

# **CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY**



# **BEML LIMITED**

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*The Board of Directors of BEML Limited in its 373<sup>rd</sup> meeting held on 23.04.2021 has approved the amendments to the “Corporate Social Responsibility Policy” based on Section 135 of Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, as amended from time to time.*

#### **SHORT TITLE & APPLICABILITY**

This policy, which encompasses the Company’s philosophy for delineating its responsibility as a corporate citizen and lays down the guidelines and mechanism for carrying out socially useful activities / projects and programs for welfare & sustainability and development of community at large, preferably at local areas and in its areas of operation, it is titled as “BEML CSR Policy”.

This policy shall apply to all CSR projects, activities and initiatives taken-up at all units/zonal offices/ Regional / District offices/ Work Centers and locations of BEML, or any other location as may be decided by the Company for the benefit of different segments of the society.

#### **VISION STATEMENT & OBJECTIVES**

##### **VISION**

“To commit for enhanced value-creation for the Society, our shareholders, other stakeholders and the communities by taking-up activities and initiatives for sustainable growth for the Society, with environmental concern”.

##### **OBJECTIVES**

To ensure an increased commitment at all levels in the organization, operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of all its stakeholders.

To directly or indirectly take up programs that benefit the communities in & around its units / Zonal offices /Regional / District offices/Work Centers and results, over a period of time, in enhancing the quality of life & economic well-being of the local population.

To generate through its CSR initiatives, a community goodwill for BEML and help reinforce a positive & socially responsible image of BEML as a corporate entity.

## **DEFINITIONS:**

- (1) "Act" means the Companies Act, 2013;
- (2) "Administrative overheads" means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme;
- (3) "Annexure" means the Annexure appended to these rules;
- (4) "Corporate Social Responsibility (CSR)" means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in these rules, but shall not include the following, namely:-

- (i) activities undertaken in pursuance of normal course of business of the company:

Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that (a) such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act; (b) details of such activity shall be disclosed separately in the Annual report on CSR included in the Board's Report;

- (ii) 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;
  - (iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act;
  - (iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);
  - (v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
  - (vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India;
- (5) "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act;

- (6) "CSR Policy" means a statement containing the approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan;
- (7) "International Organisation" means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply;
- (8) "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: -
- (i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
  - (ii) 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 in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381, read with section 198 of the Act;
- (9) "Ongoing Project" means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall 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;
- (10) "Public Authority" means 'Public Authority' as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005);
- (11) "section" means a section of the Act.
- (12) 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 COMMITTEES**

BEML shall have a CSR Committee of Board consisting of three or more directors out of which at least one Director shall be an Independent Director.

The Board's report under section 134(3) shall disclose the composition of the Corporate Social Responsibility Committee.

Note : However, in case where the amount to be spent by a company under does not exceed fifty lakh rupees, constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee shall, in such cases, be discharged by the Board of Directors of such company."

Further to assist and take CSR Activities forward, the following sub-committees are formed:

- i. Corporate CSR Committee: shall consist of team under the Chairmanship of an Executive preferably in the level of Executive Director / Chief General Manager, as may be nominated by the Management.
- ii. Divisional CSR Committee: shall consist of team of officers under the Chairmanship of Complex Head / Divisional Head as may be nominated by Management.

For carrying out the CSR Projects / Activities, the Committees will meet as per the following schedules:

CSR Committee of the Board	: At least one meeting in a financial year.
Corporate CSR Committee	: At least one meeting in a financial year.
Divisional CSR Committee	: Once a month

#### **AREAS OF CSR & SUSTAINABLE DEVELOPMENT (SD) ACTIVITIES**

- (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government 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 & 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 & water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- (v) Protection of national heritage, art & culture including restoration of buildings, sites of historical importance and works of art; setting-up public libraries, promotion and development of traditional arts and handicrafts;

- (vi) Measure for the benefit of the armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;
- (vii) Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
- (viii) Contribution to the Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES 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) a ) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and  
 b) Contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies established under Department of Atomic Energy (DAE), Department of Biotechnology (DBT), Department of Science and Technology (DST), Department of Pharmaceuticals, Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy (AYUSH), Ministry of Electronics and Information Technology and other bodies, namely Defence Research and Development Organisation (DRDO), Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs);
- (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.

- (xii) Disaster management, including relief, rehabilitation and reconstruction activities.

