

ANDREW YULE & COMPANY LIMITED

Policy Document on Corporate Social Responsibility & Sustainable Development

This Policy will come into force w.e.f. 1st April 2014.

1.0. CONCEPT

1.1 Andrew Yule & Company Limited (AYCL), a Government of India Enterprise, under the administration jurisdiction of Ministry of Heavy Industries & Public Enterprises has responsibilities to its Shareholders and Government for ensuring Profit, proper Corporate Governance and ensuring Public satisfaction for its goods and services as per the corporate objective of the Company.

1.2 Corporate Social Responsibility & Sustainable Development (CSR & SD) is a concept whereby Organizations serve the interests of the Society by taking responsibility for the impact of their activities on Customers, Employees, Shareholders, Communities and the Environment in all aspects of their operations.

CSR & SD as described under this document is a Company's commitment to operate in an economically, socially and environmentally sustainable manner, while recognizing the interests of its Stakeholders. This commitment is beyond Statutory Requirements. CSR is, therefore, closely linked with the practice of Sustainable Development. It extends beyond philanthropic activities and reaches out to the integration of social and business growth.

These activities are basically long term in nature with a specific focus and specific goals that will ensure specific benefit to the target groups.

1.3 Andrew Yule & Co. Ltd. which was established in 1963 always worked keeping in view its responsibility towards society even before there was formal Policy on CSR. The checkered history of Andrew Yule speaks eloquently of its various works for creating a better environment all around.

1.4 Ethical conduct of business lies at the core of responsible business. To promote organizational integrity it is essential that premium is placed on individual probity of employees; transparency in all activities, dealings and transactions is encouraged; unethical, corrupt and anti-competition practices are discouraged; temptation of quick returns and marginal gains in business through questionable means is resisted; and, position and situation that give rise to possible conflict of interest are avoided. The corporate enterprises are expected to subject their performance to scrutiny and audit by external agencies and should resort to public disclosure of all information for the benefit of all stakeholders. The company will disclose their CSR and Sustainability initiatives in their website. A brief summary of CSR and Sustainability activities should also be included in their Annual Report.

1.5 Andrew Yule as a Socially Responsible Public Sector Enterprise would like to take initiatives to :

- i) Promote organizational integrity and ethical business practices through transparency in disclosure and reporting procedures,
- ii) Leverage green technologies, processes and standards to produce goods and services that contribute to social and environment sustainability,
- iii) Contribute to inclusive growth and equitable development in society through capacity building measures, empowerment of the marginalized and underprivileged sections / communities,
- iv) promote welfare of employees and labour (casual or contractual), by addressing their concerns of safety, security, professional enrichment and healthy working conditions, whether mandated or otherwise. However, expenditure on mandated activities cannot qualify for CSR's financial components.

2.0. **PLANNING**

2.1 The philosophy and spirit of corporate social responsibility and sustainability must be firmly ingrained in the policy of the company. The policy document is a road map for formulation of the actionable plans.

2.2 The CSR and Sustainability plans and strategy are linked to the overall business plan of the Organization. For easy implementation, long term CSR and Sustainability plans should be broken down into medium-term and short-term plans. Each plan must specify the CSR and Sustainability activities planned to be undertaken for each year, define the responsibilities of the designated authorities to be engaged in this task, and also prescribe the measurable and the expected outcome and social / environmental impact of such activities.

