



CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY POLICY

1.0 PRELUDE

HUDCO, since its establishment in 1970, has focused its activities on providing affordable housing to the economically weaker sections and low-income groups as well as providing basic infrastructure facilities for improving the quality of life of the citizens, especially the poor and the marginalized. Being committed to its contribution to the society as a whole, HUDCO's activities have constantly been guided by its Corporate Social Responsibility & Sustainability.

Although HUDCO has been periodically undertaking various CSR & Sustainability activities, including significant disaster rehabilitation efforts, towards having a formal structured CSR & Sustainability thrust in line with provisions of Companies Act' 2013, HUDCO has created an exclusive budget earmarking a part of its net profits for activities under Corporate Social Responsibility (CSR). The activities under CSR from this exclusive budget would be regulated under these guidelines.

2.0 OBJECTIVE & Vision

The main objective of the CSR Policy shall be the Corporation's continuous commitment to operate in economically, socially and environmentally sustainable manner in consultation with its stake holders so as to ensure upliftment of the marginalized and under-privileged sections of the society to promote inclusive socio-economic growth, empowerment of communities, capacity building, environment protection, promotion of green & energy efficient technologies, development of backward regions by specially focusing on the projects relating to habitat sector & benefit of poor.

3.0 THRUST AREAS

Pursuant to this, Ministry of Corporate Affairs, Govt. of India vide its notification dated 11.10.2019 made the further amendment in Schedule VII of the Companies Act 2013. In accordance with the objective & Vision, the CSR & Sustainability activities of HUDCO will have the following thrust areas in *line with* the schedule VII of the Companies Act 2013:

- i. Support/taking up Projects related to Provision of basic amenities viz. sanitation through provision of toilets/community/pay & Use toilets etc., provision of drinking water and Night Shelter for shelter less etc.,
- ii. Support to the projects for slum redevelopment including environmental improvement in low income habitats, sanitation/infrastructure etc.,
- iii. Support to the Projects of setting up homes and hostels for women and orphans, setting up old age homes, day care centers and such other facilities for senior citizen and other measures for providing basic necessities such as food, clothing, shelter, health and livelihood etc. to the poor and vulnerable sections of the Society viz. SC/ST/Minorities etc.,
- iv. Supporting training/capacity building programmes of skill and livelihood



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- development and supporting projects of livelihood development including setting up of kiosks, skill training centers, vendors markets etc. for the benefit of poor;
- v. Supporting proposals of Promoting education, including special education to differently abled through provision of class rooms, multi- purpose halls, setting up of toilets in the schools, anganwadi centers and other projects for promotion of education;
 - vi. Supporting projects for the differently abled through provision of Disability aids/appliances and toolkits etc. as means of livelihood and supporting provision of facilities/utilities for health care, ambulances;
 - vii. Support to the projects of Sustainability viz. water, waste or energy management, promotion of renewable sources of energy etc.,
 - viii. Supporting projects for the preservation and restoration of heritage sites/buildings of historical importance for enhancement of culture including training /capacity building towards promotion and development of traditional arts and handicrafts and for provision of basic amenities/facilities at Monuments/World Heritage Sites/heritage sites/pilgrimage sites;
 - ix. Support to the proposals of Rural development projects such as setting up community centers, community toilets, drinking water supply, lighting, anganwadi, primary health centers and promotion of education through setting up of class rooms etc.,
 - x. Disaster Management, including relief, rehabilitation and reconstruction activities like shelter construction and providing basic necessities like food and relief materials to disaster affected victims;
 - xi. Contribution to the Prime Minister's national relief fund or any other fund set up by the Central Govt. for socio economic development and relief and welfare of the schedule caste, tribes and other backward classes, minorities and women;
 - xii. Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions 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 Organization (DRDO), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs),".

In addition to these specific activities as indicated above, various other activities/projects as identified in Schedule VII of the Companies Act, 2013 and in the guidelines issued by DPE may also be taken up so as to ensure a broader/liberal implementation of the objectives of the CSR Policy. In case of any conflict of this policy with Companies Act, the relevant provisions of Companies Act will prevail.



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4.0 ELIGIBLE AGENCIES

The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.

