Policy on Corporate Social Responsibility
(Under Review Process)

Introduction:

Corporate Social Responsibility is not a new concept in India, however, the Ministry of Corporate Affairs, Government of India has recently notified Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 "hereinafter CSR Rules" and other notifications related thereto which makes it mandatory (with effect from 1st April 2014) for certain companies who fulfill the criteria as mentioned under Sub Section 1 of Section 135 to comply with the provisions relevant to Corporate Social Responsibility.

What is CSR?

The term "Corporate Social Responsibility (CSR)" can be referred to as a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to companies' efforts that go beyond what may be required by regulators or environmental protection groups.

Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

For whom it's applicable?

The companies on whom the provisions of the CSR shall be applicable are contained in Sub Section 1 of Section 135 of the Companies Act, 2013. As per the said section, the companies having a Net worth of INR 500 cr or more; or Turnover of INR 1000 cr or more; or a Net Profit of INR 5 cr or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee" with effect from 1st April, 2014. The pictorial representation below gives the representation of Section 135 (1). The above provision requires every company having such prescribed Net worth or Turnover or Net Profit shall be covered within the ambit of CSR provisions. The section has used the word "companies" which connotes a wider meaning and shall include the foreign companies having branch or project offices in India.

What to do when CSR is applicable?

Once a company is covered under the ambit of the CSR, it shall be required to comply with the provisions of the CSR. The companies covered under the Subsection 1 of Section 135 shall be required to do the following activities:

- As provided under Section 135(1) itself, the companies shall be required to constitute the Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee". The CSR Committee shall be comprised of 3 or more directors, out of which at least one director shall be an independent director.
- The Board's report shall disclose the compositions of the CSR Committee.
- All such companies shall spend, in every financial year, at least two percent of the average net profits of the company made during the three immediately 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, the proviso to the Rule provides 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 the 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.

How to form the CSR committee?

The CSR Committee constituted in pursuance of Section 135 of the Companies Act, 2013 shall be required to carry out the following activities:

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- Monitor the Corporate Social Responsibility Policy of the company from time to time.

The Objectives of the Policy:

This Policy shall be read in line with Section 135 of the Companies Act 2013, Companies (Corporate Social Responsibility Policy) Rules, 2014, and such other rules, regulations, circulars, and notifications (collectively referred hereinafter as Regulations') as may be applicable and as amended from time to time and will, inter-alia, provide for the following:

- Establishing a guideline for compliance with the provisions of Regulations to dedicate a percentage of the Company's profits to social projects.
- Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting.
- Creating opportunities for employees to participate in socially responsible initiatives.

Definitions:

In this Policy unless the context otherwise requires:

- "Act" means the Companies Act, 2013;
- "Annexure" means the Annexure appended to these rules;
- "Corporate Social Responsibility (CSR)" means and includes but is not limited to

Projects or programs relating to activities specified in Schedule VII to the Act or Projects or programs relating to activities undertaken by the board of directors of a company (Board) in pursuance of recommendations of the CSR Committee of the Board as Per declared CSR Policy of the company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.

- "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act

- "CSR Policy" relates to the activities to be undertaken by the company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of a company.
- "Net profit" means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely :-
- Any profit arising from any overseas branch or branches of the company' whether operated as a separate company or otherwise;
- Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:
- Provided that net profit in respect of a financial year for which the relevant financial
- Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

CSR activities?

The Policy recognizes that corporate social responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of the underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014:

- Health care.
- Promoting Education, including special education & and employment enhancing vocation skills.
- Promoting gender equality, and empowering women.
- Providing with hospital and dispensary facilities.
- Ensuring environmental sustainability, and ecological balance.

