
CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY POLICY

January, 2020



Ircon International Limited

(CIN - L45203DL1976GOI008171)

(A Govt. of India Undertaking)

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CSR and Sustainability Policy

1. About Ircon International Limited:

- (i) Company Brief: Ircon International Limited (IRCON), a government company incorporated by the Central Government (Ministry of Railways) under the Companies Act, 1956 on 28th April, 1976 originally under the name Indian Railway Construction Company Limited, is the leading turnkey construction company in the public sector known for its quality, commitment and consistency in terms of Performance.

IRCON has widespread operations in several States in India and in other countries like Malaysia, Nepal, Bangladesh, Mozambique, Ethiopia, Afghanistan, UK, Algeria & Sri Lanka, Bhutan etc.

- (ii) Vision: To be recognized nationally and internationally as a construction organization comparable with the best in the field covering the entire spectrum of construction activities and services in the infrastructure sector.

- (iii) Mission:

a) To effectively position the Company so as to meet the construction needs of infrastructure development of the changing economic scene in India and abroad.

b) To earn global recognition by providing high quality products and services in time and in conformity with the best engineering practices.

2. History

DPE had issued guidelines on implementation of Corporate Social Responsibility in 2010 making CPSEs responsible with respect to corporate performance measured in terms of economic impact, social impact and environmental impact – commonly called the **Triple Bottom Line**. The guidelines were later modified by DPE in December 2012 applicable since 01.04.2013.

Thereafter in way of the Companies Act, 2013 these guidelines were again modified in line with the applicable provisions of CSR Rules issued by Ministry of Corporate Affairs and Schedule VII of the Companies Act 2013. The modified guidelines were issued on 21st October 2014 to be effective from 01.04.2014.

3. General

- 3.1 Pursuant to the gazette notification dated 27th February 2014, the provisions of Section 135 of the Companies Act 2013 (hereinafter referred to as 'the Act') and the Companies (Corporate Social Responsibility Policy Rules, 2014, which has come into force w.e.f. 1st April 2014. Thus, this CSR & Sustainability Policy is effective from Financial Year 2019-20 onwards till modified.

- 3.2 Corporate Social Responsibility (CSR) is a company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical concept whereby organizations serve the interests of society by taking responsibility for the impact of their activities, and it includes Sustainability. This CSR Policy is treated as CSR cum Sustainable Development Policy as CSR includes Sustainability matters as per Schedule VII of the Companies Act. This also fulfills the requirement of DPE Guideline on CSR and Sustainability and is to be treated as CSR and Sustainability Policy in compliance with DPE Guidelines.

As expected to act in a socially, economically and environmentally sustainable manner at all times, even in its normal business activities IRCON will try to promote sustainable development through sustainability initiatives by conducting business in a manner that is beneficial to both, business and society.

- 3.3 Stakeholders include employees, investors, shareholders, customers, business partners, clients, civil society groups, Government and non-government organizations, local communities, environment, and society at large.
- 3.4 The thrust of CSR will clearly be on capacity building, empowerment of communities, inclusive socio-economic growth, environment protection, promotion of green and energy efficient technologies, development of backward regions, and upliftment of the marginalized and under-privileged, neglected and weaker sections of the society which comprise of SCs, STs, OBCs, minorities, BPL families, old and infirm, women/girl child, physically challenged etc.
- 3.5 The philosophy and spirit of CSR and sustainability should be understood and imbibed by the employees at all levels and get embedded in the core values of the company.
- 3.6 IRCON would generate awareness among all levels of its staff about CSR activities and the integration of social and environmental processes with business process, by adequate training/seminars and re-orientation.
- 3.7 CSR & Sustainability Committee of the Board shall comprise of three or more directors out of which at least one shall be independent director who shall be the Chairman of the committee. Committee shall have one Director other than a functional Director and its Chairman) with finance and accounting background.
- 3.8 The CSR & Sustainability Committee shall be assisted by a Nodal Officer, not below the rank of General Manager (to be called Nodal Officer for CSR & Sustainability) in implementation of CSR activities. The designated Nodal Officer shall

(a) facilitate coordination of CSR activities of all the departments as per policy directives.

(b) regularly put up the status of implementation of CSR activities to the board level committee (i.e. CSR & Sustainability Committee).

