

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

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CORPORATE SOCIAL RESPONSIBILITY POLICY

PURPOSE

HOEC being a player in Oil & Gas sector, is committed to operate and grow its business in a socially and environmentally responsible way with a vision to transform the quality of life in all its Operating Area. To become a responsible corporate citizen, we will strive to demonstrate highest standards of corporate behaviour towards all stakeholders and local community in which we operate is one of our key stake holders. We believe that only through responsible actions, we can earn our License to Operate from our host communities.

The main objective of this CSR Policy is to lay down guidelines for HOEC ('the Company') and to make CSR integral part of its business operations and resource development endeavours

This Policy will cover current as well as proposed CSR programmes to be undertaken by the Company and will be aligned with Schedule VII of the Companies Act, 2013.

POLICY

HOEC's Corporate Social Responsibility policy is to:

1. Proactively develop trusting and productive relationships with host communities through effective consultations

- Positively engage with relevant stakeholders, understand their concerns and be responsive to their needs.
- Use & encourage systematic processes to engage with the local stakeholders.
- Actively involve pertinent individuals and programme participants in designing and implementing CSR programmes.

2. Respect local customs and traditions and leverage technology in all CSR programmes

- Valuing cultural customs and pride of individuals and nurture positive relationship with the people in the project areas where the Company operates.
- Aligning CSR programmes to build on existing capacities and initiatives to create greatest possible impact.
- Giving development opportunities to local communities in a culturally appropriate manner, in consultation & cooperation with local government authorities and other stakeholders, as may be appropriate.

3. Treat host communities as valued partners in our resource development endeavours

- Valuing local entrepreneurship and encouraging use of local goods, services and manpower to promote comprehensive economic growth of our operating foot print area.
- Establishing infrastructure and platforms to make sustainable contribution to social and economic development.
- Enabling CSR programs to complement and support the developmental priorities at local and state level

CSR PROGRAMMES

In line with this CSR policy, HOEC's CSR programmes will focus on the following five broad themes with the objective to improve overall socio- economic indicators in Company's area of operations:

- Promote local content by developing entrepreneurship;
- Improve access to clean drinking water;
- Enhance the quality of education in our Operating Area;
- Promote personal safety, environmental and technology awareness;
- Support promotion of local culture and sports.

HOEC will draw up an Annual CSR Plan for each of our Operating Area and CSR programs to be undertaken by the Company shall include activities falling within the preview of schedule VII of Companies Act, 2013. These programs will be executed by HOEC and where appropriate in partnership with district administration, local government, NGO partners and service providers.

OVERSIGHT

Monitoring the effectiveness of CSR programmes and projects will be done through:

- Baseline and impact assessment identifying Key Performance Indicators
- Periodic third party field assessment of key programs
- Project Review by the CSR Committee and reporting to the Board

RESPONSIBILITY

The responsibility for implementing and complying with this policy lies with the CSR Committee, Senior Managers and all relevant participant employees and consultants.

Encl: Annexure (Procedural aspects)

Annexure
(Procedural aspects)

1. INTRODUCTION

1.1 CSR, The Companies Act, 2013

The Companies Act, 2013 (hereinafter referred to as 'the Act'), has introduced the idea of CSR to the forefront. It mandates qualifying companies to constitute Corporate Social Responsibility Committee to formulate CSR policy and effectively monitor CSR programmes of the Company.

Further the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as "CSR Rules") lays down the framework and modalities of carrying out CSR activities which are specified in Schedule VII of the Act.

2. The Act lists the following sectors to be qualified as eligible CSR activities

- (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh 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;
- (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 arts and handicrafts;
- (vi) Measures for the benefit of armed forces veterans, war widows and their dependents;

- (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 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

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.

3. CSR COMMITTEE

3.1 Constitution Pursuant to the provisions of Section 135 of the Act, the Board of Directors shall constitute the Corporate Social Responsibility (CSR) Committee. The Members of CSR shall be appointed by the Board of Directors of the Company which must consist of atleast two or more Directors.

