

CSR POLICY

A. Background

With effect from April 1, 2014, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs. 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities in areas or subject specified in Schedule VII of Companies Act, 2013. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act.

B. CSR Policy

I. CSR Objectives

1. HPCL will give preference to CSR activities in local communities in and around areas of Company's operations viz. Refineries, Terminals, Depots, LPG Plants, Pipelines, Aviation Stations, Lube Blending Plants, Project locations and other offices etc.
2. HPCL will implement CSR activities to empower weaker, less privileged and marginalized sections of the society to create Social Capital.

II. ORGANIZATIONAL STRUCTURE

a. CSR and Sustainability Development Committee (CSR & SD Committee)

Corporation will have a Board Level Sub-Committee herein after referred to as CSR and Sustainability Development Committee (CSR & SD Committee) consisting of three or more Directors out of which at least one shall be an independent director.

The role/responsibilities of the **CSR and Sustainability Development Committee (CSR & SD Committee)** include:

1. Formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:-
 - (i) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Companies Act, 2013;
 - (ii) the manner of execution of such projects or programmes
 - (iii) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
 - (iv) monitoring and reporting mechanism for the projects or programmes; and
 - (v) details of need and impact assessment, if any, for the projects undertaken by the company:

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR and Sustainability Development Committee (CSR & SD Committee).

2. Approve programs / projects / activities with monetary value of more than Rs. 70 lakhs in each case

b. CSR Management Committee

Members of CSR Management Committee –

- Director – HR (Chairman)
- Head – HRD (Not below s/g H)
- Functional SBU Head for Mktg. & respective Refinery Heads for MR/VR
- Head – CSR
- Head – Corporate Finance (not below Salary Grade H)
- Chief Manager/DGM/GM CSR (Secretary)

The role/responsibilities of the CSR **Management Committee** include:

1. Review the proposals for CSR projects/programs/activities received from various locations.
2. Approve proposals of value from Rs. 40 lakhs up to Rs. 70 lakhs (in each case) against approved allocated budget.

c. CSR Working Committee

Members of CSR Working Committee –

- Head–CSR (Chairman)
- Head – HR Mktg.
- Member from HR Department of MR/VR as the case may be (Not below Salary Grade E)
- Chief/Senior Manager Corp Finance
- Chief Manager/DGM/GM CSR (Secretary)

The role/responsibilities of the CSR Working Committee include:

1. Review the proposals for CSR projects/programs/activities received from various locations.
2. Approve proposals of value less than Rs. 40 lakhs against approved allocated budget.

III. CSR FOCUS AREA PROJECTS / PROGRAMS /ACTIVITIES:

- a. Corporation's CSR focus areas are inspired by national developmental policies and international commitments of nation for development of children, women and weaker sections. HPCL's CSR focus areas are based on inspiration from legislations on Child Rights, Child Development and Education, National Health Policy and National Health Missions, Health Care in India- Vision 2020, National Skill Development Mission, and policies on community/rural development.

All projects/programs/ activities will be in the areas of:

1. Child Care
2. Education
3. Health Care

4. Skill Development
5. Sports
6. Environment & Community Development
7. (i.) 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

(ii.) 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 Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense 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).

- b. Any projects/programs activities in areas other than the above will be placed for approval of the Board of Directors.
- c. These projects/programs/activities shall be undertaken at any of the following:
 1. The Local development plan of HPCL which is in proximity to HPCL operation areas/locations.
 2. In Aspirational Districts notified by Government of India.
 3. Where there is a strategic connect for HPCL.
- d. CSR projects / programs / activities will be implemented itself or through -
 1. a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or
 2. 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
 3. any entity established under an Act of Parliament or a State legislature; or
 4. a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.
 5. Collaboration 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.

Implementation of the CSR projects or programs may also be undertaken by entering into Memorandum of Understanding (MoU) with implementing agencies.

Any entity, covered above that intends to undertake any CSR activity, should also meet the minimum eligibility criteria as follows:

- (i.) Registration with the Central Government by filing the form CSR-1 electronically with the Registrar.
- (ii.) Minimum three years of experience post registration of entity and established track record in handling activities of similar nature.
- (iii.) Experience of working with any Government Body or Public Sector Enterprise will be preferred.

However, the selection authority can request any other qualification on a mandatory basis from the applicants while selecting the implementing partners.

IV. FINANCIAL RESOURCES

a. Annual CSR Budget

In alignment with The Companies Act, 2013 the Corporation shall earmark as CSR Budget, at least 2% of the average of net profits of the company made during the three immediately preceding financial years.

b. Budgetary Allocations

1. 'Administrative Overheads' means expenses incurred for 'general management and administration' of Corporate Social Responsibility function but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme and shall not exceed 5% of the total CSR expenditure.
2. Balance budget will be for social activities
3. 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.
4. Based on Guidelines / Directives issued by various ministries / departments of Government of India
5. Amount spent in excess of minimum requirement as per Section 135, can be set off against the requirement to spend up to immediate succeeding three financial years subject to the conditions that –
 - a. the excess amount available for set off shall not include the surplus arising out of the CSR activities,
 - b. the Board of the company shall pass a resolution to that effect.

6. Ongoing Project means a multi-year project undertaken by Corporation in fulfilment of 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;

In case of such Ongoing project, the Board of Directors of Corporation 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.

V. MONITORING

a. The Board 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.

In addition to the above, Impact Assessment will be carried out of CSR projects having outlay of Rs. 1 Crore or more through an independent agency, subject to the condition that the projects have been completed not less than one year before undertaking the impact study. This is applicable in case of average CSR obligation of ten crore rupees or more as per section 135 of Companies Act, 2013 in the three immediately preceding financial years.

b. Corporation may engage international organisations (notified by the Central Government as an international organisation under section 3 of the United Nations Privileges and Immunities) Act, 1947 (46 of 1947)) for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of CSR personnel.

c. The impact assessment report shall be placed before the Board of Directors and shall be annexed to the annual report on CSR.

d. The expenditure towards impact assessment for respective financial year shall not exceed two per cent of the total CSR expenditure or fifty lakh rupees, whichever is higher.