

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY OF
BESCOM

[ANNEXURE TO RESOLUTION NO BOD 70/13]
[ANNEXURE TO RESOLUTION NO. CSR 01/04].

Sl No.	Table of Contents	Page Nos
01	CONCEPT	2
02	VISION STATEMENT	6
03	OBJECTIVES	6
04	OPERATING PRINCIPLES	7
05	EFFECTIVE DATE	7
06	CSR COMMITTEE	7
07	ACTIVITIES AND IMPLEMENTATION	7
08	QUANTUM OF INVESTMENT	8
09	ALLIED MATTERS	9
10	AMENDMENTS TO THE POLICY	9



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CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY OF BESCOM

1. Concept:-

Corporate Social Responsibility is the ethical behaviour of a Company towards society. CSR has now become a very important agenda in the Organisations because the entities have now realised that besides growing their business, it has also become necessary for them to make sustainable relationship with the community at large. Presently, the Companies Act, 2013 mandatorily requires specified companies to spend, in every financial year, at least 2% of their average net profits made during three immediately preceding financial years towards CSR policy including activities specified in Scheduled VII to the Companies Act, 2013. Corporate Social Responsibility is strongly connected with the principles of Sustainability; an organization should make decisions based not only on financial factors, but also on the social and environmental consequences. Therefore, it is the core corporate responsibility of BESCOM to practice its corporate values through its commitment to grow in a socially and environmentally responsible way, while meeting the interests of its stakeholders.

The new Companies Act, 2013 makes it mandatory for every company having prescribed net worth or turnover or net profit during any financial year, to spend, annually, at least 2% of average net profits made during three immediately preceding financial years towards CSR policy including activities specified in Schedule VII to the Companies Act, 2013. A company can implement CSR activities on its own or through pooling of CSR funds with other companies, through its own non-profit organization or through an independently registered non-Governmental organisations(NGOs) or non- profit organization (NPOs) that have a record of at least three years in similar activates.

While big companies are able to carry out CSR implementation on their own, small companies may find it difficult to plan and monitor the spending towards CSR activities. Thus, in case of such companies, NGOs/NPOs will be helpful in streamlining their CSR investments. With this, a new combination of partnership between corporate and NGOS/NPOS will emerge for effective implementation of CSR activities because such organizations promote social activities and provide technical assistance, etc. However, the choice of an NGO/NPO partner will be a crucial step for companies.

1.1 Companies required to comply with CSR provisions:-

Section 135(1) of the Companies Act, 2013 along with rules 3(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 provides that every company including its holding or subsidiary and a foreign company having its branch office or project office in India, having a net worth of Rs.500 crore or more, or turnover of Rs.1,000 crore or more, or a Net Profit of Rs.5 crore or more during a financial year

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shall be subject to the CSR requirements, viz., constitution of CSR Committee, framing of CSR policy, spending of the minimum prescribed amount on CSR activities, etc.,

It is worth noting that as per rule 3(2) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, every company which ceases to be a company covered under section 135 (1) for three consecutive financial years shall not be required to comply with the provisions contained in that section, till such time it meets the criteria specified in sub-section (1) of section 135.

1.2 CSR expenditure:-

Sub-section (5) of section 135 of the Companies Act , 2013 provides that the Board of every company referred to in section 135 (1), shall ensure that the company spends, in every financial year, at least two percent, of the average net profits of the company (to be computed in accordance with provisions of section 198 of the Companies Act, 2013) made during the three immediately preceding financial year, in pursuance of its Corporate Social Responsibility Policy including activities specified in Schedule VII to the Companies Act. It is provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

It the company fails to spend such amount, the Board shall, in its report made under section 134 (3) (o), specify the reasons for not spending the earmarked amount.

As per rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, CSR expenditure shall include all expenditure, including contribution to corpus, or on 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 to the Companies Act.

1.3 CSR activities specified in Schedule VII:-

Following activities are included by company's CSR policy-

- (a) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water.
- (b) Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (c) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres


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- and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- (d) 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;
 - (e) 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;
 - (f) Measures for the benefit of armed forces veterans, war widows and their dependents;
 - (g) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
 - (h) Contribution to the 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 Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
 - (i) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
 - (j) Rural development projects and slum area development.

