

## Corporate Social Responsibility (CSR) policy of Mahanadi Coalfields Limited (MCL)

### **1. INTRODUCTION**

The concept of Corporate Social Responsibility (CSR) has gained prominence from all avenues. Organizations have realized that government alone will not be able to get success in its endeavor to uplift the downtrodden of the society. With the rapidly changing corporate environment, Mahanadi Coalfields Limited (MCL) has adopted CSR as a strategic tool for sustainable growth. For MCL in the present context, CSR means not only investment of funds for social activity but also integration of business processes with social processes.

Even much before the issue became a global concern, MCL was aware of its Corporate Social Responsibility and was fulfilling the aspiration of the society through well-defined "Community Development Policy" within the periphery of 8 kilometres of its project sites. This has resulted in a harmonious relationship between MCL and the peripheral communities.

MCL has formulated the present 'CSR Policy' containing a set of internal approaches/guidelines/principles to be followed while discharging CSR at different levels and as law-abiding corporate entity MCL will also adhere to all such statutes related to CSR in right earnest as and when applicable.

In the aforesaid backdrop, CSR policy of MCL has been framed after incorporating the features of the Companies Act, 2013 including amendments to it and notifications issued by Ministry of Corporate Affairs (MCA) and Department of Public Enterprises (DPE), Govt. of India from time to time.

### **2. OBJECTIVE**

The main objective of CSR policy is to lay down guidelines for MCL to make CSR a key business process for sustainable development for the society. It aims at supplementing the role of the government in enhancing welfare measures of the society based on the immediate and long term social and environmental consequences of coal mining.

### **3. ALLOCATION OF FUND**

Fund for CSR shall be allocated based on whichever is higher of the following two amounts:

- a) 2% of average net profit of the company for the three immediately preceding financial years, as per Companies Act or
- b) Rs.2.00 per tonne of coal production of immediately preceding financial year

Any unspent or excess amount from CSR budget in a financial year would be accounted for as per the provisions of the extant statute. The basis for calculation of unspent or excess amount shall be the amount required to be spent as per the statutory provisions i.e. 2% of average net profit of the company for three immediately preceding financial years.

#### **4. SELECTION OF CSR PROJECTS / ACTIVITIES**

##### **4.1 AREAS TO BE COVERED**

Mines of MCL and its HQ are located in four Districts of Odisha, in relatively isolated areas. Introduction of any production activity in such areas changes the traditional life style of the original inhabitants and indigenous communities and also changes the socio-economic profile of the area. Mining of coal too has profound impact on the people living in and around the areas where the mines are located. Hence, the primary beneficiaries of CSR activities shall be, Project Affected Areas (PAAs) and those staying within the radius of 25 kilometers of the coal mining projects and company HQ. MCL shall ensure that the maximum benefit of its CSR activities goes to the underprivileged sections of the society. CSR activities should be undertaken as per Schedule VII of Companies Act and as per DPE guidelines issued from time to time.

The following guidelines shall be followed in selection of areas for CSR activities:

- a) MCL shall spend 80% of the CSR fund of a year within the radius of 25 kilometers of its Project Sites/Mines/Area HQ/Company HQ and rest 20% within the state of Odisha in which MCL is operating. The above ratio of 80:20 may be dispensed with for a particular year with the approval of MCL board through board level CSR committee in case the Central Govt. issues any such guidelines/administrative directions, which the company has to comply with.
- b) CIL (HQ) being the holding company shall also support for execution of CSR projects/programs where MCL is unable to execute such project due to fund crunch. In case available CSR budget of MCL is insufficient to meet the fund requirements of any govt. mandated CSR activity, MCL may refer the duly approved CSR activity/project/program to CIL (HQ) with the recommendation of seeking financial assistance after competent authority approvals at MCL level are taken. All such requests would have to be forwarded by CSR Dept. of MCL after obtaining approval of its Board/CMD. If CIL approves the activity/project/programme, the activity shall be implemented by MCL whereas the expenditure will be accounted for by CIL (HQ) against its CSR budget. CIL would finance such project subject to approval of the competent authority at CIL and the same will be treated to be the project of MCL whose implementation and monitoring will rest on MCL.

Clause 4.1 (b) is applicable only in cases when the Company is facing fund crunch to meet expenditure on any Govt. mandated CSR activity. If any amount in addition to the allocated fund as per Clause 3 is approved by MCL Board for CSR, above Clause will not be applicable.