- 2.3 The project allocated for CSR and Sustainability may be of short, medium and long term. The period of implementation of long term projects can extend over several years depending upon the expected outcomes / impact thereof. While planning for such long term projects the estimated total cost of each project need to be calculated and commit that amount for long term expenditure till the completion of the project. Each long term project would be required to be broken up into annual targets and activities to be implemented sequentially on a yearly basis, and the budget would have to be allocated and achievement of targets set for each successive year, till the final completion of the project.
- 2.4 From amongst the beneficiaries of CSR and Sustainability spend the stakeholders directly impacted by the operations and activities can rightfully stake a claim for attention before others. Such stakeholders are generally located in the periphery of commercial operations of the Company. The corporate social responsibility of the company towards these stakeholders extends beyond its legal obligation. For this reason, priority to these stakeholders could be considered while framing the CSR and Sustainability projects and preferences to be given to the project in the periphery of its commercial operations.
- 2.5 Locating the CSR and Sustainability projects near its commercial / production units provides an opportunity to the company to connect with the people, environment and other stakeholders closely impacted by its commercial operations. Besides, it makes it easier for the company to mobilize resources required for the execution of CSR and Sustainability projects. Moreover, it offers the advantage of exercising regular oversight from close quarters over the progress in the implementation of planned activities.
- 2.6 However, the Company may locate its CSR and Sustainability projects in any backward area of the country.
- 2.7 A decision first on the location / site of the CSR and Sustainability project may sometimes restrict the choice in the range and type of activities that it may be desirous of undertaking in that area. Therefore, rather than have a preference for location influence the choice of CSR and Sustainability activity should be based on its resource capability, determine the most suitable location of the CSR and Sustainability activity / project. However, while exercising preference of a particular location the interest of the stakeholders who are directly impacted by their commercial activities should not be ignored.

- 2.8 It is made clear that ad-hoc / one time / philanthropic activity, which does not contribute in any way to social value creation / environment protection or sustainable development should form a part of CSR and sustainability activities. Mere contribution to philanthropic, charitable and other organizations would not be considered a valid CSR activity. The only exception being contributions made for natural calamities / disasters and for meeting the emergency needs of employees of sick and loss making CPSEs in distress, not provided for under existing pay revision / wage settlement arrangements will consider as a valid CSR expenditure.
- 2.9 Although its possibility to select the CSR and Sustainability project from a vast range of available options, priority should be accorded to the activities pertaining to (i) inclusive growth to several weaker section of society and the backwards districts of the country and (ii) environmental sustainability. Hence, it will be mandatory to select one project in each of the two categories of CSR and Sustainability activities mentioned above.
- 2.10 In the first category of activities mentioned in the para above, CSR and Sustainability should focus on :
- (a) Capacity building;
 - (b) Skill Development and infrastructural development for the benefit of the marginalized and under privileged sections of the local communities and also in the backward regions so that avenues are created for their employment and income generation, and they also experience empowerment and inclusion in the economic mainstream.
- 2.11 In the second category of activities mentioned above, the company will have to plan for environmental sustainability and take up projects for water, waste or energy management, promotion of renewable sources of energy, biodiversity conservation etc. Project for reduction, re-use and recycle or waste materials, rain-water harvesting and replenishing the ground water supply, protection, conservation and restoration of eco-system, reduction of carbon emissions through energy efficient and renewable energy technologies, greening the supply chain, and innovation in products and services which have clear and tangible impact on environmental sustainability fall under this category of activities.
- 2.12 Preservation and promotion of heritage, art, music and culture in keeping with Indian tradition will form a valid CSR activity and therefore planning process should keeping in mind the local needs, incorporate these aspects suitably.

- 2.13 The Company if possible can take project jointly with other Public Sector Companies and pool their resources and take up projects which have greater, wider and long lasting visible impact.
- 2.14 Reputed and recognized, not-for-profit institutions which have the expertise and professional competence for conducting training, skill development and other capacity building activities that promote inclusive growth and sustainable development can be supported through CSR and Sustainability activities.
- 2.15 Documentary and other record of the progress made or success achieved in implementing these projects / activities should also be meticulously maintained for the purpose of audit, and for Sustainability reporting and disclosure to all stakeholders.
- 2.16 Ultimately, a decision regarding the selection of CSR and Sustainability activities and the site of its location, and the budgetary and other resource allocation for its implementation, is the sole discretion of the Board of Directors of the Company. It is for the management and Board of Directors to take into consideration the resource capabilities the expectations of the key stakeholders, the expected social, economic and environmental impact of the planned activities and then take a carefully calibrated decision with regard to CSR and Sustainability project and its location.
- 2.17 Based on the above, the main focus are identified by the Company are for :

