

**POWER FINANCE CORPORATION LIMITED
(CSR&SD UNIT)**

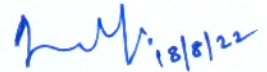
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Sub: PFC's CSR and Sustainability Policy

The Board of Directors in its 427th meeting held on 29th June 2022 approved the modifications of PFC's 'CSR and Sustainability Policy'. Accordingly, the modified policy as approved by the Board is notified as annexed to this circular.

This shall come into force with immediate effect.



**(M. Prabhakar Das)
Chief General Manager (CSR&SD)**

Copy for information to:

1. All EDs/ HoUs
2. RO (South)/ RO (West) - through dispatch/fax
3. ES to CMD/ PS to D(C)/ PS to D(P)/ PS to D(F)/ PS to CVO

cc. CEO, PFCCL

PFC CSR AND SUSTAINABILITY POLICY

1.0 CSR Vision Statement and Objective:

Power Finance Corporation Ltd (PFC), through its Corporate Social Responsibility and Sustainable Development initiatives, shall continue to undertake projects for Sustainable Development, mainly focusing on fulfillment of Power and Energy needs of the society.

The aim of the Corporate Social Responsibility and Sustainability Policy (CSR and Sustainability Policy) is to ensure that the Corporation becomes a socially responsible corporate entity committed to improving the quality of life of the society at large.

CSR & Sustainability

The term 'sustainable' has been used in conjunction with CSR, because CSR activities as envisaged in the thrust areas can be supplemented with sustainability initiatives, as both aim at achieving development goals. CSR and Sustainability issues are complementary in nature and both are mentioned clearly in the policy.

As a socially responsible corporate entity, PFC would endeavour to:

- Promote and Leverage green technologies to produce goods and services that contribute to social and environmental sustainability.
- Take up projects that provide energy, Water and Sanitation facilities to the communities.
- Take up activities to support "Differently abled persons" and the "health sector".
- Take up issues which are of foremost concern in the national development agenda, like safe drinking water for all, provision of toilets especially for girls, health and sanitation, education, etc.
- Contribute to inclusive growth and equitable development in society through education, capacity building measures, empowerment of the marginalized and underprivileged sections/communities.

The objective of the PFC 'CSR and Sustainability' Policy is to:

- Ensure an increased level of commitment at all levels in the organization, to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of its stakeholders.
- Generate a societal goodwill for PFC through CSR activities and help reinforce a positive & socially responsible image of PFC as a corporate.

2.0 Strategy:

As a responsible corporate entity, PFC shall consistently strive to meet the expectations of the society by supporting initiatives for improving infrastructure/ quality of life of society/ community without compromising on ecological issues on sustainable basis. It shall not support activities which may create dissatisfaction within the society and which may affect social harmony in any manner.

PFC shall align their CSR and Sustainability Policy with their business policies and strategies to the extent possible.

CSR strategies should be developed with a shift from ad-hoc approach to the project-based accountability approach.

While implementing the CSR projects, PFC shall strive to undertake at least one project for the development of a backward district in the country and at least one project of environmental sustainability.

PFC shall constantly endeavour for up-liftment of women and support persons with disabilities particularly in the skill development initiatives.

PFC shall endeavour to take up long gestation, high impact projects from the budget allocated for Corporate Social Responsibilities and Sustainable Developments activities.

PFC may also collaborate with other PSUs/Govt. entity 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 the CSR Rules.

PFC shall ensure that any surplus arising out of the CSR Projects or programmes or activities shall not form part of the business profit of the Company and shall be utilized only for CSR purposes.

3.0 Thrust Areas:

In line with the Schedule-VII of the Companies Act 2013 wherein the activities to be undertaken by the Company are specified, PFC shall take up the activities in the following areas. The items listed below are broad based and must be interpreted liberally so as to capture the essence of the subjects enumerated below:

A. Ensuring Environmental Sustainability measures such as:

- (i) Renewable Energy and Energy Efficient and Environment-friendly Technologies;
- (ii) Support Research & Development activities in Renewable and clean energy initiatives;
- (iii) Waste Management, Waste to energy etc.

B. Sanitation & Provision of Safe drinking water.

C. Promoting Education and employment enhancing vocational skills, such as:

- (i) Skill Development Training leading to employment for various under privileged sections of the society;
- (ii) Interventions in education sectors such as providing inputs to basic education needs in backward areas and support to girls education programmes.