1.4 Recommendation of CSR committee and decision of the Board:-

- (a) (i) & (ii) Schedule VII is to be liberally interpreted so as to capture the essence of subjects enumerated in the schedule. The Company will support the alcohol de-addiction activities / programme.
- (b) The Board of Directors of the Company may on recommendation of the CSR Committee, determine / approve the projects or programmes or activities (identified project or programme or activity) to be undertaken by the Company under CSR initiatives, from time to time. However, the Board shall ensure that the projects or programmes or activities undertaken are related and within the broad purview of the activities as stated under Schedule VII or any other relevant provision of the Companies Act, 2013.
- (c) The minimum eligibility criteria for any project or programme or activity and / or other incidental or ancillary matters, including but not limited to quantum of proposed expenditure, shall be finalized by the Board of Directors or any delegatee thereof, on recommendation of the CSR Committee.
- (d) The modalities of execution of CSR projects or programmes or activities and implementation thereof shall be determined by the Board of Directors or its Committee (excluding any Board Committee formed for some other specific purpose, however including but not limited to Committee of Directors) from time to time, upon recommendation of the CSR Committee.
- (e) The CSR Committee shall frame rules or issue directives with regard to monitoring of the CSR projects or programmes or activities.

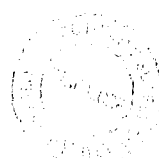

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- (f) The CSR Committee may by resolution delegate or entrust any of the function, acts, deeds or things, etc. as may be required to be performed or complied by it, whether under Companies Act, 2013 or rules made there under or otherwise to any person, whether in employment of the Company or otherwise, and any such function, acts, deeds or things, etc., performed by such person pursuant to such resolution shall have effect, as if the same has been performed by the Committee itself.
- (g) The Board of Directors of BESCO may on the recommendation of the CSR Committee, decide to undertake CSR projects or programmes or activities through a registered trust or a registered society or a Company or an associate Company established by BESCO or otherwise (Implementing Agency) provided that if such trust, society or company is not established by the company or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar programs or projects complying with the provisions relating to Companies (Corporate Social Responsibility) Rules, 2014.
- (h) The Board of Directors may on recommendation of the CSR Committee decide to collaborate with other Companies for undertaking CSR projects or programmes or activities.
- (i) While undertaking CSR projects or programmes or activities preference shall be given to the local area or area of operation of the Company. Such area of operation for any identified project or programme or activity shall be finalized by the Board of Directors or any Committee thereof, upon recommendation of the CSR Committee.
- (j) Not withstanding anything contained herein, the Board of Directors of BESCO shall have the authority to allocate the funds available for CSR for such objects as are enumerated in Schedule VII of the Companies Act, 2013.

1.5 Manner of undertaking CSR activities:-

Rule 4 of the Companies [Corporate Social Responsibility Policy] Rules, 2014 exclusively deals with the manner in which CSR activities to be undertaken by companies covered under section 135(1). It provides that-

- (a) 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.
- (b) 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 the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise. It is, however, provided that if such trust, society or company is not established by the company or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar programs or projects; the company has specified the project or programs to be undertaken through



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BESCO

these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.

- (c) A 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 a position to report separately on such projects or programs in accordance with these rules.
- (d) The CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure.
- (e) The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.
- (f) Companies may build CSR capacities of their own personnel as well as those of their implementing agencies through institutions with established track record of at least three financial years but such expenditure shall not exceed five per cent of total CSR expenditure of the company in one financial year.
- (g) 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.

2 Vision Statement:-

The core theme of the Company's CSR policy is giving back to the society from which it draws its resources by extending helping hand to the needy and the underprivileged.

Corporate Social Responsibility is the commitment of business to contribute for sustainable economic development by working with the employees, local Community and society at large to improve their lives in ways that are good for business and development. It is the contribution of the corporate sector for philanthropic causes like education, health, water, environment and community welfare.

In alignment with vision of the company, through its CSR initiatives, will continue to enhance value creation in the society by actively contributing to the social and economic development of the communities, through its services, conduct & initiatives, so as to promote sustained growth of the society, in fulfilment of its role as a Socially Responsible Corporate, with environmental concern.

3 Objectives:-

The objectives of the CSR Policy of BESCOM are to:

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

To directly or indirectly take up programmes that benefit the communities over a period of time, in enhancing the quality of life & economic well-being of the local

Chairman
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populace. The Company and the employees are to actively involve and participate in social welfare projects by voluntarily taking time off from work.

4 Operating principles:-

Our operating principles prescribe that everyone at BESCO needs to follow the operational standards. It also supports our approach to governance, corporate social responsibility and continuous improvement.

5 Effective Date:-

This policy will come into force with effect from 1.10.2015

6 CSR Committee:-

- I. The Board of Directors of the Company shall constitute a Corporate Social Responsibility Committee (CSR Committee) of the Board consisting of three or more directors, out of which at least one shall be an Independent Director.
- II. The Committee, referred above, shall
 - a. Formulate and recommend to the Board the CSR Policy and any amendments thereof;
 - b. Recommend the amount of expenditure to be incurred on the activities, as per CSR Policy;
 - c. Be responsible for implementation and monitoring of CSR projects or programmes or activities of the Company.
- III. The CSR Committee shall meet as and when deemed necessary.
- IV. Quorum of meeting of CSR Committee shall be one third of the total strength or two directors, whichever is higher.
- V. The CSR Committee may invite Executives, Advisors, representatives of Social Organizations, Auditors of the Company and such other person (s) as it may consider necessary to attend the meeting.

