

## **CSR AND SUSTAINABILITY POLICY**

### **Philosophy**

National Projects Construction Corporation (NPCC) is a premier state-owned enterprise that came into existence in 1957. It falls under the administrative control of Indian Ministry of Water Resources. NPCC has been successfully executing a wide range of engineering projects in remote and high-risk areas, thereby, selflessly dedicating itself to the cause of socio-economic and infrastructure development. It is also committed to continuously upgrade its CSR interventions for the betterment of communities in and around our project sites.

NPCC shall lay balanced emphasis on all aspects of CSR and Sustainability with regard to its internal operations, and its response to externalities.

NPCC's approach to CSR and Sustainability is that of leveraging its core competencies and technical capabilities in enhancing social and environmental value creation thereby adopting the "shared value" approach, wherever possible, in their routine business operations.

### **Vision**

To contribute to inclusive growth and equitable development in our areas of operations by partnering with internal and external stakeholders and leveraging CSR for business value creation

### **Scope and applicability**

This policy shall be applicable to all project sites and employees of NPCC.

### **Planning and selection of projects**

Annual CSR plan shall:

- Specify CSR and Sustainability projects planned to be undertaken in a year
- Define responsibilities of the designated authorities to be engaged in this task
- Prescribe measurable and expected outcome and impact of the projects

Local area definition: CSR and Sustainability projects will be located at NPCC's project sites. Local area at each project site is defined as the communities directly impacted by the project. Area in terms of square kilometers will be defined in the design of the project since impacts on communities will vary with project characteristics.

The company may decide to undertake CSR and Sustainability projects in any backward area of the country other than NPCC's project sites. The annual CSR budget for these projects will not exceed 20% of the annual CSR budget. The ratio of CSR budget for project sites to non-project sites will be maintained at 80:20.

NPCC will prioritise activities pertaining to:

### **CSR**

- (i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and 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.
- (iv) Measures for reducing inequalities faced by socially and economically backward groups; 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;

(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, Paralympics 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 Caste, 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."

### **Environment sustainability**

It includes projects for water, waste or energy management, promotion of renewable sources of energy, biodiversity conservation, etc. Projects for reduction, re-use and recycle of waste materials, rain-water harvesting and replenishing the ground water supply, protection, conservation and restoration of eco-system, reduction of carbon emissions, greening the supply chain, and innovation in products and services.

Before taking any final decision on the selection of any CSR and Sustainability project, NPCC would get a study done to assess the needs of the intended beneficiaries for a realistic assessment of the resource inputs required for the expected level of social / economic / environmental impact through the implementation of the activity / project.

### **CSR budget**

The annual CSR budget will be at least 2% of the average net profits of the Company made during the three immediately preceding financial years. This is in accordance with the provisions of Section 135 of Companies Act 2013. For this purpose, the net profit and average net profit shall be calculated in accordance with Section 198 of the Act read with the CSR (Corporate Social Responsibility Policy) Rules, 2014.

The budget allocated for CSR and Sustainability activities / projects planned for each financial year is expected to be spent within that year. If due to some reason, the budget of a year remains unutilised, the same would be carried forward to the next year.

*NPCC shall disclose reasons for not being able to spend the entire budget on CSR and Sustainability activities as planned for that year, and shall make every endeavour to spend the unutilised budget of any year within the next two financial years. In case NPCC is unable to spend the unutilised budget within the next two financial years, the unspent amount would be transferred to a 'Sustainability Fund' to be created separately for CSR and Sustainability activities.*

The surplus arising out of CSR activities will not be treated as a part of business profits of the company.

### **Implementation**

CSR and Sustainability projects shall be implemented in a project mode as far as possible, which involves listing the stages of execution in advance through planned processes, with mobilisation of pre-estimated quantum of resources, and within the allocated budgets and prescribed timelines. Clear responsibility and accountability would be assigned to the designated officials / agencies entrusted with the task of implementation.

NPCC may seek the services of external agencies for implementation of those CSR and Sustainability projects which require specialised skills not available with the company. However, in activities where company possesses core competence, NPCC may take up implementation of that CSR activity.