D. Activities related to supporting Differently abled persons

E. Activities related to Health Sector.

F. Others

- (i) Contribution to '**Swachh Bharat Kosh, Clean Ganga Fund, PM CARES Fund** or any other fund set up by the Central government for socio-economic development and relief, rehabilitation and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- (ii) Contribution or support to technology incubators located within academic institutions approved by the Central Government.
- (iii) Any initiative of Ministry of Power w.r.t., CSR activities.
- (iv) Creation and maintenance of sports infrastructure and upgradation & renovation of existing sports facilities.
- (v) Any other activity in line with Schedule VII of the Companies Act, 2013.

New CSR activities

If necessity is felt of taking up new CSR activities / projects (if covered in line with Schedule VII of the Companies Act, 2013 and DPE guidelines) during the course of a year, which are in addition to the aforesaid CSR activities, the same may also be covered.

Note: In case of conflict between provisions of Companies Act, 2013 and DPE Guidelines, the provisions of Companies Act, 2013 shall prevail.

4.0 Allocation of Funds (Budget):

At least 2% of the average Stand-alone Net Profit Before Tax (PBT) of the company earned during the three immediately preceding financial years shall be allocated every financial year for CSR activities.

PFC may build CSR capacities of its own personnel as well as those of Implementing Agencies through Academic / Training Institutions with established track record of at least three financial years but such expenditure including expenditure on "Administrative overheads" shall not exceed five percent of its total CSR budget of PFC in one financial year.

"Administrative overheads" means the expenses incurred by the company for 'general management and administration' of CSR functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular CSR project or programme.



PFC may undertake impact assessment studies for its CSR Projects during a Financial Year. The expenditure of the same shall be booked under CSR for that financial year, which shall not exceed 5% of the total CSR expenditure for that financial year or Rs. 50 lakhs, whichever is less.

Exclusions:

The following activities shall not form part of the Company's CSR activities:

- Any Activity undertaken in pursuance of normal course of business of the Company;
- Any activity undertaken by the Company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;
- Contribution of any amount directly or indirectly to any political party under section 182 of the Act;
- Activities benefitting employees of the Company as defined in clause (k) of section 2 of the Code on Wages, 2019;
- Activities supported by the Company on sponsorship basis for deriving marketing benefits for its products or services;
- Activities carried out for fulfilment of any other statutory obligations under any law in force in India;
- Such other activities, prohibited or not eligible to be undertaken as CSR activities, as may be prescribed under the Act and/or the CSR Rules.

Allocation of Budget

The allocation of funds for CSR activities be made on case to case basis.

The overall expenditure under CSR activity for a single project in a single State shall not be more than 25% of the total budget under CSR activity for that year.

Carryover of allocated Budget

The stipulated percentage of average net profits shall be spent every year in a manner specified in the Act and CSR Rules.

However, if the Company fails to spend the CSR amount, the Company shall transfer the unspent amount to a fund specified in Schedule VII of the Act, within a period of six months of the expiry of the financial year, unless the unspent amount relates to any ongoing* project. In the event the unspent amount relates to an ongoing project, the unspent amount shall be transferred to Unspent CSR Account within a period of thirty days from the end of the financial year and shall be spent in pursuance of its obligations towards this Policy within a period of three financial years from the date of such transfer, failing which, the Company shall transfer the same to a fund specified in Schedule VII of the Act, within a period of thirty days from the date of completion of the third financial year.

**'Ongoing project' is defined at Para 5.0 below*

In the event the Company spends an amount in excess of the requirements under the Act, the Company may set off such excess amount against the requirement to spend the CSR amount up to immediate succeeding three financial years subject to the conditions that (i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any; and (ii) the Board passes a resolution to this effect.

The aforesaid activities shall be done in line with the guidelines as prescribed by MCA from time to time.

5.0 Approach & Implementation Mechanism for Project-based Activities: Implementation:

PFC shall take steps to implement the CSR agenda within the organization through the active involvement of the employees, who are important internal stakeholders.

PFC shall devise internal communication strategies to spread awareness of CSR amongst the employees, providing them with education and training necessary for attitudinal change and their conversion to socially and environmentally sustainable methods and practices of doing business, and adopting motivational tools to provide just the right momentum to push all such initiatives.