##### **4.2 SCOPE OF PROJECTS / ACTIVITIES**

MCL shall undertake select CSR activities out of the themes listed in Schedule-VII of the Companies Act as amended from time to time. The themes in the scope of CSR policy must be interpreted liberally so as to capture the essence of the subjects enumerated in Schedule-VII of Companies Act. Any modifications in Schedule VII of Companies Act or directions from DPE or MCA shall also deemed to have been incorporated in the scope of CSR policy of MCL from the date of such changes being notified by the Government.

## 5. INSTITUTIONAL ARRANGEMENT

On having net worth of Rs.500 crores or more, or turnover of Rs.1000 crores or more, or a net profit of Rs. 5 crores or more during the immediately preceding financial year, MCL shall constitute a Board Level Committee on CSR consisting of three or more Directors, out of which at least one Director shall be an Independent Director. The Committee shall monitor and review the progress of CSR activities from time to time.

CSR department of MCL HQ shall act as nodal department for implementation of CSR activities in accordance with the CSR policy under the guidance of Director (Personnel).

An inter-disciplinary committee/Apex CSR committee with senior executives from CSR, Civil, Finance, Medical, Environment, L&R and P&IR shall be formed at Company Headquarter to review CSR project proposals scrutinized by the CSR department and recommend them for approval of competent authority. The Apex CSR Committee shall function under the Chairmanship of Director (Personnel). Based on the recommendation of CSR department, CSR project proposals/programmes/activities shall be deliberated in the meeting of this committee who in turn shall examine and submit its recommendation to competent authority for approval through Director (Personnel), as the case may be. Similar committees may also be formed at area level. The Area level CSR Committee shall function under the Chairmanship of GM of Area.

Delegation of Power (DOP) to approve CSR projects/activities at MCL shall be as under:

- a) Projects/activities to be undertaken by Area having value up to Rs. 5.00 lakhs shall be approved by concerned Area General Managers on the recommendation of Area level CSR Committee.
- b) Projects/activities to be undertaken by Areas having value more than Rs.5 lakh up to Rs. 60 lakh shall be approved by Director (Personnel) on the recommendation of Area level CSR Committee and Area General Manager followed by the recommendation of Apex CSR Committee.
- c) Projects/activities of HQ up to Rs. 60 lakh shall be approved by Director (Personnel) on the recommendation of Apex CSR Committee.
- d) Projects/activities to be undertaken by Areas having value more than Rs. 60 lakh up to Rs. 1 crore shall be approved by CMD on the recommendation of concerned Area CSR Committee and Area General Manager followed by the recommendation of Apex CSR Committee and Director (Personnel).
- e) All projects/ activities of HQ having value more than Rs.60 lakh up to Rs. 1 crore shall be approved by CMD on the recommendation of Apex CSR Committee and Director (Personnel).
- f) Projects/activities to be undertaken by Areas having value more than Rs. 1 crore shall be approved by MCL Board on the recommendation of concerned Area CSR Committee and Area General Manager followed by the recommendation of Apex CSR Committee, Director (Personnel), CMD and CSRSD Sub-committee of Board.
- g) All projects / activities of HQ having value more than Rs. 1 crore shall be approved by MCL Board on the recommendation of Apex CSR Committee followed by recommendation of Director (Personnel), CMD and CSRSD Sub-committee of Board.

CMD, MCL is empowered to approve modalities/Standard Operating Procedures for implementation of CSR works as per CSR policy.

For ongoing projects, any deviation with respect to modalities of implementation, scheduling, funding etc. within the approved project value shall be approved by Area GM and Director (Personnel) for the projects approved within their respective DoP and by CMD, MCL for other projects.