These implementing agencies should have a good track record, three years of experience, should be registered as a society, trust or a Section 8 company, and should produce annual reports, last three years audited accounts statements and other financial documents.

NPCC may join hands with other CPSEs and pool its resources for undertaking joint venture projects that have scalability and greater social impact.

Company 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. Such expenditure shall be capped at five percent of total CSR expenditure of the company in one financial year.

### **Monitoring**

NPCC shall have a Board-level committee called CSR & Sustainability Committee headed by either the CMD, or an Independent Director. The Committee shall monitor implementation of CSR and Sustainability Policy.

A Nodal Officer, supported by other officers, will be responsible for the implementation of CSR and Sustainability policy.

The CSR & Sustainability Committee will convene quarterly to review projects in the annual CSR plan in terms of progress, financial monitoring, and outcome assessment. The Committee will review the strategy from time to time and may choose new focus areas and projects and when required. Monitoring of specific projects will be decided by the nature of the project, and the monitoring process and periodicity will be outlined in the project plan

The CSR & Sustainability Committee may direct its Nodal Officer or an external agency to carry out baseline studies, need assessments, project visits, or impact studies, or any other, if and as required especially for the strategic and high value CSR programmes.

### **Reporting and disclosure**

Annual report on CSR activities to be included in the Board's report as per the format mentioned in section 135 of company's Act, 2013, CSR Rules and same shall be displayed in the company's website, in the prescribed format.

In order to ensure transparency and communication with all stakeholders, the CSR & Sustainability Policy will be uploaded on the Company website.

## **Guidelines: Supplementary to the CSR and Sustainability Policy of NPCC**

CSR and Sustainability Policy shall adhere to provisions contained in execution of MOU with Govt. of India and Govt. guidelines, issued in this regard, while keeping in mind the global standards, the UN Global Compact and the UN Millennium Development Goals. Mandatory compliance with legal requirements / rules / regulations / laws in such activities will be covered in letter and in spirit.

### **Introduction**

Corporate Social Responsibility (CSR) is the process by which managers of an organization think about and evolve their relationships with stakeholders for the common good, and demonstrate their commitment in this regard by adoption of appropriate business processes and strategies. CSR and Sustainability is a company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical. Stakeholders include employees, investors, shareholders, customers, business partners, clients, civil society groups, Government and non-government organisations, local communities, environment and society at large. CSR and Sustainability is essentially a way of conducting business responsibly and improving quality of life by ensuring people's participation in all CSR endeavors.

### **Strategy**

- a) The data / information collected through this study before the commencement of the project proves useful in impact assessment after the completion of the project. Baseline surveys are generally useful scientific tools.
- b) Infrastructural development for the benefit of the marginalised and under privileged sections of the local communities and backward regions so that avenues are created for their employment and income generation. 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
- c) NPCC will select one such backward district for initiating CSR and Sustainability projects with a prior assessment of the expected level of beneficial impact on the largest number of stakeholders from the budget and other resources at its disposal for such a project.
- d) NPCC may take up long gestation, high impact projects from the budget allocated for CSR and Sustainability activities, calculate the estimated total cost of each such project and commit that amount for long term expenditure till the completion of the project. However, such long term projects would be broken down into annual targets and activities to be implemented sequentially on a yearly basis, and the budget would be allocated for the implementation of these activities and achievement of targets would be set for each successive year, till the final completion of the project.
- e) NPCC shall select one project in each of the two categories of CSR and Sustainability activities mentioned above. Besides NPCC shall take up other projects / activities also to fully utilize their annual budget for CSR and Sustainability.
- f) NPCC will devise a consultative mechanism to get feedback on the expectations of key stakeholders. Central / State Government and/or District / local administration, Gram Sabhas and Panchayati Raj institutions at the village level would be consulted, as far as possible, in planning for CSR and Sustainable projects.
- g) Reputed and recognised, not-for-profit institutions which have the expertise and professional competence for conducting training, skill development and other capacity building activities that promote sustainable development and help in realisation of UN Millennium Development Goals can be supported by NPCC through CSR and Sustainability initiatives.