States/areas/regions where there is shortage of resources, mainly in regard to the defined thrust areas in the CSR and Sustainability Policy, shall be identified. The assistance should be project-based with a thrust on creating sustainable and replicable models.

CSR activities should be undertaken only through Govt./Semi-Govt./Quasi-Govt. agencies, and deviations, if any, in this regard should be submitted for approval of Board of Directors on case to case basis. In case of need based project required to be executed through agencies other than Govt. agencies CSR unit shall invite Expression of Interest (EOI). However, the condition of inviting EOI shall not be applicable where the Agencies are Govt. /Semi Govt./Quasi-Govt. Bodies. Similar condition shall prevail in case of Baseline Survey/DPR & Impact Assessment Studies.

CSR Unit should identify and obtain suitable proposals in the identified thrust areas from various sources i.e. Central govt. agencies, State govt. agencies, PSUs, reputed organizations etc.

For projects undertaken through the Govt./Semi-Govt./Quasi-Govt. agencies, the Need Assessment felt by them, shall be considered. However, for the projects undertaken by other reputed agencies, the scoping survey/need assessment shall be conducted by them.

As per the internal mechanism, all the proposals received in CSR Unit shall be verified and screened from time to time.

As per CSR Rules (w.e.f 01.04.2021), CSR activities/projects shall be implemented using internal resources by the Company itself or through an identified suitable implementation agency.

a. In case, PFC decides to implement the CSR project through an 'Implementing Agency', PFC shall engage an entity that is registered with MCA by filing Form CSR-1.

b. In case, PFC decides to undertake the CSR activity on its own, CSR Unit should identify the CSR project and thereafter seek detailed proposal from the agency, preferably having expertise in the proposed CSR activity and prior experience for development of such identified project. Further, the terminology to be used for such agency would be 'Project Management Agency'.

In both the above cases, the agency to be identified as '**Implementing Agency**' or '**Project Management Agency**' shall be Govt./Semi-Govt./Quasi-Govt. agencies. Further, while executing the CSR projects, these agencies shall ensure that goods and/or services shall be procured as per govt. approved norms.

CSR proposals received by PFC, shall follow the due approval process in line with the guidelines as prescribed by the MCA from time to time.

Letter of Award (LoA)/Memorandum of Agreement (MoA) and other legal documents duly vetted shall be issued/executed with the Implementing Agencies/ Project Management Agency along with the timeline to execute CSR projects.

MoA shall be signed within six months from the date of issue of LoA, failing which the LoA shall be deemed to be cancelled.

Once MoA has been signed with the agencies in the stipulated time, the validity of LoA shall cease to exist. In all respect, MoA would be final and binding document.

Efforts shall be made to the extent possible to define the following while identifying the CSR projects:

- ✓ Programme objective
- ✓ Baseline survey / Need Assessment
- ✓ Implementation Procedure
- ✓ Responsibilities and Authorities
- ✓ Payment terms
- ✓ Major results expected and measurable outcome

At any stage, if the CSR Unit feels the need, they can engage the services of an outside expert in the field to assist them in Evaluation or Selection of Projects etc.

Annual Action Plan

CSR Projects shall be undertaken based on the annual action plan formulated and recommended by the CSR Committee and approved by the Board. The annual

action plan formulated by the CSR Committee in pursuance of its CSR policy shall, inter alia, include:

- (a) list of CSR activities to be undertaken in the relevant financial year;
- (b) manner of execution;
- (c) modalities of utilisation of funds and implementation schedules;
- (d) monitoring and reporting mechanism for such CSR activities; and
- (e) details of need and impact assessment, if any, for the projects undertaken by the company.

The Board may alter the annual action plan, as per the recommendation of the CSR Committee based on reasonable justification to that effect.

Geographical Area

PFC may take up CSR activities / projects at any location of their choice within the country, as they have no specific geographical boundaries of commercial operations.

Ongoing Project

“Ongoing Project” means

- (i) a multi-year project, stretching over more than one financial year;
- (ii) having a timeline not exceeding three years excluding the year of commencement;
- (iii) include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the Board based on reasonable justification.

As per the definition of an ongoing project, the maximum permissible time period shall be three financial years excluding the financial year in which it is commenced i.e., (1+3) financial years.

The implementation of such ongoing project shall be monitored with reference to the approved timelines and year-wise allocation and to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

Further, the provisions related to ongoing projects have come into effect from 22nd January 2021, i.e., from FY 2020-21 onwards. The said provisions are prospective in effect and not applicable to projects of previous financial years.