(c) obtain the proposals from project offices and from other sources including the representatives of NGOs and put up the same before CSR & Sustainability Committee for recommendation for approval from BoD.

(d) disclose the content of CSR & Sustainability policy and periodical reports as per the DPE guidelines.

3.9 Head of HR Function of the company shall be the Nodal officer mentioned here into who will be assisted by a team of officials that shall include at least one with finance and accounting background. Nodal officer shall have authority to seek any technical advice and support from any officials of the company in effective discharge of duties under this policy.

3.10 At each project of IRCON, a project level CSR implementation committee i.e. CSR Committee at PIU (Project Implementation Unit) level would be constituted that would be headed by Project Head and the Committee will comprise three or more members including a member from Finance. The broad functions the PIU level Committee shall be as under:

a) Identify CSR activities/ projects in the periphery of Company's project areas based on need assessment survey and forward project/ program proposals to the Nodal Officer for consideration and approval of the CSR & Sustainability Committee of the Board.

b) Arrange and Monitor the implementation of CSR projects/ programs approved by the CSR & Sustainability Committee of the Board and shall also submit periodic reports to the Nodal Officer.

c) Coordinating with external agencies and providing necessary support in surveys, studies, preparation of reports, audit and in implementation of the CSR activities

4. Planning/selection of projects

IRCON would consider the following parameters for identification/selection of CSR activities / schemes / projects:

4.1 In selection of activities the focus should be on the social, economic and environmental impact thereof, rather than mere output or outcomes. As mentioned in the Act, IRCON will give preference to the 'Local Area' in selecting the location of CSR activities. The Board of Directors will decide the scope of the 'Local Area' of IRCON's commercial units/ plants/ projects keeping in view the nature of commercial operations, the extent of the impact of the operations on society and environment, and the suggestions/ demands



of the key stakeholders, especially those who are directly impacted by the IRCON's commercial operations/ activities.

- 4.2 Locating CSR projects around project sites would provide an opportunity to connect with the people, environment & other stake holders who are closely impacted by construction activities. Not only it makes easier to mobilize resources required for execution of CSR projects, but it also offers an advantage of monitoring the implementation of planned activities in line with Project Implementation Unit (PIU).
- 4.3 After giving due preference to the 'Local Area', IRCON may also undertake CSR activities anywhere in the country. As decided by the Board of Directors, an indicative ratio of 75:25 in terms of the fund allocation, wherein 75 refers to the percentage of budget to be spent in the defined 'Local Area' and 25 to the rest of the country shall be maintained.
- 4.4 As a part of stakeholder engagement, at the initial stage of planning & selection of CSR activities, consultation with State Govt. /Local Administration and Gram Sabhas at village level in rural areas, may be held. IRCON will devise a communication strategy for regular dialogue and consultation with key stakeholders to ascertain their views and suggestions regarding the CSR activities and sustainability initiatives undertaken by the company.
- 4.5 CSR activities would be undertaken in project/programme mode. One-off event such as marathons/ awards/ charitable contribution/ advertisement/ sponsorship of TV programmes etc. would not be qualified as part of CSR expenditure.
- 4.6 To fully exploit the core competence of IRCON and mobilize its resource capabilities in the implementation of CSR activities /projects, company can align its CSR & Sustainability policy with its business policies and strategies to the extent possible, and will select such CSR activities /projects which can be better monitored through in-house expertise.
- 4.7 For optimal use of resources, the Company may join hands with other CPSEs for mega projects which would have greater visibility, more number of beneficiaries, and long terms visible impact.
- 4.8 Swachh Bharat Kosh or Clean Ganga Mission: Any such activity as notified by Government of India to qualify as valid CSR expenditure will be considered while selecting the CSR activities from projects.
- 4.9 Guidelines by Ministry of Railways for taking up the CSR activities within the railway premises will be given due consideration by allocation of the fund and for selection of CSR activities provided these are not inconsistent with extant rules and regulations.

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- 4.10 Activities undertaken in pursuance of the CSR & Sustainability policy must be relatable to Schedule VII of the Companies Act 2013; the entries in the said Schedule VII must be **interpreted liberally** so as to capture the essence of the subjects enumerated in the said Schedule.
- 4.11 PIU will interact with stakeholders like State Administration, Local representatives, Gram Sabha etc. for not only the identification of the activities but also in briefing them about the outcomes of the works implemented under CSR.
- 4.12 Observance of transparency and due diligence in the selection and implementation of activities under CSR shall be ensured.
- 4.13 The projects will be taken up based on the viability, relevance to societal needs, outlay, beneficiaries, reach and coverage in the companies act, 2013.
- 4.14 As per the budget availability, the proposals will be processed by CSR Department and placed before CSR & Sustainability Committee for its recommendation for approval from BoD.