## **Expenditure**

- a) At least 80% of the annual budget earmarked for CSR and Sustainability activities shall be spent on implementation of activities in the project mode. The activities not implemented in project mode will be in conformity with the Govt. guidelines. CSR budget may also include expenditure on on-going CSR/developmental activities i.e., hospitals, schools etc. which may be calculated for non-NPCC residents on pro rata basis.
- b) Up to 5% of the annual budget for CSR and Sustainability activities would be earmarked for Emergency needs, which would 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. Such contributions would count as valid CSR and Sustainability activities. In case this amount is not utilised in the year of its allocation, it would be carried forward to the next year for utilization in CSR and Sustainability projects, which if not spent within two years would be transferred to the Sustainability Fund.
- c) 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 and Sustainability agenda of NPCC, would be accounted for as CSR and Sustainability expenditure from the budget allocated for this purpose.
- d) The payments to the not for profit organizations, shall be made on mutually agreed payment terms.

## **Target Group**

Generally, the employees of NPCC would not be the direct beneficiaries of the activities undertaken with the budget allocated for CSR and Sustainability initiatives in any given year. However, an exception can be made in case of schools, hospitals, training institutes and other such infrastructure which are created primarily for environment protection and/or for the benefit of underprivileged communities, deprived sections and the society at large, but the facilities of which are availed by the employees and their families also, provided that the latter category does not constitute more than 25% of the total number of beneficiaries of such facilities. The capital cost involved in the creation of such facilities and the annual cost incurred on the maintenance of such infrastructure can be borne from the CSR and Sustainability budget of NPCC.

## **CSR Agenda**

- a) NPCC will have:
  - i) A CSR agenda which is internal to the organization. It is NPCC's mandate to conduct business in a socially responsible way by maintaining high level of organisational integrity and ethical behaviour; conforming to the expected standards of transparency; adopting commercial operations and management practices that promote social and environmental sustainability; and, retaining the trust and confidence of the investors and shareholders by matching its financial performance with equally commendable achievements in non-financial parameters.
  - ii) A CSR policy which addresses externalities.
  - iii) Both are important and complementary to each other.
- b) The active involvement of the top management together with the collective and united effort of all the employees, will make CSR and Sustainability policy a success. The employees will be provided with necessary education and training.

## **Monitoring**

- a) Monitoring goes concurrently with implementation as it helps to assess whether the progress is on expected lines in terms of timelines, budgetary expenditure and achievement of physical targets.
- b) In impact assessment studies, monitoring may be done by an external agency and the staff of NPCC may be associated with it. In any case, evaluation shall be assigned to an independent external agency for the sake of objectivity and transparency.

## **Stakeholder Engagement**

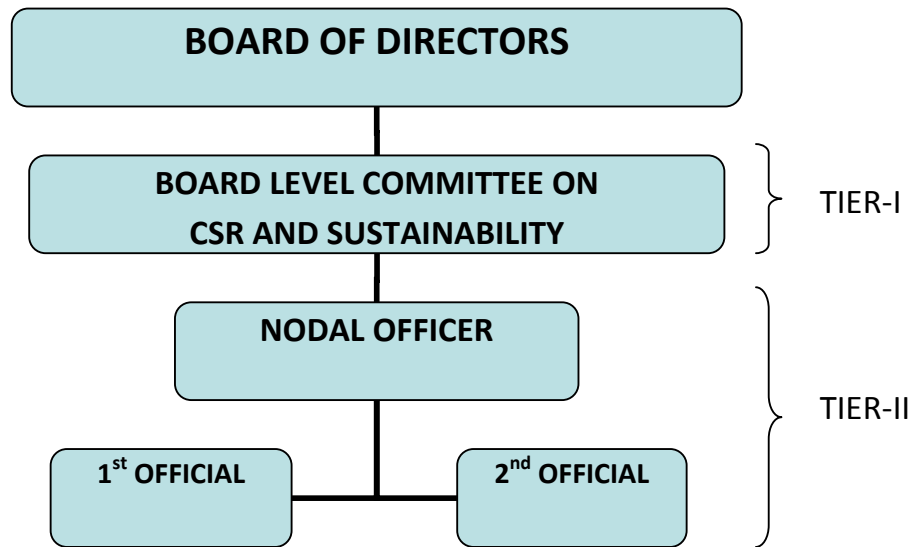
CSR and Sustainability policy of NPCC will also address the concerns of the external stakeholders – those who are directly impacted economically, socially, or environmentally by the operations and activities of the company, and those who may not be directly impacted, like communities and society at large.