7. Activities and implementation:-

The scope of this policy will extend to activities as stated under Schedule VII of the Companies Act, 2013, as presently in force. The scope of the policy to also include all additional and allied matters, as will be notified by Ministry of Corporate Affairs or such other body, as appointed / notified by Central or State Government, from time to time for this purpose. The Company shall upon the recommendation of its CSR Committee and with necessary approval of the Board, can undertake any of the following activities, as part of its corporate social responsibility initiatives, which are defined in Schedule VII of the Companies Act 2013:

- i. eradicating extreme hunger and poverty and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water;

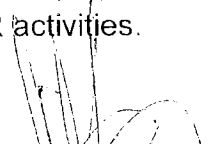



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- ii. promotion of education; including special education and employment enhancing vocation skills especially among children, woman, elderly and the differently abled and livelihood enhancement projects;
- iii. promoting gender equality and empowering 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 of quality of soil, air and water;
- v. protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up of public libraries; promotion and development of traditional arts and handicrafts;
- vi. measures for the benefit of armed forces veterans, war widows and their dependents;
- vii. training to promote rural sports, nationally recognized sports, and Paralympics sports and Olympic sports;
- viii. contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- ix. contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- x. rural development projects;
- xi. slum area development.

8. Quantum of investment:-

- i. The Company shall spend, in every financial year, at least 2% of the average net profits of the Company made during the immediately 3 preceeding financial years. Net profit in such case will have the meaning as stated under Rule 2(f) of the Companies (Corporate Social Responsibility) Rules, 2014.
- ii. CSR Expenditure shall include all expenditure including corpus for projects or programmes relating to CSR activities approved by the Board on recommendation of CSR Committee. However, the same will not include expenditure on any item not in conformity or in line with the activities stated under Schedule VII of the Companies Act, 2013.
- iii. CSR projects or programmes or activities undertaken in India only shall be considered as CSR Expenditure.
- iv. Projects or programmes or activities that benefit only the employees of the Company and their families shall not be considered as CSR activities.


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CSR Committee
BESCOM

- v. Contribution of any amount directly or indirectly to any political party shall not be regarded as a CSR activity.
- vi. Any expenditure incurred for building CSR capacity, whether own or that of eligible Implementing Agency, shall not exceed five percent of total CSR Expenditure, in one particular financial year.
- vii. Surplus arising out of CSR projects or programmes or activities shall not form part of the business profit of the Company.
- viii. If the Company fails to spend, the amount stated hereinabove, then reason for not spending shall be stated in the Directors Report.

9. Allied Matters:-

- i. With regard to CSR activities, Boards Report to state such particulars as stated under Companies (Corporate Social Responsibility) Rules, 2014.
- ii. The Company shall display such particulars relating to CSR Policy and activities undertaken thereunder as stated under Companies (Corporate Social Responsibility) Rules, 2014.

10. Amendments to the policy:-

The Board of Directors on its own and/or as per the recommendations of CSR Committee can amend this policy, as and when required as deemed fit. Any or all provisions of the CSR policy would be subject to revision/amendment in accordance with the regulations on the subject as may be issued from relevant statutory authorities, from time to time.



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Bangalore Electricity Supply Company Limited

(Wholly owned Government of Karnataka Undertaking)

(CIN- U04010KA2002SGC030438)

MINUTES OF 1st CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE) MEETING OF BESCOM HELD ON 15th OF SEPTEMBER 2015 AT BOARD ROOM, CORPORATE OFFICE, BESCOM, K.R.CIRCLE, BENGALURU-560 001.

MEMBERS PRESENT

Sl. No.	Sriyuths/Smt	Committee
1	P.Ravi Kumar Additional Chief Secretary to Govt., Energy Dept. Govt. of Karnataka	Chairman
2	Pankaj Kumar Pandey MD, BESCOM	Member
3	Nagesh H Director(Technical), BESCOM	Member
4	Guru Prasad B.L. CFO & Director(Finance), BESCOM	Member

CONVENER

K.T. Hiriyanna	Company Secretary
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At the outset, the Managing Director welcomed the Chairman, Members and other Officers to the meeting. Quorum being present, the subjects were taken up for discussion and decision thereon.