The Company may supplement the efforts of the Government in crossing the 'last mile' for achieving the targets / goals, if it is accurately assessed that the resource gap and inadequate capacities are critical constraints in achieving the targets / goals of a particular government scheme / initiative / welfare project. Here also, there should be no duplication in allocation of funds.

5 . CSR Budget and Expenditure

- 5.1 The CSR Budget shall be fixed for each financial year with the approval of the BoD. The CSR spending shall be at least 2% of the average net profits (from Indian projects) of the company made during the immediately preceding three financial years. Every endeavor shall be made to spend the entire yearly budget on CSR activities in that year itself.
- 5.2 "Net Profit" means the net profit of a company as per its financial statements prepared in accordance with section 198 of the Act or any other applicable provision, 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:
- 5.3 The expenditure incurred on brochures, Surveying, Sustainability reporting, capacity building programmes such as training, workshops, seminar etc. and on communication strategies for engagement of all stakeholders shall be accounted under head 'CSR'. However, the expenditure incurred on baseline



survey and impact assessment study should be within the overall limit of 5% of administrative overheads of CSR spending or as provided for under the CSR Rules.

- 5.4 Contribution to Corpus of a Trust/ Society/ section 8 companies etc. will qualify as CSR expenditure as long as
- (a) the Trust/ Society/ section 8 companies etc. is eligible to undertake CSR activities and is created exclusively for the said purpose ; or,
 - (b) Where the Corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act.
- 5.5 Expenses incurred by companies for the fulfillment of any Act/Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not be account as CSR expenditure.
- 5.6 Salaries paid by companies to regular CSR staff as well as to volunteers of the companies (in proportion to company's time/hours spent specifically on CSR) may be factored into CSR project cost as part of the CSR expenditure.
- 5.7 Wherever Ircon is executing the project, expenses incurred on shifting and replacement or re-provisioning of utility (e.g. electricity, water, sanitation, etc.) on pathways shall be charged to the project, and be not accounted for as CSR Expenditure.
- 5.8 The Company may build CSR capabilities of its personnel or implementation agencies through institutions with established track records of at least three years, provided that the expenditure for such activities does not exceed 5% of the total CSR expenditure of the Company a financial year.
- 5.9 In case of failure to spend the allocated budget amount for CSR of any particular Financial Year, the reasons for not spending the amount shall be specified in the Board's Report. *However, such unutilized amount would not lapse and shall be carried forward to next year. However such carried forward amount will not reduce the mandated budget for 'next year'.*
- 5.10 The following expenditure, if so incurred, shall not be considered CSR Expenditure for the purpose of the Act and Rules made there under:
- (i) Expenditure on CSR projects / programs / activities undertaken outside India
 - (ii) the CSR projects / programs / activities that benefit only the employees of the company and their families
 - (iii) Contribution of any amount directly or indirectly to any political party.
- 5.11 While selecting CSR activities/projects from the activities listed in Schedule VII of the Act, priority will be given to the 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,

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education etc. The main focus of CSR & Sustainability policy will be on sustainable development and inclusive growth, and to address the basic needs of the deprived, underprivileged, neglected and weaker section of the society which comprises of SC, ST, OBC, minorities, BPL families, old or infirm, women/girl child, physically challenged etc. An indicative allocation of CSR budget shall be as under:

- 30% On Swachh Bharat, Clean Ganga, Environment Sustainability, water conservation, Sanitation (including activities with orientation towards railways, highways) or any other miscellaneous activity as approved by CSR Committee/ Board under this policy.
- 70% On School Education, Healthcare, Nutrition and activities coming in para no 10.1 (ix).

6 Baseline Survey & Documentation

6.1 Although baseline surveys are generally considered to be very useful scientific tools for a fairly exact measurement of such needs, baseline surveys will not be adopted for those cases where credible documentary evidence of having got the need assessment study done through IRCON's own resources or through some specialized agency, or having accessed reliable data in this regard from recognized authoritative secondary sources is available.