The Above list is illustrative, not exhaustive. All activities under CSR activities should be environmentally friendly and socially acceptable to the local people and Society. Contribution towards the C.M relief fund shall be a part of CSR activities above 2% of Net profit other than the activities mentioned above. Further Ministry of Corporate Affairs vide Notification dated 24.10.2014 increased the scope of contribution made towards Corporate Social Responsibility Activities namely:

The Board of Directors of **Garuda Power Pvt. Ltd.** Constituted the "Corporate Social Responsibility Committee" at the meeting held on________________, consisting of two directors, out of which at least one director shall be an independent director. The Committee will review and amend this Policy from time to time. This Policy will be applicable to our organization. Corporate Responsibility is one of the six core values of the Company, with a focus on "serving and improving the communities in which we live".

Our Goal:

1. To develop and deploy sustainable and scalable solutions, with the potential to be replicated across the communities, in order to make them self-reliant.

2. Senior leaders, are to be engaged in relentlessly improving the communities in order to make them better places to live and work.
3. To create an atmosphere of trust and collaboration by partnering with our stakeholders to drive community improvement.
4. To develop a structured approach using special analytical tools in identifying and implementing various projects.

Corporate Responsibility at the Company:

Corporate citizenship is a natural extension of our values and personality. For a brand that is all about Dependability, the Company recognizes the symbiotic relationship between the various stakeholders to strengthen communities. The Company clearly recognizes the long-term benefits of such an association over tangible results in the short term. The CSR Committee ensures that the activities undertaken by the Company are in line with the activities mentioned under the Companies Act, 2013 and Rules framed there under. With the focus on serving and improving the communities in which we live, our organization articulates its perspective on Corporate Responsibility as follows:

- To evaluate the impact of our business decisions and practices on all of the stakeholders and recognize our responsibility to each one.
- Practice the highest standards of corporate citizenship by always acting ethically, and with integrity.
- To achieve success by demonstrating our values, and utilizing our talents and resources to drive improvement in the communities.

As is evident in our company, the commitment to Corporate Responsibility is not just a practice, but essentially the way business must be conducted. It is our sustainable engagement to make a significant impact. The surplus arising out of the CSR projects programs or activities shall not form part of the business profit of our company.

The Geographic Reach:

Our organization shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility. Our organization will thus give preference to conducting CSR activities have its operations. However, the Committee may identify such areas other than those stated above, as it may deem fit, and recommend it to the Board for undertaking CSR activities.

CSR Committee:

The CSR Committee will consist of four Directors, who shall meet at least twice a year to discuss and review the CSR activities and policy. The quorum shall be two members required to be present for the proceeding to take place. Committee members are:

- D R Deshpande (Chairman)
- Abhay Jayant (CFO)
- Abhyuday Kumkarni (CEO)
- Jaspinder Chahal (Director)

Scope and Functions of CSR Committee:

The CSR committee will recommend this formal CSR Policy, and this document will recommend particular CSR activities, set forth a budget, describe how the company will implement the project, and establish a transparent means to monitor progress.

Implementation:

The investment in CSR should be project-based and for every project time frame, periodic mile stones should be finalized at the outset.

Project activities identified under CSR are to be implemented by Specialized Agencies and generally not by the associates of our organization.

Such specialized agencies would include:

i) Community-based organization whether formal or informal

ii Elected local bodies such as Panchayats

iii) Voluntary Agencies (NGOs)

iv) Institutes/Academic Organizations

v) Trusts, Mission etc

vi) Self-help groups

vii) Government, Semi Government and Autonomous Organizations

viii Standing Conference of Public Enterprises (SCOPE)

ix) Mahila Mondals/Samitis and the like contracted agencies

Focus Areas:

Garuda Power has identified three areas of focus that provide the best platform to add value.

A. **Education:**

- Support to Technical/Vocational Institutions for their self-development.
- Academic education by way of financial assistance to Primary, Middle and Higher Secondary Schools.
- Adult literacy amongst those belonging to BPL.
- Awareness Programs on Girl Education.
- Counseling of parents.
- Special attention on education, training, and rehabilitation of mentally & and physically challenged children/persons.
- Spreading legal awareness amongst people and disadvantageous sections of the Society about their rights & and remedies available.
- Promotion of Professional Education by setting up educational Institutions offering courses in Eng, Nursing, and Management.
- Medicine and in Technical subjects etc.
- Provide fees for a period of one year or more to the poor and meritorious, preferably female students of the school in the operational area of the Company to enable them to get uninterrupted education.

