

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY POLICY OF PDIL

1. Preamble

- 1.1. Corporate Social Responsibility is a Company's commitment to operate in an economically, socially & environmentally sustainable manner which enables the creation and distribution of wealth for the betterment of its stakeholders. This commitment is beyond the statutory requirements. Corporate Social Responsibility is closely linked with the practice of Sustainability which extends beyond philanthropic activities and reaches out to the integration of social and business goals.

Stakeholders include employees, investors, shareholders, customers, business partners, clients, civil society groups, Government and non-government organisations, local communities, environment and society at large. The CSR and Sustainability agenda is perceived to be equally applicable to internal stakeholders (particularly, the employees of a company), and a company's corporate social responsibility is expected to cover even its routine business operations and activities. Accordingly, the company believes in formulation of policies with a balanced emphasis on all aspects of CSR and Sustainability – equally with regard to their internal operations, activities and processes, as well as in their response to externalities.

In the CSR & Sustainability activities emphasis is likely to be placed on the scalability of some of the project, in terms of their size to ensure its viability, visibility and noticeable impact.

Company will strive to embed the philosophy and spirit of corporate social responsibility and sustainability in the core values of the employees at all levels so that it permeate into all the activities, processes, operations and transactions. The personal involvement, drive, passion and zeal of the top management is taken to spread the message of CSR and Sustainability within the organisation and to ensure the committed involvement of all employees in carrying forward the agenda of CSR and Sustainability.

- 1.2 The company will primarily carry out CSR activities as per Section 135 of the Company's Act 2013, which is as under:

Every company having:

- net worth of rupees five hundred crore or more,
- turnover of rupees one thousand crore or more
- a net profit of rupees five crore or more

during any of the three preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. (An unlisted public or a private company is not required appoint an independent director)

2. Planning

- 2.1. Locating the CSR and Sustainability projects near its commercial / production units provides an opportunity to the companies to connect with the people, environment and other stakeholders closely impacted by its commercial operations. Besides, it makes it easier for the company to mobilize resources required for the execution of CSR and Sustainability projects. Moreover, it offers the advantage of exercising regular oversight from close quarters over the progress in the implementation of planned activities.
- 2.2. PDIL may take up a CSR project outside local area say for development of a backward district etc. which has the potential of contributing significantly in the long run to socio-economic growth of the country. This expenditure can be maximum **15%** of the allocated CSR budget for that year.
- 2.3. CSR & Sustainability action plan (Long term, medium term and short term) may be made to ensure that the benefit reaches the actual beneficiaries. PDIL, through its CSR & sustainability initiatives, will continue to enhance value creation in the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote socio-economic growth for the society and community, in fulfillment of its role as a *Socially Responsible Corporate*, with environmental concern.

3. Areas of activities

- 3.1 The CSR activity will be taken up as per schedule VII of the companies Act.
 - (i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to Swach Bharat Kosh set-up by Central Govt. 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 centers 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, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to Clean Ganga Fund set-up by the Central Govt. 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 purposes 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.”

All CSR projects or programs or (any other amendments, guidelines and clarification issued by Govt., from time to time in respect to Schedule vii)

The Above list is illustrative not exhaustive. All activities under the CSR activities should be environment friendly and socially acceptable to the local people and Society.

Note:

1. CSR activities should be undertaken by the companies in project/programme mode. One off events such as marathons/ awards/ charitable contribution/ advertisements/ sponsorship of TV programs etc. would not qualify as part of CSR expenditure.
2. The CSR projects or programs or activities undertaken in India only shall amount to CSR expenditure.

4. Training

- 4.1 Those involved with the undertaking of CSR & Sustainability activities shall be provided with adequate training and re-orientation. 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 a company, would be accounted for as CSR and Sustainability expenditure from the budget allocated for this purpose.

When the capacity building is done through institutions, then it has to be ensured that they have established track record of at least three financial years. However the expenditure incurred on baseline survey, capacity building and impact assessment should be within the overall limit of 5% of administrative overheads of CSR spend.