### **FUNDING & ALLOCATION**

- (i) For achieving CSR objectives, the Board of the Company 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.
- (ii) The Company shall give preference to the local area and areas around it where it

operates, for spending the amount earmarked for Corporate Social Responsibility activities:

- (iii) Further, 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 and, unless the unspent amount relates to any ongoing project, transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year. Provided also that if the Company spends an amount in excess of the requirements provided in the Act, Company may set off such excess amount against the requirement to spend for three succeeding financial years.
- (iv) For achieving CSR objectives, the annual budget and also action plan for the current year as recommended by CSR Committee to be approved by the Board. The annual budget allocated on a yearly basis will be utilized to carryout activities / projects relating to the CSR Areas as per the CSR plan for the year.
- (v) Any amount remaining unspent pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the Company within a period of thirty days from the end of the financial year to a special account to be opened by the Company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the Company in pursuance of its obligation towards the Corporate Social Responsibility 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, within a period of thirty days from the date of completion of the third financial year.
- (vi) Until a fund is specified in Schedule VII for the purposes of subsection (5) and (6) of section 135 of the Act, the unspent CSR amount, if any, shall be transferred by the company to any fund included in schedule VII of the Act.

### **IMPLEMENTATION**

- (i) CSR programs will be undertaken by Corporate Office / various Complexes /Divisions, zonal offices/Regional Offices / District offices/ Work Centers of BEML giving preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.
- (ii) The time period/duration over which a particular program will spread, will depend on its nature, extent of coverage and the intended impact of the program.
- (iii) Programs which involve considerable financial commitment and are undertaken on a time frame of 2-5 years, will be considered as 'flagship programs' and accorded enhanced significance.

- (iv) In addition, multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall 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 will be called “On-going projects”.
- (v) By and large, preference will be given for the CSR programs to be executed in and around the areas adjoining BEML Complexes /Divisions/ zonal offices/Regional / District offices/ Work Centers, including Corporate Office.
- (vi) Whenever possible, initiatives of State Governments, District Administration, Local Administration as well as Central Government Departments Agencies, Self-Help Groups, etc., would be dovetailed and synergized with the initiatives of by BEML.
- (vii) The Board shall ensure that the CSR activities are undertaken by the company itself or through –
  - a) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), 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
  - c) any entity established under an Act of Parliament or a State legislature; or
  - d) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.
- (viii) Every entity, covered under (vii) above, who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01st day of April 2021. Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice. On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically. Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice. On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.



- (ix) As per Rule 4(3), Company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.
- (x) Company may also collaborate with other companies for undertaking projects or programmes 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 programmes in accordance with these rules.
- (xi) The Board of the Company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.
- (xii) In case of ongoing project, the Board of BEML shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.
- (xiii) The process for implementation of CSR programs will involve the following steps:

A. Identification of programs by means of any of the following :

- a. Need identification studies by professional institutions/agencies
- b. Internal need assessment by cross-functional team at the local level
- c. Receipt of proposals / requests from District Administration/local Govt. etc.
- d. Discussions and request with local representatives/Civic bodies / Citizen's forums / Voluntary Organizations.
- e. Proposals as identified by the company in any other manner.

B. Project based approach: BEML Corporate Office / Complexes /Divisions/ zonal offices/Regional/ district offices/ work centers 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 : up to 1 year

Middle Term : 1 year to 2 years

Long Term : 2 years and above

On-Going Projects : multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall 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.

(xiv) While identifying long term programs, all efforts be made to the extent possible to define the following:

- a. Program objectives
- b. Baseline survey – It would give the basis on which the outcome of the program would be measured.
- c. Implementation schedules- Timelines for milestones of the program will need to be prescribed
- d. Responsibilities and authorities
- e. Major results expected and measurable outcome.
- f. Evaluation of the project implementation/ completion

### **POWERS FOR APPROVAL**

CSR programs as may be identified by Corporate Office / Complexes / Divisions / Zonal Offices / Regional Offices / District Offices / Work Centers / Corporate CSR Department will be required to be put up to the CSR Committee of the Board at the beginning of each financial year i.e., during 1st quarter with due recommendations and the Committee will make proposal for the approval of the Board.

The Board may alter such plan at any time during the financial year as per the recommendations of the CSR Committee, based on reasonable justification to that effect.