6.2 Meticulous documentation relating to proposals for CSR projects / programs / activities

The Project heads would be encouraged to prepare and submit proposals for CSR Activities in their respective project areas to the Nodal Officer, by end of November month, for processing and for approval, before it is placed before the CSR & Sustainability Committee.

7. Approval of CSR Activities

7.1 CSR & Sustainability Committee will recommend the areas and activities to be undertaken. The activities so approved and recommended by CSR & Sustainability committee shall be put up to BoD for its approval/ ratification.

Also in order to expedite the implementation of CSR activities recommended by the CSR & Sustainability Committee, Nodal Officer is authorized to take up the execution of the recommended CSR activities pending its approval from BoD. Howsoever, no financial commitment shall be made except with approval or ratification of BoD.



8 . Monitoring of CSR Activities

8.1 Functions of the CSR & Sustainability Committee

- (i) Formulate and recommend to the BoD, CSR & Sustainability Policy (on any amendment thereof) which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Act.
- (ii) Recommend the amount of expenditure to be incurred on the CSR activities.
- (iii) Monitor the CSR & Sustainability Policy and implementation of the CSR projects/activities approved by the BoD from time to time.

8.2 Monthly progress reports will be submitted by the project level committee to the Nodal Officer, who in turn compile the reports and put up the progress report to the CSR & Sustainability Committee / BoD for review.

9 . Implementation/Undertaking of CSR Activities

9.1 Those CSR activities, which are closely aligned with the strategy of the Company & the areas where the company has core competence, like creation of infrastructure, the implementation of CSR activity will be taken up with the Company's own manpower & resources, following the due procedure and transparency norms. In such cases evaluation shall be assigned to an independent external agency for sake of objectivity and transparency.

9.2 In other cases, where the Company does not have in-house expertise, the service of following external specialized agencies shall be obtained:

- (i) Voluntary Agencies (NGOs)
- (ii) Institutes / Academic Organizations
- (iii) Government, Semi-Government, autonomous Organizations
- (iv) Contracted agencies for civil works
- (v) Professional Consultancy Organizations, etc.
- (vi) Registered trust or society
- (vii) Company established by its holding, subsidiary or associate company.
- (viii) Holding, subsidiary or associate company established by other companies

9.3 The society/ trust /agency to be employed for implementation of CSR projects should have an established track record of minimum three years in undertaking similar projects or programs. In addition, while implementing CSR projects through specialized agencies, every possible effort would be made to verify the reliability and clean track record of such agencies and their selection would be done following the procurement guidelines as per Company Policy, unless and until a special policy is evolved by the BoD specifically for CSR activities.

The specialized agency shall fulfill the following qualifying criteria for the implementation /undertaking the CSR activities:

9.3.1 The specialized agency should possess a permanent office/address in India and the members should be predominantly Indian citizens.

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- 9.3.2 Should be registered under the Indian/ State Societies Registration act/ Trust Act/ Charitable and Religious Trust Act/ Section 25 of Companies Act, 1956 or Section 8 of Companies act, 2013/ district administration/ income tax/ service tax for more than three years with no political affiliations.
- 9.3.3 Agencies who undertake skill development training programme or vocation training courses shall have valid recognition from any Govt. department/Corporation/ Institution like NCVT or NSDA or similar directly under the control of Ministry of Skill Development & Entrepreneurship.
- 9.3.4 Experience profile of the agency should indicate similar experience of at least three years in successful completion of projects of Govt. / PSUs of similar nature/ value along with following turn over criteria
- CSR Projects up to Rs. 20 lakhs – Rs. 10 lakhs turnover in any of the preceding three years.
 - CSR projects beyond Rs. 20 lakhs – 100% of project value as turnover in any of the preceding 3 years.
- 9.3.5 Annual accounts of at least previous three years the agency must be audited by Chartered Accountant.
- 9.3.6 The agency should possess valid PAN number along with valid income tax exemption certificate of 12AA, 80G etc.
- 9.3.7 Agency shall further furnish the declaration for not being blacklisted by any Govt. department/ ministry/ PSU/ municipal body etc.
- 9.4 The Company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR committees of respective companies are in position to report separately on such projects or programs in accordance with these rules.
- 9.5 (i) Memorandum of Understanding (MOU) /Agreement is to be signed for every CSR project for the purpose of clarity even if the CSR project is being executed by IRCON. The said MOU/ Agreement should define time frame and deliverables.
- (ii) Before putting up new CSR proposals for approval for the next year, carried forward works of previous year along with amount approved by CSR & Sustainability Committee for such project, actual amount spent and commitment which is pending for execution should be put up.