Category (I)

- (a) Skill Development;
- (b) Drinking Water facility;
- (c) Adaptation of Villages;
- (d) Income generation project for women and people from weaker section of the Society;
- (e) Skill training Entrepreneurship Development for the youth;
- (f) Education and Skill Development for handicapped people.
- (g) Education for under-privileged children

Category (II)

- (a) Sustainability, Energy from Bio-waste;
- (b) Rain-water harvestation;
- (c) Renewable Energy;
- (d) Forestation

- 2.18 Selection of activities under CSR and SD Project will be made to ensure that the benefits reach to the smallest unit i.e. Village, Panchayat, Block or District depending upon the operation and resource capability of the Company.

- 2.19 The approach to CSR and SD will be based on a long-term sustainable approach. The Project Management and Monitoring Skills available with the Company will be shared with the NGOs and the local administration by training and setting up required structures and systems.
- 2.20 As total CSR and SD budget is below Rs. 1 Crore no base line survey is contemplated at this stage. However, base line survey will be taken up once the targeted expenditure on CSR and SD will cross Rs. 1 Crore.

3.0. **FINANCIAL COMPONENT**

- 3.1. Every year the Company shall with the approval of its Board of Directors make a budgetary allocation for CSR and Sustainability activities / projects for the year. The budgetary allocation will be based on the profitability of the company.

As per Section 135 of the Companies Act the Board shall ensure that the Company spends in every financial year at least 2% on average net profit of the Company made during the three immediately preceding financial year in pursuance of its Corporate Social Responsibility Policy provided that Company was given preference to the local areas around its operational areas for spending the amount earmarked for CSR activities. 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.

- 3.2. The budget allocated for CSR and Sustainability activities / projects planned for each financial year is expected to be spent within that year. If due to some reason, the budget of a year remains unutilized, the same would not lapse. Instead, it would be carried forward to the next year for expenditure on CSR and Sustainability activities, which were planned for implementation in the previous year, but could not be completed due to some reason. The reason for not being able to spend the entire budget on CSR and Sustainability activities as planned for that year should be disclosed and shall make every endeavour to spend the unutilized budget within the next two financial years. In case the Company is unable to spend the unutilized budge within the next two years the unspent amount would be transferred to a "Sustainability Fund" to be used for CSR and Sustainability activities. This 'Sustainability Fund' would be created separately.

- 3.3. Upto 5% of the annual budget for CSR and Sustainability activities has to be earmarked for Emergency needs, which would include relief work undertaken during natural calamities / disasters, and contributions towards Prime Minister's / Chief Minister's Relief Funds and/or to the National Disaster Management Authority. Such contributions would count as valid CSR and Sustainability activities. Also, Company may utilize this portion of CSR and Sustainability budget, or part thereof, to provide humanitarian assistance to the employees of other sick and loss making CPSEs whose employees are drawing salary / wages that are at least two pay revisions/wage settlements behind the current one and are in real distress and in need of emergency aid for survival. For this, the approval of the Board of Directors and the Administrative Ministry / Department would be required. In exceptional circumstances, supported by reasons recorded in writing and approved by the Administrative Ministry, the budgetary allocation under the provision of Emergency needs can be enhanced by 5% of the budget allocated for CSR and Sustainability activities in a particular year. However, such enhancement should not become a regular feature.
- 3.4. The Company will have 5% of their annual budget of CSR and Sustainability activities to meet the Emergency needs as specified in the para above. In case this amount is not utilized in the year of its allocation, it would be carried forward to the next year for CSR and Sustainability projects, which if not spent within two years would be transferred to the Sustainability Fund.
- 3.5. Generally, the employees of the Company should not be the direct beneficiaries of the activities undertaken with the budget allocated for CSR and Sustainability initiatives in any given year. However, an exception can be made in case of schools, hospitals, training institutes and other such infrastructure which are created primarily for environment protection and/or for the benefit of underprivileged communities, deprived sections and the society at large, but the facilities of which are availed by the employees of the Company and their families also, provided that the latter category does not constitute more than 25% of the total number of beneficiaries of such facilities. The capital cost involved in the creation of such facilities and the annual cost incurred on the maintenance of such infrastructure can be borne from the CSR and Sustainability budget of the company.
- 3.6. The expenditure incurred on baseline survey / need assessment study, on capacity building programs such as training, workshops, seminars, conferences, etc. and on corporate communication strategies for engagement of all stakeholders, whether internal or external, to implement the CSR and Sustainability agenda of a company, would be accounted for as CSR and Sustainability expenditure from the budget allocated for this purpose.