### **CSR EXPENDITURE**

- (i) The Board of the Company shall satisfy itself that the funds so disbursed have been utilized for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.
- (ii) In case of ongoing project, the Board of BEML shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.
- (iii) The Board shall ensure that the administrative overheads towards CSR shall not exceed five percent of total CSR expenditure of the company for the financial year.
- (iv) Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

- (v) Where a company spends an amount in excess of requirement provided under section 135(5), such excess amount may be set off against the requirement to spend under section 135(5) up to immediate succeeding three financial years subject to conditions that
  - a) The excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule 2 of this rule.
  - b) The Board of the company shall pass a resolution to that effect.
- (vi) The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by –
  - a. A company established Ru/s 8 of the Act, or a Registered Public Trust or Registered Society having charitable objects and CSR Registration Number under rule 4(2); or
  - b. Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
  - c. A public authority

#### **MONITORING & FEEDBACK**

- (i) The Board of the Company shall satisfy itself that the funds so disbursed have been utilized for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.
- (ii) In case of ongoing project, the Board of BEML shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.
- (iii) The progress of CSR programs under implementation will be reported to Corporate Office on a monthly basis.
- (iv) In case BEML is having average CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of the 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.
- (v) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR. Under the above circumstances, BEML undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.

(vi) BEML Corporate Office/ Complexes/Divisions/Zonal Offices/Regional /District Offices/Work Centers will also obtain feedback from beneficiaries about the programs.

(vii) The Board of the Company shall (i) after taking into account the recommendations made by the CSR Committee and approve the CSR Policy and disclose the contents of such Policy in its report and also place it on the Company's website. (ii) ensure that the activities as are included in CSR Policy of the Company are undertaken by the Company.

(viii) The Board's Report of the Company pertaining to any financial year shall include an annual report on CSR containing particulars specified in **Annexure**.

(ix) The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

## **ROLES & RESPONSIBILITIES**

While each BEML Limited employee has a responsibility to abide by the fundamental principles outlined in this document, specific responsibility for implementation is assigned as follows:

### **1. LINE MANAGEMENT**

Line managers are responsible for CSR implementation and for communicating the basic principles of this Corporate Directive to all employees in their units.

### **2. BUSINESS UNITS**

To ensure that our business practices are in accordance with these basic principles, each Business Unit shall integrate relevant CSR issues into its strategy development.

Challenges related to CSR shall be evaluated in connection with the yearly business planning process. If relevant, goals and targets should be established.

Operational guidelines for CSR shall be developed when appropriate and according to the specific challenges and characteristics of each Business Unit. Each Business Unit is responsible for developing and maintaining adequate organizational capabilities to ensure compliance with this Corporate Directive.

### **3. CORPORATE CSR DEPARTMENT**

Corporate CSR Department forming part of HR function is responsible for developing CSR Plan and reporting guidelines, monitoring internal performance, and for providing general support to the Business Complexes /Divisions/ Zonal / Regional / District Offices.

Corporate CSR Department is also responsible for coordinating external reporting at a corporate level and for developing and maintaining relationships with other companies, institutions and organizations in order to share knowledge and competence.

#### **4. CSR COMMITTEE OF THE BOARD**

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely :

- (a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- (b) the manner of execution of such projects or programmes;
- (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- (d) monitoring and reporting mechanism for the projects or programmes; and
- (e) details of need and impact assessment, if any, for the projects undertaken by the company:

Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect”.

#### **5. CORPORATE CSR COMMITTEE**

The Corporate CSR Committee will assist the CSR Board Sub-Committee through :

- (a) Allocation of budgets for each Division
- (b) Finalizing and recommending projects each year for the approval of the Management and Board
- (c) Monitoring implementation & progress of the projects undertaken during the year
- (d) Reviewing of the projects undertaken for the year and the new projects proposed during the course of the year.

#### **6. COMPLEX / DIVISIONAL CSR COMMITTEE**

The Complex / Divisional CSR Committee will carry out the following responsibilities towards achieving the CSR Goals of the Company:

- (a) Identification of projects along with budgetary estimations for their respective Divisions
- (b) Submission of the projects to the Corporate CSR Committee for finalizing the projects prior to obtaining the approval of the Management
- (c) Implementation of the projects
- (d) Reporting of the progress of the projects on timely basis and final report for review by the Corporate CSR Committee.

**PENALTY:**

- (i) If the Company is in default in complying with the provisions of sub-section (5) or sub section (6) of Section 135 of the Companies Act, 2013, the Company shall be liable to a penalty of twice the amount required to be transferred by the Company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and
- (ii) Every officer of the Company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the Company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.

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