

# THE STATE TRADING CORPORATION OF INDIA LIMITED

## CSR & SUSTAINABILITY-POLICY, PROCESS & PROCEDURE.

1. Department of Public Enterprises (DPE), Government of India on 09.04.2010 issued guidelines on corporate social responsibilities. These guidelines were adopted by STC and implemented in organization. Further, DPE revised the guidelines on CSR & Sustainability effective from 01.04.2013. The clause 1.3.4 of the above guidelines stipulates that each CPSE to formulate its own policy, process and procedure to implement DPE guidelines in the organization. The clause 1.11.4 of the DPE guidelines states that these guidelines will stand modified by the provisions of the new Companies Act and updated SEBI Guidelines as and when these are in place and made enforceable. Therefore, STC adopts DPE guidelines as modified by the Company's Act 2013 and notified on 30.08.2013.

2. In compliance with the DPE guidelines on CSR & Sustainability, among other things STC adopts following commitments:-

- i. Corporate Social Responsibility and Sustainability is a company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner. Stakeholders include employees, investors, shareholders, customers, business partners, clients, civil society groups, Government and non-government organizations, local communities, environment and society at large.
- ii. Corporate Social Responsibility and Sustainability is essentially a way of conducting business responsibly.
- iii. STC will undertake the CSR and Sustainability activities for execution with the approval of the Competent Authority (Board of Directors/ Board Level Committee on CSR) as per delegation of power made in this regards by the Board of Directors. In case, due to exceptional situation/ circumstances, a project is taken up for execution with the approval of management, ex post

facto approval shall be obtained in the next Board meeting itself as far as possible.

- iv. In the eventuality of the Board of Director of STC delegates the authority to approve the CSR and Sustainability projects/ activities to the Board level Committee on CSR, the details of all projects undertaken shall be reported to the Board of Directors in the forthcoming meeting as far as possible.
- v. STC will review its CSR and Sustainability policies from time to time keeping in view organizational concerns. STC will make all efforts to integrate and align its CSR and Sustainability policies and activities with their business goals, plans and strategies.
- vi. Whenever amendments are made in DPE guidelines on CSR, the same shall be duly incorporated in STC policy document on the subject. Further, these guidelines will stand modified by the provisions of the Companies Act-2013 and updated SEBI Guidelines.
- vii. The STC CSR-SD Policy shall apply to all CSR and Sustainability initiatives undertaken by STC's Corporate Office and/or Branches.

### **3. Objective**

As a responsible corporate citizen, the objective of STC's CSR SD Policy is to contribute to inclusive growth and equitable development in society through enabling CSR projects for empowerment of the marginalized and underprivileged sections / communities.

### **4. Planning**

4.1. Planning and selection of CSR and Sustainability projects/ activities shall be based on STC CSR & Sustainability Policy. Subject to availability of funds, CSR project(s) would be designed into short-term, medium-term and long term projects, by defining the annual target of the activities, funds earmarked and periodicity for execution.

4.2 Priority will be accorded for taking up Projects in the locality/ periphery of the commercial operations and activities. As per DPE Guidelines, STC will have atleast one project in any of the backward Districts identified by the Planning Commission, Govt. of India. STC will make efforts to undertake CSR initiatives to benefit the weaker/ marginalized sections of the society. Weaker sections would include SC, ST, OBC, minorities, women and children, BPL families, old aged and differently abled persons, etc.

4.3 STC will endeavor to select at least one project in each of the two categories of CSR and Sustainability, subject to availability of funds.

4.4 The contributions can be made for natural calamities / disasters etc. as per DPE guidelines.

4.5 The employees of STC should 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 is 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 of STC and their families also.

4.6 STC may join hands and pool their resources and capabilities to create for undertaking projects jointly with other CPSEs.

## **5. Assessment of Need/ Baseline Survey**

Before taking up a Project for execution an assessment of the needs of the intended beneficiaries will be required. The baseline surveys may not be required in all cases if there is documentary evidence indicating the need of beneficiaries.

## 6. Institutional Mechanism & CSR Process

6.1 The Management will nominate one senior officer of the level of General Manager/ Chief General Manager as **“The Nodal Officer for CSR & Sustainability”**. The Nodal Officer will firm up the CSR annual action plan/ mid-year review and place it through the Company Secretary before Board Level Committee on CSR for its consideration. The Nodal Officer will oversee the planning, implementation, monitoring and evaluation of CSR and Sustainability activities and within the organization and also outside, i.e. covering internal as well as external stakeholders.

6.2 There will be CSR Cell headed by one CM/DGM and other officers and staff as per requirement to be assessed by the Nodal Officer. The CSR Cell shall be responsible for the following:

- ⌚ Preparation of annual action plan indicating proposals for CSR & Sustainability Projects / Activities, project location, estimation/budget allocation of each project / activities, planning & programming, preparation of annual budget and putting the same for the consideration of below board level/ Board level Committee on CSR.
- ⌚ Proposing likely expenses to be incurred on CSR/Sustainability project(s).
- ⌚ Implementation & Monitoring of CSR-SD Activities/Programmes.
- ⌚ Impact Assessment of Completed Activities/Programmes.
- ⌚ Preparation of progress Report/ special report if any.
- ⌚ Any other responsibility assigned by the Nodal Officer.

6.3 As per DPE guidelines there will be two tier structure of Monitoring, namely

i) Board Level Committee headed by Independent Director. The Board Level Committee on CSR comprises of:

- |    |                           |   |                 |
|----|---------------------------|---|-----------------|
| 1. | Independent Director      | - | Chairman        |
| 2. | Director (Personnel)      | - | Member          |
| 3. | Director (Finance)        | - | Member          |
| 4. | The Nodal Officer for CSR | - | Special Invitee |

The Board Level Committee on CSR will meet at least once in every six months and twice a year.

ii) Below Board Level Committee on CSR will be headed by the Nodal Officer and other officers nominated by the Management. Head CSR Cell will be the Member Secretary of this Committee.

