditure, which shall be spent on the CSR & Sustainability activities.

The budgetary allocation shall be approved by the Board of Directors.

## **11. Institutional arrangement**

The Board Level Committee for CSR & Sustainability shall be headed by an Independent Director with two whole-time Directors.

The implementation and monitoring of the CSR & Sustainability activities shall be overseen by the Board Level Committee.

The day-to-day implementation shall be under the overall supervision of a senior level executive, one rank below the Board Level, who shall act as The Nodal Officer.

The Nodal Officer (Chairman, CSR & Sustainability) alongwith the CSR Co-ordination Cell and a team of officials/employees drawn from different sections covering all levels (called the Executive Committee) shall coordinate & implement the CSR & Sustainability activities.

The above group of officials/employees within the organization who shall execute the CSR activities shall be approved by the Board Level Committee.

The Board Level Committee and the Nodal Officer's team of officers/employees together will constitute the two-tier organisational structure to steer the CSR & Sustainability agenda of the company.

If required, the consultation/help of State Government/District administration may be taken wherever necessary.

## 12. Planning, implementation & monitoring

In order to fulfill the objectives, the various CSR & Sustainability activities shall be assigned to different groups, each headed by a Convenor along with supporting members. It shall also be ensured to include few local representatives as link-man/co-ordinator in the sub-committee. For, projects in villages, persons/representatives from Villages/Gram Sabhas/ Ward members shall also be engaged. This will help in achieving the target as well as participation of the local representatives in formulating the various activities to obtain maximum benefit by community.

Activities shall, as far as possible, be implemented in a project mode. For easy implementation, long-term CSR & Sustainability projects shall be broken down into medium-term and short-term plans. Each plan shall specify the CSR & Sustainability activities planned to be undertaken for each year. Accordingly, the budget shall be allocated for the implementation of these activities and achievement of targets set for each successive year, till the final completion of the project.

Projects especially the construction/civil activities and other projects which require specialised knowledge and skills shall be executed by the external specialised agencies.

Specialised agencies may include Government departments, semi-government, or non-government organisations (NGOs), autonomous organisations, professional consultancy organisations, registered Trusts/ Missions, community based organisations, self-help groups, not-for-profit organisations, local bodies such as Panchayati Raj institutions, academic institutes, etc. Engagement of external specialised agencies/NGOs shall be normally from the available panels of such agencies maintained by the Government Ministries/Departments, Planning Commission, autonomous organisations, or the National/Regional CSR Hub or as per the Standard purchase procedure/entering into a MoU.

Further, close co-ordination shall also be done with Central/State/Local Governments/NGO's to synergise the activities with their developmental programmes.

All the CSR activities shall be monitored regularly by Chairman, CSR (The Nodal Officer) and In-Charge, CSR Cell. Review discussions shall be held amongst the CSR Cell employees/committee members and suggestions for further improvements shall be discussed in details. Feedback shall be regularly obtained from local area representative/link-man/co-ordinator about benefits of various activities and/or their suggestions. The convener of the committee shall also work in close liaison with them and ensure that benefits of all the activities reaches to the total cross section of the community.



### **13. Reporting**

The Nodal Officer shall regularly submit reports regarding the progress in implementation of CSR activities and utilization of annual budget to the Board Level Committee. The Board Level Committee will in turn, periodically submit the reports to the Board of Directors for their information, consideration and necessary directions.

The periodicity of submission of reports shall be on quarterly basis.

Additionally, with effect from FY 2014–15 an Annual Report on CSR & Sustainability activities shall be included in the Board's Report as per Appendix–B as notified on 27.02.2014 by Ministry of Corporate Affairs, as part of the Companies Act,2013.

### **14. Impact Assessment**

Impact Assessment for all the completed projects upto project cost of ₹ 50.0 Lakhs would be carried out by MECON Limited, as MECON is a recognized specialised agency for all kinds of techno-economic reports including socio-economic impact studies.

In case where Project cost exceeds ₹ 50.0 Lakhs, the Impact Assessment shall be carried out by involving Appropriate Agency.

### **15. MoU Evaluation/Performance of the Company**

The Company shall submit the self-assessment reports regarding each performance indicators pertaining to CSR and Sustainability for MoU evaluation.

In addition, to the performance indicators, the performance of Company shall be also be evaluated based on the implementation of the following 2 (two) projects,

- i) One CSR project for the development of any one backward district of the country as per Annexure-II (BRGF) of DPE Guidelines,2013.
- ii) One project on Environmental Sustainability.

### **16. Documentation**

A separate paragraph/chapter shall be provided in the Annual Report of MECON on the implementation of CSR activities.

Additionally, with effect from FY 2014–15 (as notified on 27.02.2014 by

Ministry of Corporate Affairs), MECON's Policy on CSR & Sustainability alongwith a report on its CSR & Sustainability activities shall be made available in MECON's website in the format enclosed as Appendix-B.

