POLICY ON

CORPORATE SOCIAL RESPONSIBILITY

BY

CUBASTION CONSULTING PVT. LTD.

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THE GLOBAL CONTEXT

Corporate Social Responsibility (hereafter referred as "**the CSR**") can be understood as a management concept and a process that integrates social and environmental concerns in business operations and a Company's interactions with the full range of its stakeholders. In today's economic and social environment, issues related to social responsibility and sustainability are gaining more and more importance, especially in the business sector. The Companies that operate in a socially responsible manner strengthen their goodwill. Whilst short-term economic gain can be pursued, the failure to account for long-term social and environmental impacts makes those business practices unsustainable.

There is no certain definition of "Corporate Social Responsibility". Every organization has its own definition and method of giving back to the society. The concept of the CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, strategic philanthropy, shared value, corporate sustainability and business responsibility. Some international organizations have also showed their view on this, which are as follows:

*The World Business Council for Sustainable Development (**WBCSD**) defines CSR as "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large."*

*According to the United Nation Industrial Development Organization (**UNIDO**), "Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic environmental and social imperatives (Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders. In this sense, it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that."*

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CSR IN INDIA

The CSR in India has traditionally been seen as a philanthropic activity. In Indian tradition, it was an activity that was performed but not deliberated. As some observers have pointed out, that the practice of the CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while the CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing the CSR reports. The CSR in India tends to focus on *what* is done with profits *after* they are made.

Globally, the notion of the CSR and sustainability seems to be converging, as is evident from the various definitions of the CSR put forth by global organizations. The genesis of this convergence can be observed from the preamble to the rules relating to the CSR under the Companies Act, 2013 (referred as "Indian Companies Act" or "the Act") which talks about stakeholders and integrating it with the social, environmental and economic objectives, all of which constitute the idea of a triple bottom line approach.

"Since corporate social responsibility and sustainability are so closely entwined, it can be said that corporate social responsibility and sustainability is a company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical."

The Ministry of Corporate Affairs, Government of India, has notified Section 135 and Schedule VII of the Indian Companies Act, 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 to come into effect from April 1, 2014, which required the certain class of Indian Companies to set-up the framework for the CSR activities. The CSR provisions are applicable on following Companies which have:

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1. an annual turnover of INR 1,000 Crore and more, or
2. a net worth of INR 500 Crore and more, or
3. a net profit of INR 5 Crore and more.

The new rules, are applicable from the fiscal year 2014 – 15, require Companies to set-up a CSR Committee consisting of three board members (including at least one independent director in case of public companies) and two members in case of private companies, if private company has only two directors. The Ministry has prescribed the CSR activities in Schedule VII of the Companies Act, 2013 as updated from time to time.

The activities, which has been recognized as CSR activities under the Act are as under:

(i) Eradicating hunger, poverty and malnutrition, ["promoting health care including preventinve health care"] and sanitation [including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.

(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

(iii) promoting gender equality, 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, agroforestry, conservation of natural resources and maintaining quality of soil, air and water [including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga].

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(v) 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 art and handicrafts;

(vi) measures for the benefit of armed forces veterans, war widows and their dependents, [Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows];

(vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

(viii) contribution to the prime minister's national relief fund [or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).]

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(x) rural development projects.

(xi) slum area development.

Explanation.- For the purposes of this item, the term `slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.]

(xii) Disaster management, including relief, rehabilitation and reconstruction activities.]

The activities performed towards the benefit of society, which are in due course of business, shall not be treated as the CSR for the purpose of new law. Therefore, the Company may continue to perform the said activities, which are in due course of their business, but same shall not be counted as the CSR activities under the Law. Further, the Companies are not allowed to participate in any activity, which are related to any particular religion or such activity which imbalance the social harmony.

For effective implementation, the CSR Committee must also oversee the systematic development of a set of processes and guidelines for the CSR to deliver its proposed value to the Company, including:

- One-time processes such as developing the CSR strategy and operationalizing the institutional mechanism;

- Repetitive processes such as the annual CSR policy, due diligence of the implementation partner, project development, project approval, contracting, budgeting and payments, monitoring, impact measurement and reporting and communication.

BENEFITS OF A ROBUST CSR PROGRAMME

As the business environment gets increasingly complex and stakeholders become vocal about their expectations, good CSR practices can only bring in greater benefits, some of

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which are as follows:

- **Communities provide the license to operate:** Apart from internal drivers such as values and ethos, some of the key stakeholders that influence corporate behavior include governments (through laws and regulations), investors and customers. In India, a fourth and increasingly important stakeholder is the community, and many companies have started realizing that the 'license to operate' is no longer given by governments alone, but communities that are impacted by a company's business operations. Thus, a robust CSR programme that meets the aspirations of these communities not only provides them with the license to operate, but also to maintain the license, thereby precluding the 'trust deficit'.

- **Attracting and retaining employees:** Several human resource studies have linked a Company's ability to attract, retain and motivate employees with their CSR commitments. Interventions that encourage and enable employees to participate are shown to increase employee morale and a sense of belonging to the company.

- **Communities as suppliers:** There are certain innovative CSR initiatives emerging, wherein companies have invested in enhancing community livelihood by incorporating them into their supply chain. This has benefitted communities and increased their income levels, while providing these companies with an additional and secure supply chain.

- **Enhancing corporate reputation:** The traditional benefit of generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programmes. This allows companies to position themselves as responsible corporate citizens.

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CSR OBJECTIVES & COMMITMENTS

- **Cubastion Consulting Private Limited (Cubastion)** will align the CSR focus areas with the activities mentioned under Schedule VII under clause 135 of the Companies Act, 2013 as amended from time to time.
- The CSR policy will focus to provide sustainable benefits to the society while implementing activities.
- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently able and livelihood enhancement projects will form the core themes of CSR activity.

CSR TEAM & RESPONSIBILITIES:

The CSR Committee of Cubastion shall consist of Two Directors. CSR Policy as approved by CSR Committee and the Board of Directors (BOD) of the Company shall be forwarded to a CSR Implementation Team which will be headed by Mr. Kumar Gaurav Harsh. All activities driven by the Company will be implemented in the country through partners, NGO's and agencies following the approval of the CSR Committee. CSR Team head shall report the quarterly progress on implementation of CSR policy to CSR Committee, which shall discuss and instruct the team other methods of implementing the policy, if required. The CSR Committee shall also report to the Board of Directors on quarterly basis regarding the progress on implementation of the CSR policy, which will finally be incorporated in Board Report, prepared under section 134 of the Companies Act, 2013 in brief.

A brief of the various position and their responsibilities are as follows:-

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POSITION	RESPONSIBILITIES
CSR Committee	Formulate and recommend a CSR policy to the board Recommend activities and the amount of expenditure to be incurred Monitor the CSR policy from time to time
HR/Compliance Officer	Support the volunteering effort as well as coordination with local agencies to map competencies as well as capacities.
Finance	Support the CSR Committee to deliver monitoring reports as well as enable the year-end reporting to Government authorities

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