4.0. **IMPLEMENTATION AND MONITORING**

- 4.1. The company will have a board level committee consisting of three or more Directors out of which at least one Director shall be independent Director. The Board level committee headed by either Chairman or Managing Director or an Independent Director who will oversee the CSR and Sustainability policies of the company and assist the Board of Directors to formulate suitable policies and strategies to take the CSR and Sustainability agenda of the company forward in the desired direction.
- 4.2. To facilitate co-ordination of CSR and Sustainability initiatives the company will appoint a fairly senior Officer not less than one rank lower to the Board level as Nodal Officer. The designated nodal officer is expected to have a team of officials to assist him which will in no detract from the importance of CSR and Sustainability work in which all the supervisory staff in all the departments would be continuously engaged in. The composition of the team of officials constituted to assist the Nodal Officer is to be decided by the Board of Directors, or the Board level Committee.
- 4.3. The CSR and Sustainability activities will be monitored by a Group of Officials who will function as a Implementation Committee which will be headed by a Director who is also a member of the Board level Committee.
- 4.4. In case of Board level Committee on CSR and Sustainability is neither headed by the Chairman and/or the Managing Director, or by an Independent Director, and in case an Independent Director is not a member of this Committee, the Company would still have to allocate budget for CSR and Sustainability activities ever year, depending upon the profitability criteria as mentioned above. However, in such cases the entire amount allocated for CSR and Sustainability would be transferred to 'Sustainability Fund'.
- 4.5. The CSR agenda of the Company is essential mandate of the Company to conduct its business in a socially responsible way by maintaining high level of organizational integrity and ethical behavior; conforming to the expected standards of transparency in reporting and disclosing its performance in all the spheres of its activities; demonstrating concern for the welfare of its employees; adopting production methods, commercial operations and management practices that promote social and environmental sustainability; and, retaining the trust and confidence of the investors and shareholders by matching its financial performance with equally commendable achievements in non-financial parameters.

- 4.6. The Company shall take steps to implement the CSR agenda within the organization through its active involvement of the employees, who are important internal stakeholders. As CSR and Sustainability policies are expected to permeate into all the processes and activities of a company, the collective and united effort of all the employees, including the active involvement of the top management, is a sine qua non for the success of CSR and Sustainability policies of this kind. For the CSR agenda to be internalized in the organization the employees at all levels, in all departments of the company need to sensitize to the need for conducting business in a manner that is economically, socially and environmentally sustainable. This involves devising internal communication strategies to spread awareness of CSR and Sustainability amongst the employees.
- 4.7. CSR and Sustainability policy of a company also addresses the concern of the external stakeholders – those who are directly impacted economically, socially, or environmentally by the operations and activities of the company, and also those who may not be directly impacted, like communities and society at large. CSR and Sustainability policy at this level generally addresses the social, economic and environmental concerns of society, and implementation of this policy requires selection of activities / projects, which, as mentioned in the previous chapter, are generally for inclusive growth of society and environmental sustainability.
- 4.8. Activities which are selected under CSR and Sustainability agenda for external stakeholders should, as far as possible, be implemented in a project mode, which entails charting the stages of execution in advance through planned processes, with mobilization of pre-estimated quantum of resources, and within the allocated budgets and prescribed timelines. It also involves assigning clear responsibility and accountability of the designated officials / agencies who are entrusted with the task of implementation.
- 4.9. At times, implementation of CSR and Sustainability projects requires specialized knowledge and skills. Public Sector companies normally do not have such in-house expertise, the wherewithal, and dedicated staff to carry out this task. Therefore, in such cases Company should seek the services of external specialized agencies for the implementation of such CSR and Sustainability projects.
- 4.10. However, where the planned CSR and Sustainability activity can be taken for implementation with its own man power and resources if it feels confident of its organizational capability to execute such projects. In such a case it is advisable that monitoring is done by an external agency. In any case evaluation must always be assigned to an independent external agency for the sake of objectivity and transparency.