## **Documentation**

- a) Documentary and other record of the progress made or success achieved in implementing these projects / activities would be meticulously maintained for the purpose of audit, and for Sustainability reporting and disclosure to all stakeholders.
- b) Baseline survey data, beneficiary details, action plan, payment procedure, fund utilization certificates, project completion certificates, impact assessment report will be maintained for audits and other requirements of future.

## **Organisation Setup for CSR**

- a) The composition of the committee would be decided by the BOD of the company, but it shall mandatorily have at least one Independent Director as a member of this Committee.
- b) In case the Board level committee on CSR and Sustainability is neither headed by CMD, nor by an Independent Director, and in case an Independent Director is not a member of this committee, NPCC would still allocate budget for CSR and Sustainability activities every year, depending upon the profitability criteria. However, in such cases the entire amount allocated for CSR and Sustainability activities would be transferred to 'Sustainability Fund'.
- c) NPCC would appoint a Senior officer, to function as the Nodal Officer. The designated Nodal Officer with his team of officials will regularly submit reports regarding the progress in the implementation of CSR and Sustainability activities to the committee headed by CMD/ Independent Director who in turn, will periodically submit the reports to the BOD for their information, deliberation and necessary directions.
- d) The Board level committee headed by CMD/ Independent Director and the below Board level team headed by the Nodal Officer together constitutes the two-tier organisational structure within the organisation to steer the CSR and Sustainability agenda of the company as depicted below:



### Reporting

Contents of the CSR Policy would be disclosed in Board's report. The Board's report in the prescribed format will include the following:

- a) A brief outline of the CSR policy, including overview of projects proposed to be undertaken and a reference to the web link to the CSR Policy and projects.
- b) Composition of the CSR Committee
- c) Average net profit for last three FYs
- d) Prescribed CSR Expenditure
- e) Details of CSR spent during the financial year in the prescribed format
- f) In case the company fails to spend the 2% of average net profit of the last three FYs or any part thereof, Board Report shall disclose reasons for the same.
- g) 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.
- h) The report would be signed by:
  - Chief Executive Officer or Managing Director or Director or;
  - Chairman of the CSR Committee

### IMPACT ASSESSMENT:

- a) Impact assessment has a wider implication than mere outputs or outcome, which are generally associated with accomplishment of set targets and goals at various stages of progress in implementation. Whereas, impact is the cumulative effect of outcome(s) of the development process – affecting society, economy and environment.
- b) The ultimate test of success of any CSR and Sustainability activity / project is its social, economic or environmental impact. The impact of the completed activity / project would be measured to determine the degree of its success or failure.

- c) At the time of impact assessment, a well-documented baseline survey or need assessment study would be done for comparison of data.
- d) NPCC may carry out impact assessment study through specialised agencies as this requires specialised skills.
- e) NPCC would endeavour to take up larger projects, even if fewer in number, for greater social, economic or environmental impact, and get impact assessment studies done after their completion and necessary minimum gestation period.

### **Selection of Executing Agencies**

While engaging or partnering with external agencies, care would be exercised in selecting only such specialised agencies which have the necessary capabilities and expertise to implement CSR and Sustainability projects.

The top management of NPCC is deeply involved and genuinely concerned in carrying forward the agenda of CSR and Sustainability. Hence, care will be taken to sensitize the employees. The philosophy and spirit of CSR and sustainability is being imbibed by the employees at all levels, which will reflect in all the activities, processes, operations and transactions of the enterprise.