CSR activities shall be implemented by the Company on its own or through the entities such as State Govts., Govt. agencies, Govt. Departments, Local Bodies, Govt. Societies, Govt. Trusts, Companies incorporated or through other State/CPSEs under Section 8 of the Companies Act, 2013 etc. and/or through the eligible entities, as contained in the Rule 4 of the CSR (Corporate Social Responsibility) Rules, 2014 of Companies Act, 2013, (vide Notification dated 27th February 2014 issued by Ministry of Corporate Affairs, Govt. of India), which indicates that "The Board of a company may decide to undertake its CSR activities approved by the CSR Committee, through a registered Trust or a registered society or a company established by company or its holding company or subsidiary or associate company under section 8 of the Act or otherwise :

Provided that -

- (i) If such trust, society or company is not established by the company or its holding company or subsidiary or associate company, it shall have established track record of three years in undertaking similar program or projects.
- (ii) the Company has specified the projects or programs to be undertaken through these entities, the modalities of utilization of funds on such projects/programmes and the monitoring and reporting mechanism.

(the detailed guidelines for Non-Govt. Entities is enclosed herewith as Annexure- A).

The Company may also collaborate with other companies for undertaking CSR projects or programmes or activities in such a manner that CSR Committee of respective companies are in a position to report separately on such projects or programme in accordance with these rules.....".

Generally, Project proposals will be entertained on application basis from agencies in the prescribed format.

Further, the activities planned for the year shall also identify the period/time frame in which these are likely to be taken up and will be completed etc. and further, for carrying the CSR activities in a particular year, annual plan for that year shall also be prepared in line with the parameters identified in the MoU to be executed with MoH&UA for CSR activities every year.

5.0 SOURCE OF FUNDS.

The CSR activities shall be undertaken out of a part of net profit, as may be approved by the Board every year, in line with the provisions of Companies Act' 2013 which inter-alia states that "The Board of every company ...shall ensure that



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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. "(Explanation. — For the purposes of this section "average net profit" shall be calculated in accordance with the provisions of section 198.)" CSR Expenditure shall include all expenditure including contribution to corpus for projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Act. Further, contribution to Corpus of a trust/society/section 8 companies will qualify as CSR expenditure as long as (a) the trust/society/section 8 companies etc. is created exclusively for undertaking CSR activities or (b) where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Companies act 2013.

However, the unspent CSR amount in a particular year would not lapse. It would instead be carried forward to the next year for utilization for the purpose for which it was allocated.

Further, as per the Companies Act Rules as amended companies may build CSR capacity of their its personnel as well as those of their implementing agencies through institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overheads shall not exceed five per cent of total CSR expenditure of the company in one financial year.

As a part of its sustainability initiatives in its normal business operations which may include usage of renewable sources of energy, re-use/reduce of waste material, conservation of water sources and to promote welfare of employees especially women, physically challenged/SC/ST/OBC beyond what is mandated by Law shall not qualify as expenditure under CSR.

The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of the company.

Further, Ministry of Law and Justice (Legislative Department), Govt. of India vide its Notification on the Companies (Amendment) Act, 2019 dated 31.07.2019 has made further Amendment in Section 135 of the Companies Act, 2013, pertaining to the CSR activities.

21. In Section 135 of the Principal Act –

(a) In sub-Section (5), -

- (i) After the words "three immediately preceding financial years," the words "or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years," shall be inserted;
- (ii) In the second proviso, after the words 'reasons for not spending the amount' occurring at the end, the words, brackets, figure and letters 'and, unless the unspent amount relates to any ongoing project referred to in sub-section (6),



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transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year' shall be inserted;

(b) After sub-section (5), the following sub-sections shall be inserted, namely: -

"(6) Any amount remaining unspent under sub-section (5), pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility, 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.

(7) If a company contravenes the provisions of sub-section (5) or sub-section (6), the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty five lakh rupees and every officer of such company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

(8) The Central Government may give such general or special directions to a company or class of companies as it considers necessary to ensure compliance of provisions of this section and such company or class of companies shall comply with such directions.