10 . Key areas for selection of CSR activities

- 10.1 Keeping the main objective in view the following key areas are identified for implementation of CSR activities as per Schedule VII of the Companies Act, 2013 and as per the amendment notifications dated 11th October, 2019 issued further :-



- (i) eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach 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, and 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 centres 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 and water including contribution to the Clean Ganga Fund set-up by the Central Government for the rejuvenation of river Ganga;
- (v) protection of national heritage, art and culture, including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
- (vi) measures for the benefit of the family of war martyrs, armed forced martyrs, war widows and their dependents;
- (vii) training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
- (viii) contribution to Prime Minister's National Relief Fund or any other fund set up by the central government for socio-economic development and relief and welfare of the schedule castes, the schedule tribes, other backward classes, minorities and women;
- (ix) contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contribution to public funded Universities, Indian Institute of Technology (IITs) , National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agriculture Research (ICAR), Indian Council of Medical Research (ICMR) , Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Science and Technology (DST), Ministry of Electronic and Information Technology) 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.”

10.2 The surplus arising out of the CSR projects / programs / activities shall not form part of the business profits.

11 . Evaluation/Impact assessment

11.1 Upon completion, the CSR Projects shall be evaluated by an independent external agency in terms of achievement of goals.

11.2 Test of the success of any CSR activity / project shall be its social, economic or environmental impact thereof. Outcome related to the objective set at the time of need assessment study. As impact assessment study requires specialized skills and tools for advocacy research, it may be carried out by specialized agency.

12 . CSR Reporting and disclosure

12.1 The BoD of the Company shall, after taking into account the recommendations of the CSR & Sustainability Committee, approve the CSR & Sustainability policy for the Company and disclose its contents (i) in Board's Report (as an separate annual report on CSR); and (ii) on Company's website, as per the particulars mentioned under Section 135 of the Companies Act, 2013 and the Companies (CSR Policy) Rules, 2014 (attached as **Annexure I**). The said annual report on CSR broadly includes:

- (i) Brief outline of the company's CSR & Sustainability policy, including overview of the projects or programs proposed to be undertaken and a reference to the web link to the CSR policy and projects or programs.
- (ii) The composition of the CSR & Sustainability Committee
- (iii) Prescribed CSR budget and details of CSR expenditure made during the respective financial year.

**FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE
INCLUDED IN THE BOARD'S REPORT**

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
2. The Composition of the CSR Committee.
3. Average net profit of the company for last three financial years
4. Prescribed CSR Expenditure (two per cent. Of the amount as in item 3 above)
5. Details of CSR spent during the financial year.
 - (a) Total amount to be spent for the financial year;
 - (b) Amount unspent , if any;
 - (c) Manner in which the amount spent during the financial year is detailed below.

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|-------|-------------------------------------|--|---|---|---|--|---|
| S. No | CSR project or activity identified. | Sector in which the Project is covered | Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs. (2) Overhead s: | Cumulative expenditure upto to the reporting period. | Amount spent: Direct or through implementing agency * |
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| | TOTAL | | | | | | |

*Give details of implementing agency:

6. In case the company has failed to spend the two per cent. of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

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| Sd/- (Chief Executive Officer or Managing Director or Director) | Sd/- (Chairman CSR Committee) | Sd/- (Person specified under clause (d) of sub-section (1) of section 380 of the Act) (wherever applicable) |
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S. No. References:

- 1 Section 135 of the Companies Act, 2013
- 2 The Companies (Corporate Social Responsibility Policy) Rules, 2014
- 3 Schedule VII of the Companies Act, 2013 and amended schedule issued thereafter
- 4 Guidelines on Corporate Social Responsibility & Sustainability issued by DPE vide OM CSR-08/0002/2018-Dir (CSR); dated 10th December, 2018 and another OM CSR-08/0002/2018-Dir (CSR); dated 29th May 2019
- 5 Clarification issued by MCA vide General Circular No. 21/2014; dated 18th June 2014

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