6.0 Monitoring and Evaluation/Impact assessment of CSR Activities:

The Implementing Agency/Project Management Agency shall be responsible for monitoring the project and shall provide periodic reports to PFC on the implementation part. The agency shall ensure that the project gets completed within the stipulated time period. PFC may appoint a specialized agency/ consultants for monitoring the projects, if required.

The progress report of the activities undertaken shall be reported as under:

- a) Quarterly report to CSR Committee.
- b) Annual Report of CSR to Board of Directors.

CSR Unit shall have to visit atleast 5% of the total locations of project where physical asset to be created prior to sanction, however, if the same is not practically feasible, such visits should be made prior to disbursement and a report of the visit shall be submitted to CSR&SD Committee of Directors.

After completion of the project, the assets, if any, shall be transferred to the proposed beneficiaries under the said project and the beneficiaries would be responsible for the safeguarding the asset, once it is transferred.

To ensure sustainability of projects wherein assets are created, Implementing Agency/ Project Management Agency shall be required to provide maintenance till the end of defect liability period or as mutually agreed between PFC and IA/PMA, with in the ambit of overall project implementation period.

Before the release of final payment to IA/PMA, CSR Unit shall ensure that at least 10% of the total locations of the project (where physical assets have been created) are visited by PFC officials. The visit shall be followed by submission of a project site visit report.

Impact Assessment of CSR Projects:

a) In terms of the provisions of Rule 8(3)(a) of the amended Companies (Corporate Social Responsibility Policy) Rules, PFC shall undertake impact assessment, through an independent agency, of its CSR projects having outlays of One crore rupees or more, and which have been completed not less than one year before undertaking the impact study. Accordingly, the company is required to undertake impact assessment of the CSR projects (having outlays of One crore rupees or more) taken up or completed on or after Jan 22, 2021.

For other projects which had been completed before Jan 22, 2021, PFC shall conduct Impact Assessment of its CSR Projects sanctioned above Five crore rupees for the corresponding period.

b) The impact assessment reports shall be placed before the Board and shall be annexed to the Annual Report on CSR.

c) The Company undertaking impact assessment may book the expenditure towards CSR for that financial year, which shall not exceed 5% of the total CSR expenditure for that financial year or Fifty Lakh rupees, whichever is less.

d) Specialized agencies such as Govt./ Semi govt. organizations/ PSUs/ NGOs/ Reputed Institutions and Academic Organizations etc. shall be selected as per DoP (CSR) as available in CSR manual.



7.0 CSR Reporting

The Board's report of a company pertaining to any financial year shall include an Annual Report on CSR containing particulars specified as per the Companies Act 2013 and the Rules made thereunder.

7.1 Display of CSR Activities on its Website

The composition of CSR Committee, CSR Policy and the projects approved by the Board shall be displayed on PFC's website for public access.

8.0 Roles and Responsibilities:

1.	CSR Unit	CSR Unit shall evaluate the project(s)/ scheme(s) and put up its recommendations after due approval process in PFC to the CSR Committee of Directors.
2.	CSR Committee of Directors	CSR Committee of Directors shall consider the recommendations of the CSR Unit for approval and recommend the same to the Board of Directors (BoD).
3.	Board of Directors	BoD shall consider the recommendations of CSR Committee for approval.

9.0 General:

- CMD is empowered to make any supplementary rules/orders to ensure effective implementation of the CSR and Sustainability Policy.
- The policy will be reviewed or amended from time to time with the approval of the Board.
- Any or all provisions of the CSR and Sustainability Policy would be subject to revision/amendment in accordance with the guidelines on the subject as may be issued by the Government / DPE, from time to time.
- The Corporation reserves the right to modify, add, delete or amend any of the provisions of this Policy.
- The Policy is based on the Companies Act 2013, Schedule VII of the Act, the CSR Rules and the DPE Guidelines. Any possible situation where there may be a conflict between the CSR Rules and the Guidelines, the former shall prevail in all circumstances.
- The policy will supersede/ override all previous policies on Corporate Social Responsibility and Sustainable Development.
- In case of any doubt with regard to any provision of the policy and also in respect of matters not covered herein, a reference shall be made to CSR Unit. In all such matters, the interpretation and decision of the Director-in-charge of CSR shall be final.