6.0 SPECIAL COMPONENT FOR SC/ST

An allocation of 16% and 8% shall be earmarked for SC and ST categories respectively as per the Special Component Plan of the Government of India, which can be interchangeable but not lapsable. CSR assistance under this allocation should have beneficiaries under SC/ST categories and the Organizations taking up the proposals should be specifically working for the upliftment of SC/ST and preferably headed by SC/ST.

7.0 IMPLEMENTATION

In general, the CSR & Sustainability activities shall be implemented by the involvement of concerned Regional Offices. Regional Offices would be the nodal point for identification/implementation & monitoring of the CSR activities in their Region.



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Further, for the implementation of proposals, CSR assistance up to 100% of the Project Cost may be provided.

For implementation of CSR proposals, the projects shall be entertained on application basis through its regional offices and also at Corporate Office from the eligible agencies.

Further, proposals for CSR activities after examination at Regional offices and at Corporate office as per the prevailing procedure/guidelines shall be placed before the CSR Committee of the Board which shall recommend the amount of expenditure to be incurred on the activity(ies) for approval of the Board.

The CSR Committee of Board for the CSR Activities consist of CMD, HUDCO as Chairman and two other Directors including one independent Director or as constituted by the Board of Directors from time to time. The quorum of the aforesaid committee shall be two and the Company Secretary shall be the Secretary of the above Committee.

8.0 MONITORING AND ASSESSMENT

The first installment of amount sanctioned for a CSR activity/proposal, in the range of 15% to 25% of CSR Assistance sanctioned shall be released and release to any single project in a year shall not exceed 40% of annual CSR budget of current year. However, release of more than 25% of the CSR assistance as 1st installment shall be considered and approved by CSR Committee on need basis. All further releases to the implementing agency would be based on satisfactory utilization certificate and satisfactory performance report. The concerned Regional Office would certify progress before release of payments and monitor the project by obtaining periodic progress Reports & undertaking Site visits.

The legal documentation for the approved proposals shall be done at the Regional Offices and release of CSR funds for the proposals shall be done as per the delegation of powers in vogue, approved by the Board of Directors. Any subsequent modification in the proposal/sanction condition, extension of time for utilization of fund/etc. shall require approval of CSR Committee.

The progress of the CSR projects will also be regularly monitored by respective Regional Offices and relevant reports to be sent to Corporate Office. However, in case any adverse points are noticed by Regional offices during the implementation of activities the same shall be reported by Regional Offices to Head Office.

The expenditure incurred on the baseline/need assessment survey and impact assessment shall be within the overall limit of 5% of administrative overheads of



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CSR spend as provided under the CSR rules and the proposals involving CSR assistance of more than 25% of annual CSR budget of the particular year in which proposal was considered is to be treated as mega project for which impact assessment shall be mandatory.

Further, Board in its 519th meeting held on 31st July 2013 had also decided that in respect of the proposals, which have been sanctioned one year ago and the 1st installment is yet to be released, the agencies may be asked to complete the formalities within a period of one month from issue of notice, otherwise, the proposals may be considered for closure so that other proposals can be considered and wherever the works have not been started despite the funds have been provided for a long time i.e. for a period of more than a year, the agencies may be asked to expedite either for starting of the work at the earliest and by giving a definite time frame for starting/completion of the work or otherwise refund of the funds released may be sought so that other proposals can be considered. The closure of sanctioned proposals and refund of funds released OR to grant further extension of time depending on the merits of the case for these proposals shall be considered by CMD on the recommendation of CSR committee of the Board.

The CSR Committee and Board would be apprised of the status of implementation of CSR & Sustainability activities every six months.

9.0 MAINTENANCE AND UPKEEP OF THE ASSETS CREATED.

For maintenance of assets created under CSR activities, HUDCO may seek written assurances from applicant agency before any Capital investment is made. Each DPR will essentially detail out the operation and maintenance management very clearly and an undertaking will be required from the agency so chosen, before release of funds for implementation. *However, in respect of the proposals of Operation/maintenance of public spaces/facilities, including capital expenditure to be incurred under CSR activities for improvement of these facilities, agency shall be required to submit the details of maintenance of these facilities beyond the period of maintenance under HUDCO support.*

10.0 REFLECTION OF THE CSR ACTIVITIES.

The annual report on the CSR containing particulars specified in the annexure on the rules on CSR under companies act along with a brief narrative on the action taken on the implementation of guidelines would be reflected in the Board Report of HUDCO. The contents of the CSR Policy shall be also displayed on the HUDCO website. All the major CSR & Sustainability activities would be documented and hosted on HUDCO's website/intranet also.