## **6. IMPLEMENTATION**

The following guidelines/modalities shall be followed while executing/undertaking CSR activities:

1. Around the beginning of every financial year, CSR department will design an Annual Action Plan. Extant statute as regard to Annual Action Plan shall be abided.
2. Activities under CSR except those relating to contribution to funds specified in Schedule VII shall be in project mode and for every project, time framed periodic milestones should be finalized at the outset.
3. As far as possible, the project should be completed within 2 years from the start and in no case, projects with duration exceeding three years from the start date shall be undertaken. The date of starting of work or release of first instalment, whichever is earlier, shall be considered as project starting date and that year shall be considered as project start year. MCL shall monitor the implementation of ongoing projects with reference to the approved timelines and year-wise allocation and shall make modifications, if any, for smooth implementation of the project within the overall permissible time period. CSR department of MCL shall put up a progress report of all ongoing projects for review/information of Board through CSRSD Sub-committee of Board, preferably once in a quarter.
4. Activities identified under CSR shall be implemented either departmentally or through implementing agencies as per extant statute.
5. Implementing agencies having only local presence shall be considered only for small value projects of upto Rs.5.00 lakhs.
6. Need and justification of all CSR projects/activities shall have to be ascertained. Need assessment shall be carried out either departmentally using in house expertise or through external reputed agencies including implementing agencies. Need assessment may be based on already conducted web surveys, indices, research papers & reports, census reports, demographic & development study reports, DPE surveys, various Ministry/Govt. Reports & publications etc. Wherever required methods such as household surveys, stakeholder interviews, participatory research exercises, baseline surveys etc. may also be used.
7. The suggestions given by the elected representatives/bodies shall be duly considered while finalizing the CSR activities.
8. Memorandum of Understanding (MoU) shall be signed with all implementing agencies for projects having value more than Rs.5.00lakhs.
9. Extant statute as regard to Impact Assessment of CSR Projects is to be abided.
10. Company may appoint consultants/reputed institutes/paid interns from reputed institutes following due process, for evaluation of proposals reckonable as CSR proposals, need assessment or impact assessment of CSR projects.
11. Extant statute as regard to Creation and acquisition of Capital assets are to be abided.
12. Extant statute as regard to Surplus arising out of CSR activities are to be abided.

## **7. DATAMANAGEMENT**

All the data related to CSR shall be maintained on real time basis with inbuilt mechanism for periodic report generation, having details of expenditure, project closure, beneficiaries with category wise (SC, ST, OBC, PWD), gender wise and age group (Children, Senior Citizens, Others) wise breakup etc. to the extent feasible. Head of CSR departments shall ensure the implementation of the information system including maintenance of data and indicators in a common format adopted across CIL.

## 8. MONITORING AND REPORTING

The following guidelines shall be followed for monitoring CSR activities:

1. Company Board shall satisfy itself that CSR funds disbursed have been utilized for the purposes and in the manner as approved and the Director(Finance) shall certify to that effect.
2. Utilization Certificate with statement of expenditure duly certified by a Practicing Chartered Accountant/Authorized Auditor shall have to be submitted by the implementing agencies for the CSR fund provided to them as a one-time funding or in installments. Public authorities may submit Utilization Certificates as per General Financial Rules (GFR) of Govt. of India/State Govt./District level Class-I officer/Divisional head of implementing agency.
3. Any CSR proposal valuing Rs. 50,00,000/- or more will be audited by an Audit firm (to be selected from the empanelled list of Internal Auditors selected by the Audit Committee / MCL Board) as per the fees determined by CIL / MCL and the manpower requirement for audit of each CSR Activity will be decided by the D(F), MCL and approved by CMD, MCL. The expenditure incurred on such audit of CSR Activities may be included in the administrative expenditure.
4. Company Board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company of that year.
5. Meticulous documentation relating to CSR activities and expenditure shall be prepared and put on the website.
6. Company shall take CSR mileage by leveraging print, electronic and digital media.
7. The composition of CSR committee of Board, CSR policy and projects approved shall be displayed by the company on its websites for public access.

## 9. DUE DILIGENCE

Company shall comply with all statutory provisions on CSR and the amendments thereto, as promulgated from time to time. Company shall also comply with all rules, regulations, guidelines, orders, directives or any such communication issued by the Central Govt. from time to time. In case of any statute coming into effect where there is already a policy provision, the said statute, from its effective date will substitute and prevail upon such policy provision. Wherever applicable, the definitions of terms such as ongoing project, administrative overheads etc. as given in the CSR rules notified/circulated by Ministry of Corporate Affairs, Government of India from time to time shall apply.

## 10. LIMITATION AND AMENDMENT

The CSR policy of company will be governed by provisions under Companies Act, 2013 or any other act that may be introduced, Companies (CSR) Rules,

Government guidelines and any other govt. instructions applicable from time to time, statutory provisions [Companies Act and Companies (CSR) Rules] and amendments thereof will prevail over all those Policy clauses where amended rules are applicable.

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