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(Wholly owned Government of Karnataka Undertaking)

(CIN- U04010KA2002SGC030438)

PART-I : FOR KIND NOTING

Subject No. CSR 01/01 : Leave of Absence

Leave of Absence was granted to Sri. T.H.M. Kumar, MD, PCKL & Member CSR committee, BESCOM.

Subject No. CSR 01/02 : Confirmation of Minutes of previous CSR Committee meeting.

Since this was the first CSR Committee meeting, the aspect of confirmation did not arise.

Subject No. CSR 01/03 : Action taken report on the minutes of Previous CSR committee meeting.

Since this was the first CSR Committee meeting, the aspect of action taken report did not arise.

PART – II: FOR DISCUSSION AND APPROVAL

Subject No. CSR 01/04 : Recommendation of Corporate Social Responsibility policy (CSR policy) of BESCOM to Board.

The Company Secretary appraised that:

- (1) Pursuant to Section 135(1) of Companies Act 2013 read with relevant rules, Board of BESCOM at its 69th meeting held on 25th July 2015 has approved the composition of CSR Committee, besides approval to frame a suitable Corporate Social Responsibility Policy of BESCOM and to submit the same to the Board duly recommended by CSR Committee.
- (2) As a statutory requirement Board's report under subsection (3) of Section 134 shall disclose the composition of Corporate Social Responsibility Committee. Accordingly, the Board of BESCOM at its 69th meeting held on 25th July 2015 has approved the composition



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of the committee viz. Chairman and members of the CSR committee which is as mentioned below:

- | | |
|-------------------------------------|------------|
| (1) Sri. P. Ravi Kumar, IAS., | : Chairman |
| (2) Sri. Pankaj Kumar Pandey, IAS., | : Member |
| (3) Sri. Nagesh.H, B.E., FIE., | : Member |
| (4) Sri Guru Prasad B.L, IRS., | : Member |
| (5) Sri. T.H.M.Kumar, IAS | : Member |

The said Committee is required to take steps as stipulated under the provisions of Companies Act 2013 as under:

- (a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in schedule VII of the Companies Act 2013.
 - (b) To recommend the amount of expenditure to be incurred on the activity specified in schedule VII.
 - (c) Monitor the Corporate Social Responsibility policy of the Company from time to time.
- (3) After taking into account the recommendations made by the CSR Committee, the Board is required approve the CSR policy and disclose the contents of such policy in its report and also place it on the Company's Website. Besides, the said Committee shall also ensure that the activities as are indicated in CSR policy of the Company are undertaken by the Company.
- (4) The Board of BESCOM is required to ensure that the Company spends, in every financial year, **at least two percent** of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its CSR policy. The Company is required to give preference to the local areas around it where it operates for spending the amount earmarked for Corporate Social Responsibility activities.



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Bangalore Electricity Supply Company Limited

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- (5) **In case, the Company is not able to spend the amount, the Board in its report is required to specify the reasons for not spending the amount.**

The Committee perused the following:

- (a) The draft Corporate Social Responsibility policy which was tabled indicating the following:
- (1) Concept & Statutory requirements to comply.
 - (2) CSR activities and extent of expenditure to be incurred.
 - (3) CSR activities specified in schedule VII of Companies Act 2013.
 - (4) Activities and its implementation.
- (b) Board noted that there is no adequate profit component in annual accounts during the last 10 years. The Company has carried forward an accumulated loss of Rs.475.76 Crores even though there is a net profit of Rs.76.10 Crores and Rs.113.44 Crores during FY 2013-14 and FY 2014-15 respectively.

The Committee discussed the subject. Since there is an accumulated & carried forward loss to an extent of Rs.475.76 Crores as at the end of the Financial Year 2014-15(31.3.2015) the Committee felt that the Company need not spend any amount towards CSR activities. However as stipulated under section 134 of the Company Act 2013 read with relevant rules the reasons for not spending shall be specified in the Directors Report. After a detailed deliberation, the following resolutions were passed in this context:

"RESOLVED that, for the reasons explained, approval be and is hereby accorded to recommend the Corporate Social Responsibility policy as formulated (Annexed) for necessary approval of Board of BESCOM."


**Chairman
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"RESOLVED FURTHER that recommendation to the Board is hereby made not to spend any amount of expenditure on the activities of CSR during the Financial Year 2015-16 since Company has an accumulated & carried forward loss of Rs.475.16 Crores as at the end of FY 2014-15."

"RESOLVED that the Company Secretary, BESCOM be and is hereby authorized to take further steps as stipulated under the provisions of Companies Act to place the CSR policy as recommended by the CSR Committee before the ensuing Board of Directors Meeting of BESCOM."

Since no other subjects were there to discuss, the meeting concluded with vote of thanks to the chair.

Date : 7.10.2015
Place : Bengaluru



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