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11.0 MISCELLANEOUS

Though, Companies act specifies that the company should give preference to the 'local area' in selection of CSR activities, but in view of DPE guidelines which inter alia states "CPSEs, which by the very nature of their business have no specific geographical area of commercial operations, may take up CSR activities / projects at any location of their choice within the country", HUDCO may take CSR activities / projects at any location of their choice within the country.

However, the CSR projects or programs or activities that benefit only the employee of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act. Further, one-off events such as marathons/awards/charitable contribution /advertisement/sponsorship of TV programmes etc. would not be qualified as part of CSR expenditure.

Contribution of any amount directly or indirectly to any political party under section 182 of the Companies Act, 2013 shall not be considered as CSR activity.



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"ANNEXURE A" TO THE CSR AND SUSTAINABILITY POLICY

Guidelines for appraisal/examination of the proposals received from Non-Govt. Entities.

A. ELIGIBILITY CRITERIA

The proposals for CSR assistance in line with the thrust areas as specified in the Thrust areas in the extant CSR Policy received from the Non-Govt. Entities shall be entertained on the application basis meeting the following criteria: -

1. The Non-Govt. Entity should be an entity registered under any of the following viz.
 - (i) Organization registered under the Societies Registration Act, 1860
 - (ii) Trusts registered under the Charitable and Religion Act, 1920
 - (iii) Trusts registered under the Indian Trust Act, 1882;
 - (iv) Licensed company under Section 25 of the Companies Act 1956 or Section 8 of the Companies Act, 2013.
2. The Non-Govt. Entity should be in existence for 5 years (to be calculated from the date of registration as applicable) on the date of applying for the assistance.
3. The proposal submitted by Non-Govt. Entity should be in line with the thrust areas of approved HUDCO CSR Policy. It should be mandated/permitted under its constitution and/or governing law to undertake the proposed activity and to receive grant etc.
4. The Non-Govt. Entity should have completed at least two of the three similar projects during last 3 financial years having a value of 50% of the project cost of the proposal under submission. If the nature of the project requires maintenance then the Non-Govt. Entity must also submit the maintenance record of the completed projects.
5. Non-Govt. Entity should have satisfactorily completed at least 60% of projects in all respects undertaken by it in the last five years. The Non-Govt. Entity has to declare the list of total work in hand (CSR and other works) with its cost, completion period, present progress and name of agency with whom working. Further, the Non-Govt. Entity will not be entrusted CSR works which makes cumulative work in hand for more than double the highest turnover (to be verified from annual account) in last three years of Non-Govt. Entity. Any wrong declaration on this account will attract the appropriate penal action by HUDCO.



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(In support of the above, the Non-Govt. Entity shall be required to submit details of the proposals taken up/executed/completed/in progress/not taken up and the proposals in hand also (year wise) in last five financial years along with references, supporting documents, photographs, letter of work award etc.)

6. The Non-Govt. Entity should have a permanent office/address in India with basic infrastructure facilities in place {premises (whether own or rented), basic office equipment, basic teaching aids available etc. to be indicated by the agency}.
7. The antecedents of the Non-Govt. Entity should be verifiable/subject to confirmation and it should have stable infrastructure. (Non Govt. Entity shall be required to submit the details of staff structure /number , name roles & responsibilities of the staff/ organizer etc. involved in the project, organization's capacities, staff experience and expertise in context of programme/project, geographical area covered by the organization, other projects undertaken by the Organization along with supporting documents and prescribed documents for ensuring KYC norms of National Housing Bank/Reserve Bank of India regarding entity and its promoters & Key personnel as applicable)
8. The Non-Govt. Entity shall have excess of income over expenditure in last three years and shall not have any accumulated losses/deficit. (Annual Audited accounts for the last financial three years may be submitted by the entity)
9. The Non-Govt. Entity should possess a valid Income Tax Exemption Certificate. (A copy of the same needs to be submitted as applicable in case of NGOs).
10. Non-Govt. Entity should be having sufficient cash flow for carrying out the O&M of the proposed project or proper tie-ups needs to be identified and in place. (for the proposals requiring O&M after completion)
11. Non-Govt. Entities working with the Central Govt., State Govt. currently or in the previous 3 financial years (to be supported by the relevant certificates indicating satisfactory implementation from the competent authority) and on the panel of Central Govt., State Govt., CPSEs may be preferred.
12. The Non-Govt. Entity should have no conflict of interest with the Government's and HUDCO's Board of Directors.
13. The Non-Govt. Entity have six months to utilize released amount towards the project however if the amount is unutilized then the entity shall return the same to HUDCO before the expiry of six months (which may again be