**17. Policy documents to be referred for implementation of CSR & Sustainability projects/activities**

- a) Policy of MECON Ltd. on CSR & Sustainability.
- b) Revised Guidelines on CSR for CPSEs (April'2013), issued by Ministry of Heavy Industries & Public Enterprises, Govt. of India vide their letter reference no. no. F.No. 15(7)/2012-DPE(GM)-GL-104 dtd. 12.04.2013.
- c) Any subsequent Amendment/Revision/addendum to the above guidelines issued by Ministry of Heavy Industries & Public Enterprises, Ministry of Corporate Affairs, Ministry of Law & Justice, Govt. of India.
- d) Any subsequent guideline/circular/instruction issued by Govt. of India on CSR activities.

**18. Contingency**

Certain projects/activities which are not approved by Board Level Committee but are required to be implemented on an urgent basis in unforeseen circumstances relating to Natural calamity, can be taken up for implementation after approval from committee of two Functional Directors and CMD. The Board Level Committee and Board of Directors would be appraised about such projects/activities during their next quarterly meeting.

**19. General**

- a) The CSR & Sustainability Policy shall be recommended by the CSR Committee (Board Level Committee) to The Board of Directors for its approval.
- b) The Company reserves the right to modify, cancel, add, or amend any of the above rules/guidelines, with the approval of Board Level Committee & ratification of Board of Directors.
- c) Any or all provisions of the CSR & Sustainability policy shall be subject to revision/amendment in accordance with the guidelines on the subject as may be issued from Government of India, from time to time.
- d) In case of doubt with regard to any of the provision of the policy and also in respect of matters not covered herein, the interpretation & decision of the Board Level Committee shall be final.

## Appendix-A

### CSR & Sustainability Projects/Activities as per Schedule-VII of the Companies Act,2013 (MCA's Notification dtd. 27.02.2014) (Effective from 01.04.2014)

- a) Eradicating hunger, poverty and malnutrition, promoting preventive Healthcare and Sanitation and making available safe drinking water
- i) General Health camps
  - ii) Specialised Health camps
  - iii) Specialised Medical treatment (Indoor treatment)
  - iv) Health Awareness programs (HIV/AIDS, General Health etc.)
  - v) Sanitation and public health/toilets in rural areas/backward areas
  - vi) Drinking water facilities (wells, tube wells with hand pump/solar pump) in rural areas/backward areas
  - vii) Infrastructure development (for hospitals/health centres) in rural areas/backward areas.
- b) Promoting Education, including Special Education and Employment enhancing Vocational skills especially among Children, Women, Elderly, and the Differently Abled and Livelihood Enhancement projects
- i) Education (Free literacy programme at various centers in slum/backward areas)
  - ii) Women empowerment/Livelihood generation centre (Stitching & Embroidery training centers for women)
  - iii) Skill development/vocational training (For Men & Women)
  - iv) Aiding Institutions of Differently Abled/Disabled/ Handicaped persons
  - v) Infrastructure development (for schools/colleges/training centres) in rural areas/backward areas and for institutions of physically challenged boys/girls/persons.

- c) 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
  - i) Infrastructure development (for women/orphans) in rural areas/backward areas.
  - ii) Infrastructure development (old age homes/day care centres/facilities for senior citizen & socially and economically backward groups) in rural areas/backward areas.
- d) Ensuring Environmental sustainability, Ecological balance, Protection of Flora and Fauna, Animal welfare, Agro Forestry, Conservation of Natural Resources and Maintaining quality of soil, air and water
  - i) Afforestation/Social Forestry
  - ii) Rain water harvesting system
  - iii) Solar lighting system/LED based lighting system/Renewable energy system
  - iv) Other Energy conservation measures
- e) 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
  - i) Promotion of Art and Culture
  - ii) Promotion and development of traditional arts and handicrafts
- f) Measures for the benefit of armed forces veterans, war widows and their dependents
- g) Training to promote Rural sports, Nationally recognised sports, paralympic sports and Olympic sports
  - i) Promotion of Local/Rural Sports and games
  - ii) Promotion of Nationally recognized sports
- h) Contribution to the Prime Minister's National Relief Fund or any other 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.

- i) Contributions or funds provided to Technology incubators located within academic institutions which are approved by the Central Government
- j) Rural development projects
  - i) Village/rural based programmes (Promotion of local culture & sports, Training on lac cultivation, honey bee keeping, vermin-composte preparation, sericulture, cultivation, horticulture, floriculture etc.)
  - ii) Infrastructure development (such as schools/colleges/ hostels/community centres/ health centres/akhras (meeting place)/ roads/culverts etc.) in adopted villages/other villages
  - iii) Sanitation and public health/toilets in adopted villages/other villages
  - iv) Drinking water/Irrigation facilities (well, tube wells with hand pump, deep borewells with pumping system) in adopted villages/other villages
- k) Other activities
  - i) Awareness Programs (In-house & External).
  - ii) Projects/activities as per United Nations 8 (Eight) Millennium Development Goals (MDGs) (Annexure-IV of DPE guidelines – April,2013).

## Appendix-B

### **FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT**

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 the last three financial years.
4. Prescribed CSR Expenditure (two percent of the amount as in Item no. 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)
Sl. 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 <b>Sub-heads :</b> 1. Direct expenditure on projects or programs 2. Overheads	Cumulative expenditure upto the reporting period	Amount spent : Direct or through implementing agency *
1.							
2.							
3.							
	<b>TOTAL</b>						

\* 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)
--	-------------------------------------	---