5. IMPLEMENTATION PROCESS OF CSR & SUSTAINABILITY PROGRAMMES:

5.1 Identification of programmes at corporate level and Unit (Noida/ Vadodra) will be done by means of the following:

- Need identification Studies by professional institutions/agencies/inhouse expertise
- Internal need assessment by cross-functional team at the local level
- Receipt of proposals/requests from District Administration/local Govt. etc.
- Discussions and request with local representatives/Civic bodies/Citizen's forums/ Voluntary Agencies/NGOs.

5.2 For implementation of CSR & Sustainability Programme,

The CSR committee will constitute of total five members. The Chairman and Managing Director will head the committee, Director (Finance), one Govt. Director and two independent directors will act as the member of the committee. The committee will oversee the implementation of the CSR and sustainability policies of the company and to assist the Board of Directors to formulate suitable policies and strategies to take the CSR and sustainability agenda of the company forward in the desired direction. All the CSR projects and amount of expenditure will be approved by the Board of directors in pursuance of recommendations of the CSR committee of the Board as per declared policy. The CSR committee will monitor the Corporate Social Responsibility Policy of the company from time to time.

To facilitate co-ordination of CSR and Sustainability initiatives within the organisation, to report on their separate endeavors, to issue policy directives on the subject, and to devise an appropriate corporate communication strategy in this regard a senior officer not less than one rank lower to the Board level will function as the nodal officer. The designated nodal officer will have a team of officials to assist him / her in co-ordination work, which will in no way detract from the importance of CSR and Sustainability work. **The composition of the team of officials constituted to assist the nodal officer will be decided by the Board of Directors or Board level committee.** The designated nodal officer will regularly submit reports regarding the progress in the implementation of CSR and Sustainability activities to the Board level committee.

The Board level committee and the designated nodal officer's team of officers together will constitute the two-tier organisational structure to steer the CSR & Sustainability agenda of the company.

Committee at Noida/ Vadodra shall be constituted under the chairmanship of respective Unit heads, which will send its recommendations (w.r.t. any CSR & sustainability activity to be taken in that area) to the committee headed by Nodal officer at Noida. The Committee functioning under the Nodal officer of E8 grade at Noida will also look into CSR & sustainability programme for locations at Noida /NCR and areas near to the outlying inspection offices. HOD (CSR) will be the member in this team and will also act as a coordinator. Further, HOD (CSR) will assist Nodal officer & shall take care of the activities pertaining to CSR & Sustainability activities at corporate level. This committee shall forward the specific CSR & Sustainability

proposal received at their end along with its recommendation to the Board level committee for their approval. The Designated Nodal Officer will regularly submit reports regarding the progress in the implementation of CSR & Sustainability activities to the Board Level Committee.

5.3 Project based approach:

Activities which are selected under CSR and Sustainability agenda for external stakeholders should, as far as possible, be implemented in a project mode, which entails charting the stages of execution in advance through planned processes, with mobilization of pre-estimated quantum of resources, and within the allocated budgets and prescribed timelines. It also involves assigning clear responsibility and accountability of the designated officials / agencies who are entrusted with the task of implementation. In exceptional cases, where CSR and Sustainability activities are not implemented in a project mode, the reasons for doing so should be recorded in writing.

PDIL will follow a project based accountability approach to stress on the long term sustainability of CSR projects, where its action plan will be distinguished as '*Short-term*', '*Middle-Term & Long Term*'; qualified as

Short Term – 6 months to 1 year.

Medium Term – 1 year to 2 years.

Long Term – 2 year and above – '*Flagship Programmes*'.

5.4 While identifying long term programmes, all efforts must be made to the extent possible to define the following:

- a. Programme objectives.
- b. Baseline survey/need assessment – It would give the basis on which the outcome of the programme would be measured.
- c. Implementation schedules- Timelines for milestones of the programme will need to be prescribed.
- d. Responsibilities and authorities
- e. Major results expected and measurable outcome.