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released to the entity when it is ready to/ in position to utilize the same) failing which a penal interest @ SBI base rate will be leviable from the date of release.

14. All other aspects which are not mentioned in these guidelines specifically shall be as per already approved CSR & Sustainability Policy.

B. DISQUALIFICATION

Further in order to assess the Non-Govt. Entity credibility, the following points shall also be considered:

- (i) No Non-Govt. Entity having pending legal disputes and or enquiries in connection with offences like cheating, misappropriation of funds, exploitation of beneficiaries, etc. to be considered.
- (ii) Non-Govt. Entities blacklisted by any government agency like CAPART, CSWB, Department of Women and Child Development, Ministry of Social Justice and Empowerment, etc. to be rejected.
- (iii) Non-Govt. Entities will have to ensure compliance with various legislations that are enacted from time to time, rules framed there under and Guidelines issued by the Government or any other concerned authority.

A self-declaration in support of above shall be required to be furnished by the Non-Govt. entity.

C. RECEIPT OF PROPOSALS FROM NON-GOVT. ENTITIES

The proposals from the Non-Govt. entities shall be received at HUDCO Regional Office, under whose geographical jurisdiction the project falls. The Non-Govt. Entities shall be required to submit the proposals in the prescribed format at the concerned HUDCO Regional Office along with the following documents: -

1. Covering letter, mentioning financial assistance requested for.
2. Executive summary of proposal.
3. Detailed Project Report (Detailed Project Report should contain)
 - Summary of the Project
 - Outline of Project its objective/scope, need & justification of Project
 - Targeted / Intended beneficiaries of project, identification, base line surveys
 - Geographical area of execution of project & the reason for selecting that area



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- Project details in term of project cost, details & availability of land e.g. land area, land owing agency and status of possession (ownership/arrangements) etc., its location, approach, available infrastructural facilities, area suitability for development, status of various approvals., detailed drawings-plans/elevations/sections etc. (copies of approved drawings) wherever applicable
- Cost estimates, Budget Details (detailed cost break-up (head-wise with details of direct expenditure and overheads)
- time for completion of project, Execution/Implementation Plan (with specific time-frame)
- Fund requirement & its availability
- Present status of the project
- methodology for execution and monitoring of project with monitoring plan (with specific time frame), implementing agency (if any), and its details in terms of its constitution, experience in executing similar type of project and details of projects done in past along with manpower involved (paid staff/ volunteers etc.)
- impact analysis/Benefits envisaged from the project-to target group/social benefit
- details regarding operation & maintenance and upkeep of assets created and fund requirements/availability for O&M along with sources, as applicable.

D. DOCUMENTS ALONGWITH ATTACHMENTS/ENCLOSURES TO BE SUBMITTED BY THE AGENCY:

- a. Duly filled Application form.
- b. Documents evidencing agency's creation and its type/MoA byelaws/Trust deeds and documents evidencing ownership and possession of the land where the proposed activity is to be undertaken etc. (Copy of the registration certificate / Trust Deed/ MOA/MOU).
- c. Resolution/order (as applicable) for taking up proposed project and for obtaining financial assistance from HUDCO for the proposed activity and also for executing necessary documents etc. by authorizing its promoters etc. including affixation of common seal, wherever necessary.
- d. Submission of prescribed documents for ensuring KYC norms of NHB/RBI regarding agency and its promoters and key personnel as applicable.
- e. Details of grant received etc. and details of projects done in past 5 years and availability of manpower.
- f. Annual report (audited) of the past three years.
- g. Copy of PAN card and TAN no.