
Karma Energy Limited

Corporate Social Responsibility (CSR) Policy

Preface

CSR is no more a social responsibility but a mandatory legal responsibility as the same is enshrined in section 135 of the Companies Act, 2013 read with CSR Rules, and Schedule VII of the Companies Act.

Though the company has been discharging their social responsibility, even prior to the stipulation of mandatory CSR under Companies Act in the form of contributing to the charitable institutions and / or investing in renewable energy projects from April 2014 onwards, the Act specifically lists out areas where the eligible company is required to discharge their responsibility.

Commencement

The policy is applicable with effect from financial year 2014-15 since the relevant provisions under the Companies Act have been brought into effect from 01.04.2014.

Legal Provision

- ❖ Section 135 of the Companies Act, 2013 mandates the need for every company having networth of Rs.500 crore or more or turnover of Rs.1000 crore or more or net profit of Rs.5 crore or more {net profit computed as per section 198 of the Companies Act, 2013} during immediately previous financial year to have a CSR Committee of the Board comprising of minimum 3 Directors of which 1 to be an Independent Director. However as per Section 135(9) if the amount to be spent on CSR is less than Rs.50 Lakh u/s. 135(5), constitution of CSR Committee as per section 135(1) is not mandatory.
- ❖ The element of compulsory spending on CSR in every financial year is 2% of the average net profit of the company during the three immediately preceding financial years. The average net profit is required to be calculated as per the methodology laid down as per section 198 of the Companies Act, 2013.
- ❖ The CSR Committee is required to **lay down the policy and monitor implementation thereof**. The CSR Committee is required to
 - a) Formulate and recommend to the board a CSR policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII
 - b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a) and

- c) Monitor the CSR policy of the company from time to time.
- ❖ Section 135 also stipulates that in the event the company not able to or fails to spend the amount mandatorily required to be expended under CSR, the Board in its report has to state the reasons thereof.
 - ❖ Based on the recommendations of the CSR Committee, the Board to approve the said policy, disclose contents of the policy in its report, place it on company's website and ensure activities included in the policy is undertaken by the company.
 - ❖ CSR Policy as per Rule 2(1)(e) of CSR Rules defines it as activities as specified in Schedule VII to the Act and expenditure thereon, **excluding the activities undertaken in pursuance of normal course of business of the company**. Hence if the company has identified say wind power division as a business activity then the said activity cannot be counted for compliance of CSR.

Schedule VII has prescribed specific activities on which the responsibility to be discharged

- i)
 - a) Eradicating hunger, poverty and malnutrition
 - b) Promoting preventive health care and sanitation
 - c) Making available safe drinking water
- ii)
 - a) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled
 - b) Livelihood enhancement projects
- iii)
 - a) Promoting gender equality
 - b) Empowering women
 - c) Setting up homes and hostels for women and orphans
 - d) Setting up old age homes, day care centres and such other facilities for senior citizens
 - e) Measures for reducing inequalities faced by socially and economically backward groups
- iv)
 - a) Ensuring environmental sustainability
 - b) Ecological balance
 - c) Protection of flora and fauna
 - d) Animal welfare
 - e) Agroforestry
 - f) Conservation of natural resources
 - g) Maintaining quality of soil, air and water
- v)
 - a) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art
 - b) Setting up public libraries;
 - c) 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
 - a) Rural sports,
 - b) Nationally recognized sports,
 - c) Paralympic sports
 - d) Olympic sports;
 - (viii) Contribution to
 - a) The Prime Minister's National Relief Fund or
 - b) 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;
 - (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
 - (xii) Disaster management, including relief, rehabilitation and reconstruction activities
- ❖ Rule 4(2) of CSR Rules permits the CSR activities approved by the Committee to be undertaken through a Registered Trust or Society or a Company formed with charitable objects. It also permits such trust or society to be established by the company, its holding company or associate. The Rule further states that if such Trusts, Society or Company is not established as above by the company or its holding, subsidiary or associate company, it shall have established track record of three years in undertaking similar programmes or projects.
- ❖ **Exclusions** – Rule 4 of CSR Rules excludes projects or activities that benefit only the employees of the company or their families. Also contribution to any political party shall also be not considered as CSR activity. Further CSR activity ought not to include expenditure outside India.
- ❖ CSR Rules permits companies to collaborate with other companies for undertaking projects or programmes in such manner that the CSR Committees of respective companies are in a position to report separately on such projects or programmes in accordance with the rules.
- ❖ Rule 8 of the CSR Rules warrants the **inclusion in the Annual Report** of the Board of Directors in the prescribed format providing
- A brief outline of the CSR Policy

- Overview of the Projects
 - Composition of the Committee
 - Average Net Profits of the company for the last three financial years
 - The prescribed CSR expenditure
 - Details of amount spent on CSR
- ❖ Section 135 requires the Auditors to express a statement in the matter of compliance with CSR provisions by the company.
 - ❖ CSR rules provide that contribution u/s.135(5) is not mandatory in case CSR u/s.135(1) is not applicable for three consecutive financial years for the reason the Company does not meet the criteria laid down for mandatory applicability of CSR.
 - ❖ Section 135(5) proviso provides that in the event a Company has spent any amount in excess of the mandatory requirement, the said excess can be adjusted against the requirement of mandatory CSR spending in subsequent three consecutive financial years.

Reporting

The format prescribed in the Rules for reporting is as below

1. A brief outline on CSR Policy of the Company CSR policy is stated herein below:

- ❖ Our aim is to continue commitment by business to contribute to economic development while improving quality of life of workforce and their families as well as society at large.
- ❖ Aims at sustainable development i.e., "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."
- ❖ Strive for eradication of hunger and poverty, provide education and employment opportunities to the needy and down trodden.

2. Composition of CSR committee:

Name of Director	Category	Committee Designation	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year

3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company:
4. The details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report):
5. a) Average net profit of the company as per Section 135(5):
 b) Two percent of average net profit of the company as per section 135(5):
 c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years:
 d) Amount required to be set off for the financial year, if any:
 e) Total CSR obligation for the financial year (b+c-d):
6. a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project):
 b) Amount spent in Administrative Overheads:
 c) Amount spent on Impact Assessment, if applicable:
 d) Total amount spent for the Financial Year [(a)+(b)+(c)]:

e) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (Rs.in Lakhs)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer

(f) Excess amount for set-off, if any:

Sl. No.	Particular	Amount (Rs. In Lakhs)
(1)	(2)	(3)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	
(ii)	Total amount spent for the Financial Year	

(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	

7. Details of Unspent CSR amount for the preceding three financial years:

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under sub section (6) of Section 135 (In Rs.)	Balance Amount in Unspent CSR Account under sub section (6) of Section 135 (In Rs.)	Amount spent in the reporting Financial Year (In Rs.)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub section (5) of section 135, if any.		Amount remaining to be spent in succeeding Financial Years (In Rs.)	Deficiency, if any.
					Amount (In Rs.)	Date of transfer		

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:
9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub- section (5) of section 135 :

Other matters

- ❖ **Tax Provision:** No expressed provision in Income Tax Act for allowance of expenses under CSR. The income tax act permits deduction of all expenditure if expended exclusively for the purpose of business. Whether CSR is also one of the businesses would be an issue of dispute.
- ❖ Rule 6(2) of CSR Rules - The surplus arising from a CSR activity shall not form part of business profits of the company and hence the income is unlikely to be taxed. The corollary could be that the expenses are also not deductible. As per the present provisions in computation of book profits probably neither addition of expenses nor deduction of income could be made.

The CSR Committee would be guided by the above policy and the same shall be subject to change based on the necessity and progress of the activities.

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