6.4 The CSR Cell will be exclusively responsible for CSR & Sustainability Policy and initiatives and will place the proposed project(s) before the Below Board Level Committee headed by the Nodal Officer. Generally, the Annual Plan for the ensuing year will be considered by the Board Level Committee on CSR and Sustainability on the recommendation of Below Board Level Committee on CSR. Thereafter, the proposal recommended will be put up to the Board level Committee on CSR after CMD has seen. The power to approve the annual plan/projects will vest in the Board level Committee on CSR. The status report on execution/completion of the project(s) will be placed before the Board of Directors for reporting as deemed fit from time to time.

6.4 (i) For the pre-project activities (Baseline Survey/Need Assessment) and post project activities (Impact Assessment/project evaluation), the Competent Authority for approving the proposal/incurred expenditure will be Director (P) on the recommendation of Below Board level Committee within the approved budget.

6.4 (ii) For other administrative expenditure including the travel expenditure of CSR Cell/Monitoring Committee/Outside agency, the Competent Authority will be as per the Delegation of Power of the organization.

## **7. Budgetary Allocation**

7.1 As per the DPE Guidelines on CSR & Sustainability and the provisions of the Company's Act 2013 there will be budgetary allocation for CSR and Sustainability activities / projects for the year with the approval of the Competent Authority.

7.2 The Companies Act 2013 enables provisions for creating funds for CSR & Sustainability. It states that every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall ensure that

the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years. In an eventuality of negative Net Worth in a particular financial year, it shall not be mandated to earmark specific funds for CSR and Sustainability activities.

7.3 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 unutilized, the same would not lapse. Instead, it would be carried forward to the next year for expenditure on CSR and Sustainability activities. However, reasons for not being able to spend the entire budget on CSR and Sustainability activities as planned for that year will be placed before the Board. STC will endeavor to spend the unutilized budget of any year within the next two financial years. As per DPE Guidelines, if the unutilized budget could not be spent within the next two financial years, the unspent amount would be transferred to a 'Sustainability Fund'.

7.4 At least 80% of the annual budget earmarked for CSR and Sustainability activities will be spent on implementation of activities in the project mode. In exceptional cases, where CSR and Sustainability activities are not implemented in a project mode, the reasons for doing so would be recorded in writing.

7.5 Up to 5% of the annual budget for CSR and Sustainability activities may 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 exceptional circumstances, supported by reasons recorded in writing and approved by the Administrative Ministry, the budgetary allocation under the provision of Emergency needs can be enhanced by 5% of the budget allocated for CSR and Sustainability activities in a particular year.

7.6 The expenditure incurred on baseline survey / need assessment study and evaluation, on capacity building programs such as training, workshops, seminars,

conferences, travels, etc. and on corporate communication strategies for engagement of all stakeholders, whether internal or external, to implement the CSR and Sustainability agenda of the company, would be accounted for as CSR and Sustainability expenditure from the budget allocated for this purpose.

## **8. Strategic Planning, Monitoring and Evaluation**

The Board Level Committee on CSR will oversee the implementation of the CSR & Sustainability Policies of the company and to report to 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 through the Nodal Officer.

## **9. Implementation Agency/ Evaluation Agency**

9.1 As far as possible, STC will utilize the services of external agencies for implementation of Projects requiring specialized knowledge and skills. STC may take up the implementation of the activity with its manpower and resources if it feels confident of its organizational capability to execute the projects. In such a case monitoring is to be done by an external agency even though the staff of STC may be associated with it. In any case, evaluation must always be assigned to an independent external agency.

9.2 The engaging or partnering with external agencies will be based on the agencies which have experience and expertise to implement the CSR projects. The Specialized agencies may include Government departments, semi-government, or non-government organizations (NGOs) etc. Engagement of external agencies / NGOs will be at the discretion of the STC.

9.3 STC may avail the services of the National CSR Hub in seeking guidance on the implementation of their CSR and Sustainability activities. For this, the company will have to pay a service charge to the National CSR Hub. The service charge may be decided between the National CSR Hub and the company. The

expenditure incurred in availing the services of the National CSR Hub for the implementation of CSR and Sustainability activities would be from CSR budget.

9.4 Monitoring will be done periodically. The external agency, if any, engaged for implementing a project would not be considered for the task of monitoring and evaluation. In any case, the final evaluation would always be entrusted to an external agency.

## **10. Key Performance Indicators for MoU Evaluation**

10.1 DPE guidelines Stipulates following the key performance indicators with specific weightage to be assigned for MOU target Settings to be adhered to in implementation of CSR & Sustainability projects:

- i) the degree of involvement of the employees and the top management in internalizing the CSR and Sustainability agenda within the organization;
- ii) the degree of success in implementing the CSR and Sustainability projects they undertake during the year;
- iii) the expenditure they incur on these activities (vis-à-vis the annual budgetary allocation);
- iv) the effectiveness of the two-tier organizational structure in the process of planning, implementing and monitoring the CSR activities;
- v) the efforts made and the success achieved in the engagement of key stakeholders through adoption of a good corporate communication strategy;
- vi) the adoption of sustainability reporting and disclosure procedures and practices.

As far as possible, it will be the responsibility of the CSR cell to incorporate above indicators appropriately with explicit remakes in every stage of the CSR action plan from concept to commissioning.



10.2 As regards promotion of CSR agenda within the organization, the CSR Cell will sensitize the staff from time to time regarding the CSR and Sustainability policies of the organization.

11. In case of any difficulty in interpretation of this policy the matter shall be referred to Director (Personnel) for taking a final view.