However the expenditure incurred on baseline survey, need assessment and post implementation impact assessment should be within the overall limit of 5% of administrative overheads of CSR spend.

5.5 At times, implementation of CSR and Sustainability projects requires specialised knowledge and skills. In case of non-availability of in-house expertise and dedicated staff to carry out this task, PDIL may seek the services of external specialised agencies for the implementation of such CSR & Sustainability projects.

5.6 However, where the planned CSR & Sustainability activity is closely aligned with the business strategy and the company possesses core competence to do it, PDIL may take up the implementation of CSR & Sustainability activities with its manpower and resources where it is confident of its organisational capability to execute such projects. In such a case effort would be made that monitoring is done by an external agency in association with an officer of the company. Evaluation may be assigned to

an independent external agency for the sake of objectivity and transparency. Impact assessment is mandatory for mega projects, the threshold value of which can be determined by the board of CPSE. A CSR project having a budgetary outlay of Rs. 20 lakhs and more will be treated as mega project.

5.7 Executing agency/Partners:

- (a) Group CSR projects or joint CSR projects permitted** Companies belonging to the same group can set up a registered trust or a registered society or a company established under section 8 of the Act, to undertake CSR activities. Companies can also join hands with other companies to undertake CSR projects jointly, in such a manner that such companies can report separately on such projects.
- (b)** While engaging or partnering with external agencies, care should be exercised in selecting only such specialised agencies which have the necessary capabilities and expertise to implement the CSR projects. The credentials of reliability, integrity and professional competence of such agencies should also be verified. 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 is the discretion of the Company.

5.8 Criterion for identifying Executing agency:

While identifying programmes the respective offices/units will also identify the external agency who would execute the said programme. In case of programme execution by NGOs/Voluntary organizations the following criteria need to be examined:

- The NGO / Agency has a registered office / address in India;
- The NGO is a registered society under Societies' Registration Act;
- Possession of a valid Income-tax Exemption Certificate though not mandatory but will be treated as an added advantage.
- The antecedents of the NGO / Agency are verifiable /subject to confirmation.

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.

The Board of a company may decide to undertake its CSR activities approved by the CSR committee, through

- (a) a company established under section 8 of the Act or a registered trust or a registered society, established by the company, either singly or along with any other company, or
- (b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government or any entity established under an Act of Parliament or a State legislature:

Provided that-if, the Board of a company decides to undertake its CSR activities through a company established under section 8 of the Act or a registered trust or a registered society. Other than those specified in this sub-rule, such company or trust or society shall have an established track record of three years in undertaking similar programs or projects; and the company has specified the projects or programs to be undertaken, the modalities of utilization of funds of such projects and programs and the monitoring and reporting mechanism”.

5.9 Agreement between PDIL & Executing agency:

Once the programmes approved by Board level committee are communicated to the respective units, they will be required to enter into an agreement with each of the executing/implementing agency on Non Judicial Stamp Paper.

The modalities of utilisation of funds on such project and programs and the monitoring and reporting mechanism will be mentioned in the agreement.

6. Monitoring

PDIL shall include a separate paragraph/ chapter in the Annual Report on the implementation of CSR & Sustainability activities/ projects including the facts relating to physical and financial progress.

The implementation of CSR & Sustainability guidelines will form a part of the Memorandum of Understanding that is signed each year between PDIL and, Department of Fertilizers (Ministry of Chemicals and Fertilizers).

When the external agency, if any, engaged for implementing a project, the task of random monitoring of the project will be performed by the company through its official to see the success of implementation.

However, whenever CSR and Sustainability activities are implemented by a CPSE and its staff, it is advisable to associate an external agency also for monitoring purposes, in case of mega project having project cost Rs. 20 Lakhs and more, as it would enable an impartial assessment of work progression, and help in mid-course correction, if required.

For proper and periodic monitoring of CSR & Sustainability activities, committee formed at Unit level shall furnish the report to the coordinator who in turn will put up to Nodal officer for onward communication to the Board level committee headed by the Chairman & Managing Director.