B. **Health Care Organizing, Health Awareness Camps:**

- AIDS TB and Leprosy.

- Social evils like alcohol, smoking, drug abuse, etc.
- Child and Mother care.
- Diet and Nutrition.
- Blood donation camps.
- Diabetic's Detection & Hypertension Camps.
- Family Welfare.
- Senior Citizen Health Care Wellness Clinics.
- Fully equipped Mobile Medical Vans.
- Tele medicine.
- To supplement the different programmes of Local/State Authorities.
- Along with De-addiction centers.

C. Environment:

- Organizing sensitizing programmes on Environment Mgt & Pollution Control.
- Green Belt Development.
- A forestation, Social Forestry, Check Dams, Park.
- Restoration of mined-out lands.
- Development of jobs related to agro product i.e. Dairy/Poultry/farming and others.
- Plantation of saplings producing fruit.
- Animal care.

D. Sports And Culture:

- Promotion of Sports and Cultural Activities for participation at the State and National level.
- Promotion/Development of sports activities in nearby villages by conducting Tournaments like Football, Kabaddi and Khokho, Cricket etc.
- Providing sports materials for Football, Volleyball, Hockey sticks, etc. to the young and talented villagers.
- Promotion of State level teams.
- Sponsorship of Cultural events to restore Indian Cultural Traditions and Values.

Annual spends/allocation of Funds Annual Spends/Allocation of Funds:

1. Our organization is ready to spend not less than 2% of the average Net Profits of the company made during the three immediately preceding financial years. The surplus arising out of the CSR activity will not be part of the business profits of the company. The corpus would thus include the 2% of average net profits, as aforesaid, any income arising therefrom and surplus arising out of CSR activities.
2. The company may build CSR capacities with the help of associates and/or those of its implementing agencies through Institutions with established track records of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of our company in one financial year.
3. However if our organization ceases to be covered under sub-section (1) of Section 135 of the Act for three financial years, then it shall not be required to, comply with the

provisions laid down under sub-section (2) to (5) of the said section, till such time it meets the criteria specified in sub-section (1) of the Act.

Budget:

1. The Board of Directors ensures that in each financial year, the organization spends at least 2% of the average Net Profit made during the three immediate preceding financial years. "Net profit" means the net profit as per the financial statement of the company prepared in accordance with the applicable provisions of the Act.
2. As per section 135 of the Companies Act, our organization will report reasons for under underspending of the allocated CSR budget for the current financial year in the template provided by the Ministry of Corporate Affairs. This reporting will be done Annual Report and signed off by the Board of Directors.
3. In case of any surplus arising out of CSR projects, the same shall not form part of the business profits of the Company.

Funding:

1. As per the regulations our company will set aside, for annual CSR activities, an amount equal to 2% of the average net profits of our company made during the three immediately preceding financial years. Any unutilized CSR allocation fund of a particular year will be carried forward to the next financial year i.e. the CSR budget will be non-lapsable in nature.

2. The tax treatment of CSR spent will be in accordance with the Income Tax Act, 1961 as may be notified by the central board of Direct taxes.

Administration of CSR Project:

Organizations meet their CSR obligations by funneling their activities on their own or through a third party, such as a society, trust, foundation, or Section 8 company (i.e., a company with charitable purposes) that has an established record of at least five years in CS-like activities. Our organization may also collaborate and pool their resources. The Managing Director will have the power to sanction any project for CSR up to a limit of 7.5 lakhs, above which the Board's approval will be required to sanction the amount.

Amendments to the Policy:

The Board of Directors on its own and/or on the recommendation of the CSR committee can amend its policy as and when required and deemed fit. Any or all provisions of CSR Policy would be subjected to revision/amendment in accordance with the regulations on the subject as may be issued from relevant statutory authorities, from time to time.