



NORTH EAST TRANSMISSION COMPANY LIMITED

CORPORATE SOCIAL RESPONSIBILITY POLICY

of

North East Transmission Company Limited

(Under Section 135 of the Companies Act, 2013)

As approved by the Board at its 38th meeting held on 14th September, 2015

1.0 SHORT TITLE AND COMMENCEMENT:

This policy may be called "North East Transmission Company Limited Corporate Social Responsibility Policy and shall have retrospective effect from 1st April, 2014.

2.0 DEFINITION:

2.01 "Corporate Social Responsibility (CSR)" means and includes but is not limited to:-

- (i) Projects or programmes relating to activities specified in Schedule VII to the Companies Act, 2013 ("the Act"); or
- (ii) Projects or programs relating to activities undertaken by the board of directors of the company ("the Board") in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the Company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.

2.02 "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act.

2.03 "CSR Policy" relates to the activities to be undertaken by company under the present document pursuant to activities as specified in Schedule VII to the Companies Act 2013, excluding activities undertaken in the normal course of business of the Company.

2.04. " Net profit" means the net profit of the Company as calculated under the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("the Rules") as amended from time to time.

Words and expressions used and not defined in this policy and Rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

3.0 PREAMBLE

NETC believes in integrating its business value and operation to meet the expectations of its stakeholders, which inter alia includes the residents from those villages over which the transmission line passes through and due to which who had to relocate their normal activities.

Transmission line projects are environmentally clean and do not involve any disposable waste, effluents and any other polluting or hazardous substance in the environment whether land, air or water.

Nevertheless, the transmission line projects have some locational impact on the villagers whose lands are affected for construction of transmission towers and on the natural resources like crops and trees wherever the transmission line passes through the agricultural land and forest area. Thus the main focus of the CSR policy would involve undertaking the activities that benefit the persons/villages, generally impacted by the activities of NETC, as well as the activities that will help to reverse any adverse impact on the environment and ecology, if any.

The Companies Act, 2013 was notified in September 2013 and section 135 of the Act which deals with the CSR, has been made effective with effect from 1st day April 2014.

4.0 GENERAL POLICY FOR CORPORATE SOCIAL RESPONSIBILITY

NETC is committed to ensuring the social wellbeing of the communities in the vicinity of its business activities through Corporate Social Responsibility initiatives.

NETC shall engage with the community by undertaking the following principles, for undertaking appropriate activities:

- Pre-activity consultation with the community and other key stakeholders for understanding their needs and suitably designing activities in the domain of "social wellbeing of the community". Wherever possible, the local authorities and specialised agencies will also be consulted and involved.
- The company take into account its commitment to its stakeholders while selecting CSR activities which qualify as CSR activities under the Act.
- CSR activities undertaken within the specified zone of the NETC's Project will qualify towards CSR expenditure.

- **The company will undertake the following activities:**
 - (i) eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swachh 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 recognised sports, Paralympic sports and Olympic sports;
 - (viii) 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;
 - (ix) contributions 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. Explanation- For the purpose of this item, the term 'slum area' shall mean any area declared as such by the Central government or any State Government, or any other competent authority under any law for the time being in force.

5. ACTIVITIES NOT TO BE CONSIDERED AS CSR ACTIVITIES

- 5.01. Activities undertaken pursuant to normal course of business of the company;
- 5.02. Activities that benefit only the employees of the company and their families;
- 5.03. One-off events such as marathons/ awards/ charitable contribution/ advertisement/sponsorships of TV programmes etc. would not be qualified as part of CSR expenditure.
- 5.04. Expenses incurred by companies for the fulfilment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure under the Act.
- 5.05. Any activity not approved by the Board or competent authority as decided by the Board.

6.0 ADMINISTRATIVE SET-UP

6.01 Role of Board of Directors

- 1. The Board shall constitute a CSR Committee consisting of three or more Directors out of which at least one Director should be an Independent Director.
- 2. Approve the CSR Policy for the company;
- 3. Ensure that the CSR policy is implemented;
- 4. Ensure that the company expends annually at least 2% of the average net profit (calculated under section 198 of the Act) made during the three immediately preceding financial years;

6.02 Role of CSR Committee

- 1. Formulate and recommend to the Board the CSR Policy
- 2. Recommend the project/programme/activities to be undertaken under the CSR as specified in Schedule VII of the Act;
- 3. The CSR Committee may get a need assessment done for CSR project /program/ activity through survey/study by in-house expert or by an external agency. On identifying the requirement of the community, a project will be got prepared indicating the need for community development program/project/activity, time

frame for implementation, action plan, budget requirement, etc. and expected outcomes of the proposed program/project/activity and recommend to the Board for approval . Long term project may be broken into medium and short term plans.

4. Recommend to the Board of the company the amount of expenditure to be incurred on the CSR as per the provision of the Act.
5. Quarterly review of the implementation of the CSR activities.
6. Institute with the approval of the Board, **a transparent monitoring system for the CSR Policy.**

6.03 Internal Administrative Set-up

1. The **Corporate CSR Team** constituted by the Board on recommendation of CSR Committee will be responsible for effective implementation of CSR Policy and servicing the Board through the CSR Committee in all matters relating to the CSR Policy of the company.
3. The **CSR Rules** of the company should incorporate detailed duties and responsibility of the Corporate CSR Team for effective implementation from concept to commissioning of the CSR Policy.