7. Funding

7.1 All such companies shall spend, in every financial year, **at least two per cent of the average net profits of the company made during any of the three preceding financial years**, in pursuance of its Corporate Social Responsibility Policy.

It has been clarified that the average net profits shall be calculated in accordance with the provisions of Section 198 of the Companies Act, 2013. Also, proviso to the Rule provide 3(1) of the CSR Rules that the net worth, turnover or net profit of a foreign

company of the Act shall be computed in accordance with balance sheet and profit and loss account of such company prepared in accordance with the provisions of clause (a) of sub-section (1) of section 381 and section 198 of the Companies Act, 2013.

7.2 The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas (including other areas as mentioned in para 2.2.above) around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

DPE Guidelines issued on 21.10.2014 for CPSEs

It would be mandatory for all CPSEs which meet the criteria as laid down in Section 135(1) of the Act, to spend at least 2% of the average net profits of the three immediately preceding financial years in pursuance of their CSR activities as stipulated in the Act and the CSR Rules. This stipulated percentage of average net profits is to be spent every year in a manner specified in the Act and CSR Rules. In case a company fails to spend such amount, it shall have to specify the reasons for not spending it. However, in case of CPSEs mere reporting and explaining the reasons for not spending this amount in a particular year would not suffice and the unspent CSR amount in a particular year would not lapse. It would instead be carried forward to the next year for utilisation for the purpose for which it was allocated.

8. Empowerment of Board level Committee

8.1 All the CSR projects and amount of expenditure will be approved by the Board of directors in pursuance of recommendations of the CSR committee of the Board as per declared policy.

8.2 The CSR committee will monitor the Corporate Social Responsibility Policy of the company from time to time.

9. Applicability and Declaration of CSR & Sustainability Policy

9.1 This revised Scheme shall be effective from 01.04.2014. The detailed guidelines issued by DP for implementation of CSR & SD activities and its amendment will be duly implemented.

9.2 The CSR & Sustainability policy statement is enclosed at **Annexure-I**.

10. CSR Reporting

10.1 The Board's Report of a company covered under these rules pertaining to a financial year commencing on or after the 1st day of April, 2014 shall include an annual report on CSR containing particulars specified in Annexure.

10.2 Display of CSR activities on its website -

The Board of Directors of the company shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the company and disclose contents of such policy in its report and the same shall be displayed on the company's website, if any, as per the particulars as specified in the Annexure.

11. Clarifications:

11.1 This Policy will supersede/ override previous policy made in this regard.

11.2 Promote welfare of employees and labour (casual or contractual), by addressing their concerns of safety, security, professional enrichment and healthy working conditions, whether mandated or otherwise. However, expenditure on mandated activities cannot qualify for CSR's financial components.

11.3 The company reserves the right to modify, amend, add or delete any of the provisions of this policy with the approval of Board of Directors, on account of amendment issued in the provisions of Corporate Social Responsibility under section 135 of the Companies Act, 2013.

11.4 The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.

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

Annexure-I

PDIL's Corporate Social Responsibility and Sustainability Policy Statement

- PDIL recognizes Corporate Social Responsibility (CSR) as a way of conducting business, which enables the creation and distribution of wealth for the betterment of its stakeholders, through the implementation and integration of ethical systems and sustainable management practices.
- While implementing CSR & Sustainable activities, PDIL is committed towards the active involvement of all employees, Top to Bottom and Bottom to Top, engaged in diverse business operations and activities.
- PDIL is committed towards the management of biodiversity, sensitive environments, land use and site remediation through the implementation of appropriate management and mitigation programmes to ensure environmental protection, economic and socio-political sustainability throughout the life cycle of our business operation.
- PDIL shall continue to strive to uphold and promote fundamental human rights, as well as the traditional rights of indigenous host cultures and their heritage in areas where it operates so that the society feels proud to have an organisation like PDIL as their neighbours.
- PDIL shall review, annually report and continuously strive to enhance our CSR & sustainability activities as a responsible corporate entity.