3.2 Powers of the Committee

Following are the Powers of the CSR Committee:

- (i) Formulate CSR Policy and recommend the same to the Board of Directors of the Company for approval
- (ii) Recommend CSR activities as stated under Schedule VII of the Act
- (iii) The CSR Committee shall ensure that major portion of the CSR expenditure in the Annual Plan shall be for the Projects in the Thrust Areas. However, there shall not be any preference given to any particular Thrust Area for budgetary allocation and it shall be made purely as per the identified CSR Projects on need basis.
- (iv) In discharge of CSR functions of the Company, the CSR Committee shall be directly responsible to the Board for any act that may be required to be done by the CSR Committee in furtherance of its statutory obligations, or as required by the Board.

- (v) Approve to undertake CSR activities in collaboration with other Companies/firms/NGOs etc. and to separately report the same in accordance with the CSR Rules
- (vi) Recommend the CSR Budget
- (vii) Spend the allocated CSR amount on the CSR activities once it is approved by the Board of Directors of the Company in accordance with the Act and the CSR Rules
- (viii) Create transparent monitoring mechanism for implementation of CSR Initiatives
- (ix) Submit the Reports to the Board in respect of the CSR activities undertaken by the Company
- (x) The CSR Committee shall ensure that the CSR Policy and finalized Annual Plan is displayed on the Company's website.
- (xi) Monitor CSR Policy from time to time
- (xii) Monitor activities/charter of Joint Working Group (JWG) who may be authorized to ensure that the CSR activities of the Company are implemented effectively
- (xiii) Authorize executives of the Company to attend the CSR Committee Meetings

3.3 Frequency of the Meetings of the CSR Committee

The CSR Committee shall meet atleast once in a quarter.

Members of the CSR Committee can agree upon mutually regarding time and place for the said meetings.

Quorum for the meeting should be two.

The Members of the Committee may participate in the meeting either in person or through video conferencing or other audio visual means in accordance with the provisions of the Companies Act, 2013 and rules made thereunder from time to time.

Members of the Senior Management may attend the CSR Committee Meetings as may be appropriate, subject to the approval of the CSR Committee. Minutes of the CSR Committee shall be placed before the Board for noting.

4. ROLE OF THE BOARD

- a. After taking into account the recommendations made by the CSR Committee, approve the CSR Policy for the Company.
- b. Ensure that the CSR activities included in this Corporate Social Responsibility Policy are undertaken by the Company.

c. The Board of the 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 under section 8 of the Act by the company, either singly or along with its holding or subsidiary or associate company, or along with any other company or holding or subsidiary or associate company of such other company, or otherwise provided that, If such trust, society or company is not established by the company, either singly or along with its holding or subsidiary or associate company, or along with any other company or holding or subsidiary or associate company of such other company, it shall have an established track record of three years in undertaking similar programs or projects/activities;

d. Ensure that in each financial year the Company spends at least 2% of the average net profits of the company made during the three immediate preceding financial years, calculated in accordance with Section 198 of the Act, in pursuance of its CSR policy.

Further, while spending the amount earmarked for CSR activities, preference should be given to local areas and areas around the Company where it operates.

e. As per Section 135 of the Act, specify the reasons for under spending the CSR amount in the Board's Report.

5. CSR BUDGET / CSR SPEND

The Act mandates companies meeting the qualification criteria to allocate certain portion of its annual net profits (before tax) during the three immediately preceding financial years to be spent on CSR Activities that fall under purview of Schedule VII of the Act.

5.1 CSR Expenditure:

Net profit means profit more fully described under Rule 2(f) of the CSR Rules. The CSR expenditure shall include all expenditure including contribution to corpus or on projects or programs relating to CSR activities approved by the Board of Directors 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 stated under Schedule VII of the Act.

5.2 Expenditure on CSR capabilities

The Company may build CSR capacities of their own personnel or personnel of its Trust or Society, as well as those of the Agencies through institutions with established track records of at least three Financial Years but such expenditure shall not exceed 5% of the Approved Budget of the Company in one Financial Year.