7.0 MODE OF EXECUTION OF CSR ACTIVITIES

7.01 The CSR activities shall be undertaken by the company as projects or programs or activities basis as may be decided by the Board of the company. Preference will be given to the project mode.

7.02. The Board may also decide to undertake the CSR activities approved by the CSR committee, through a registered trust or a registered society or a company established by NETC 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 NETC or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar programs or projects or activity;

the CSR Committee or the competent authority of 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.

- 7.03. The company may also collaborate with other companies for undertaking projects or programs or activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs.
- 7.05. The Board 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 5% of total CSR expenditure of the company in one financial year.
- 7.06. The **Corporate CSR Team**, in consultation with Managing Director, C.F.O. and Company Secretary of the Company, will prepare annual plan of CSR activities and the budget for the next financial year and put the same before the Board by December for approval. The proposal should reach CSR Committee by end of November each year for the activities proposed to be taken up in the next financial year.
- 7.07. The CSR Committee shall review and vet the annual plan and the budget and thereafter place the proposal for final approval of the Board of the company.
- 7.08. The CSR Activities shall also be a part of Key Result Area (KRA) of the executives directly executing CSR projects.

8.0 MONITORING:

- 8.01 A **transparent monitoring mechanism** for implementation of the CSR project/ programme/ activities undertaken by the Company may be put in place.
- 8.02 The effectiveness of CSR activities will be evaluated by the CSR Committee with assistance from external agencies, if required, for getting required feedback and inputs to formulate and improve the CSR activities in future.
- 8.03 The Board may review quarterly the progress in implementation of CSR Policy and activities.
- 8.04 Impact assessment must be done for each project undertaken under CSR. For project costing more than Rs. 1 crore the impact assessment may be undertaken through external agencies. The project below Rs. 1 crore the impact assessment shall be carried out as per the Rules framed by the CSR Committee.
- 8.05 Not less than 1/3rd of the projects below Rs. 25 lacs and all project of Rs. 25 lac or more shall be audited by the Internal Auditor annually.

9.0 REPORTING:

9.01 Role of the Board

1. The Board's Report of the company pertaining to the financial year commencing on or after 1st day of April, 2014 shall include an annual report on CSR containing particulars as per the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014.
2. The Board shall disclose the contents of the CSR Policy in its Report and place the same on the website of the company as per the annexure of the Companies (Corporate Social Responsibility Policy) Rules, 2014.
3. If the company fails to spend the specified amount for CSR activities, the Board shall provide the reasons for not spending the amount in the Board Report.

9.02 Role of the CSR Committee

1. The CSR Committee will periodically submit reports on implementation of CSR Policy to the Board of the company.
2. The CSR Committee will issue a **responsibility statement**, as prescribed in the annexure of the Companies (Corporate Social Responsibility Policy) Rules, 2014, signed by Chief Executive Officer or Managing Director or Director and the chairman of the CSR Committee.

9.03 Role of the Corporate CSR Team

1. The Corporate CSR Team under the supervision of Managing Director shall be responsible for all matters pertaining to implementation of CSR Policy and shall ensure that the documentation of all the CSR activities are meticulously maintained at corporate office of the company for audit and reporting.
2. The CSR Team will compile the various report, etc. under the CSR Policy including need assessment, project formulation & execution, impact assessment and submit the same to the CSR Committee.

10.0 ALLOCATION OF FUNDS:

- 10.01 The Board of the Company shall ensure that the Company spends, in every financial year at least two per cent of the average net profits of the Company (as calculated under section 198 of the Act) made during the three immediately preceding financial years, for CSR.

- 10.02 Allocation of funds will be based on the proposals submitted and the overall availability of funds.
- 10.03 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 budget.
- 10.04 Expenditure on building CSR capacity of the personnel of the company as well as implementing agencies through institutions of established track record of at least three financial years shall be considered as valid CSR expenditure. However, such expenditure shall not exceed 5% of the total CSR expenditure in one financial year.
- 10.05 Surplus, if any arising out of the CSR projects or programmes of activities shall not form part of the business profit of the Company.
- 10.06 The project/programme/activity sanctioned during previous year under CSR shall continue and appropriate fund shall be provided to them till their completion.
- 10.07 Unspent CSR budget of any year, if any, along with any surplus arising out of any CSR activity undertaken will be carried forward and shall be available for spending on CSR activities along with the budget for the succeeding year.
- 10.08 The delegation of financial power to approve CSR activities shall be notified separately from time to time after approval of the Board of Directors.

11.0 GENERAL

- 11.01 The CSR Policy shall stand modified by the provisions of the Act and rules made thereunder as amended from time to time and government guidelines as and when there are in place and made enforceable.
- 11.02 This Policy will serve as a referral document for planning and selection of CSR activities, though, whenever in doubt, cross reference of the Act and the rules made thereunder is advised to avoid any inconsistency with the latter.
- 11.03 The power to modify / amend the CSR Policy will rest with the Board of Directors.
- 11.04 The Managing Director will be responsible for framing the CSR Rules in accordance with and in furtherance of the CSR Policy as approved and as amended by the Board of Directors from time to time and also for the overall implementation of the CSR Policy, in the company.