- 4.11. While engaging or partnering with external agencies, care should be exercised in selecting only such specialized agencies which have the necessary capabilities and expertise to implement the CSR projects. The credentials of reliability, integrity and professional competence of such agencies should also be verified. Specialized agencies may include Government departments, semi-government, or non-government organizations (NGOs) autonomous organizations, professional consultancy organizations, registered Trusts / Missions, community based organizations, self-help groups, not-for-profit organizations, local bodies such as Panchayati Raj Institutions, academic institutes, etc. Engagement of external specialized agencies / NGOs is the discretion of the Company.
- 4.12. In implementing their CSR and Sustainability policies, companies should extend their reach and oversight to the entire supply-chain network to ensure that as far as possible the suppliers, vendors, service providers, clients, and partners are also committed to the same principles and standards of corporate social responsibility and sustainability as the company itself.
- 4.13. Company are encouraged to join hands and pool their resources for undertaking projects jointly with other CPSEs / Govt. agencies for long-term mega projects for greater social impact. Co-ordinated efforts of companies can scale up the projects in terms of their size and socio-economic impact, with optimal utilization of resources of each participating entity, and also accelerate the pace of development, especially of the backward regions.
- 4.14. Monitoring of CSR & Sustainability project goes currently with implementation. Monitoring is essential to assess if the progress is on expected lines in terms of timelines, budgetary expenditure and achievement of physical targets. Monitoring should be done periodically with the help of identified key performance indicators; the periodicity being determined largely by nature of performance indicators. However, if felt necessary external agency may be appointed for monitoring purpose.
- 4.15. To exercise constant oversight over the implementation of CSR and Sustainability activities the Company should appoint a Sr. Officer not less than one rank lower to the Board level, who will function as a Nodal Officer, with any suitable designation as decided by the company. The designated Nodal Officer will regularly submit reports regarding the progress relating to the CSR and Sustainability activities to the Implementing Committee which in turn will be forwarded to the Board level Committee. Board level Committee will submit their report to the Board of Director for their information. The Board level Committee and the Implementation Committee will constitute the two- tier organizational structure within the organization to steer the CSR and Sustainability agenda of the company.

5.0. **SUSTAINABILITY REPORTING AND DISCLOSURE**

- 5.1. Sustainability Reporting is the practice of disclosing to the stakeholders the economic, social and environmental initiatives taken by a company, as an indication of its commitment to sustainable development. Public disclosure and reporting of a company's performance in economic, social and environmental areas is no less important than the initiatives themselves.
- 5.2. The CSR Policy as approved by the Board should be uploaded in the Company's website for public knowledge.
- 5.3. The Company will also disclose its CSR budget and performance in the Company's website.
- 5.4. The performance of CSR and Sustainability will also disclose in the Company's Annual Report.

6.0. **IMPACT ASSESSMENT**

- 6.1. The ultimate test of the success of any CSR and Sustainability activity / project is the social, economic or environmental impact thereof. Every such activity is planned and implemented with some anticipated impact on society or environment. It is against such perception and expectation of impact that the completed activity / project should be measured to ascertain the decree of its success, or failure.
- 6.2. Documentary record and report will help to assess the impact of the project and such proper documentation of all the projects including the photographs must be preserved. The impact assessment study requires specialized skills and tools and as such as and when necessary the task are to be carried out by specialized agencies.