5.3 Failure to spend the CSR Money

In case the Company fails to spend the above targeted amount in that particular financial year, the Committee shall submit a report in writing as per CSR provisions / rules / this policy to the Board of Directors specifying the reasons for not spending the amount which in turn shall be reported by the Board of Directors in their Directors' Report for that particular Financial Year.

5.4 Surplus

Surplus arising out of the CSR initiatives shall not form part of the business profits of the Company.

6. CSR INITIATIVES

In line with Schedule VII of the Act and the CSR Rules, the Company shall undertake CSR activities included in its Annual CSR Plan, as recommended by the CSR Committee at the beginning of each year.

The Committee is empowered to modify the existing Annual CSR Plan or to propose any new program during the financial year under review and make recommendations accordingly to the Board.

6.1 Annual CSR Plan

The Annual CSR Plan is a yearly plan of CSR activities that would be placed before the Board of Directors of the Company based on recommendation of its CSR Committee which outlines the following aspects of CSR initiatives of the Company:

- Tailor-made CSR projects depending upon allocated spend and geographical presence
- Partnering agencies/companies/firms
- Process Owners
- Project Proposals
- Targeted Beneficiaries & their key needs
- Alignment with Schedule VII
- Project Goals and milestones
- Activities and Timelines including expected closure dates
- CSR Budget with projections
- Monitoring mechanism
- Progress reporting and frequency of reports

- Risks and mitigation strategies
- Any other information as may be required by the CSR Committee

6.2 Collaboration

The Company may collaborate with its subsidiary(ies) or any other Company as may be approved by CSR Committee to implement CSR activities and the same shall form a part of the Annual CSR Plan. The Company may form trusts on its own to carry out CSR activities in accordance with the CSR Provisions /Rules and to administer its CSR activities. The Company may also collaborate its CSR activities with its subsidiary(ies) or any other Company as may be eligible and approved by the CSR Committee vis-à-vis the Board of Directors and towards this effort, the Company may jointly along with its subsidiary(ies) or any other Company form Trusts to administer the CSR activities.

6.3 Disqualifying Activities for CSR

In terms of the Rules, the following contributions shall not be considered as CSR Expenditure;

- Contributions of any amount, whether directly or indirectly, to any political party or any person associated with a political party.
- Amount spent, whether directly or indirectly, for the benefit of employees of the Company, its Subsidiary(ies) and Associates and their families.
- Expenses incurred by the Company for the fulfillment of obligations any act / statute of regulations (such as labour laws, land acquisition act, etc.)
- Expenses incurred by the Company for one off events such as marathons / awards / charitable contribution / advertisement / sponsorships of TV programs etc.
- Other contributions / expenses not recognized under the Act / Rules as amended or modified, from time to time.

6.4 Joint Working Group

A Joint Working Group (JWG) comprising of employees of the Company and representatives of entities with which the Company decides to collaborate for fulfilling its CSR obligations, may be formed to ensure effective implementation and monitoring of the projects approved by the CSR Committee. The JWG may submit periodic reports to the CSR Committee of the Company on the progress of the various projects approved by the Committee and entrusted to the JWG for implementation and monitoring.

6.5 Reports

JWG shall assist the CSR Committee to prepare reports that are required to be placed before the Board. The format of the Report shall be the format prescribed under the CSR Rules stated hereunder:

S.no	CSR Project or Activity Identified	Sector which the project is covered	Project or Programs 1) Local Areas, 2) Specify the state and district where projects or programs was undertaken	Budget (Project or Program)	Amount spent on Project or Program a) Direct Expenditure b) Overheads	Cumulative Expenditure	Amount Spent Direct or through Agency	Target Date & Status

7. PUBLICATION OF CSR POLICY & PROGRAMS

7.1 Publication of the CSR Policy

As per the CSR Rules, the contents of the CSR Policy shall be included in the Directors' Report and the same shall be displayed on the Company's website.

8. POLICY REVIEW & FUTURE AMENDMENT

CSR Plan may be revised/modified/amended by the CSR Committee at such intervals as it may deem fit and also to meet the statutory requirements from time to time.

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