

CORPORATE SOCIAL RESPONSIBILITY POLICY

Version 1.1, July 2016



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Nature of Amendment	Modification of Clause 7.4 on Outlay and Funding

PREAMBLE

Indian Energy Exchange (IEX) is India's premier electricity trading platform. IEX facilitates efficient pricing of electricity by promoting competitive market forces for meeting the nation's goal of power to all through its transparent and neutral trading platform. It is well understood that access to energy has a multi-pronged impact on socio-economic development.

As a responsible corporate citizen of the country, IEX believes it has a role to play in sustainable and inclusive growth of the nation. Despite being one of the largest growing economies globally, India faces substantial problems of income inequality, food insecurity, gender discrimination and environmental degradation along with uneven access to energy, healthcare, sanitation, water and education. The corporate sector needs to partner with the government and social sector to work together in addressing these issues. Since the needs on these multiple fronts are vast, meaningful contribution by the business sector would be best undertaken through a transparent and measurable system. In this regard, IEX fully supports that the recent initiative of the Union Government to create a legal process under the Companies Act 2013 for facilitating companies to undertake corporate social responsibility programmes in a structured manner.

We are committed to further **environmental sustainability, socio-economic empowerment of underprivileged communities, social development and equity through gender empowerment**. Our CSR policy framework is developed to assist the Company in undertaking well-planned initiatives that are participatory, outcome-oriented and measurable, with the overall objective of creating sustainable impact.

I. PURPOSE OF THE POLICY

The IEX Corporate Social Responsibility (CSR) Policy has been developed in accordance with section 135 of the Companies Act 2013 on CSR and in accordance with the CSR rules and Amendments duly notified by the Ministry of Corporate Affairs, GOI. This Policy shall apply to all CSR projects/programmes undertaken by IEX as per Schedule VII of the Act.

The objectives of this policy are to:

- Serve as the principal guiding document for IEX's CSR initiatives
- Describe core programmatic themes and related impact areas as per Schedule VII
- Outline projects and geographies for undertaking CSR initiatives
- Provide the framework for selection, implementation, governance, management and monitoring of CSR initiatives

II. CORE BUSINESS DESCRIPTION

As a premier power trading platform, IEX provides a transparent, neutral, demutualized and automated platform for physical delivery of electricity and enables efficient price discovery and price risk management for participants of the electricity market. Almost all generation and distribution companies spread across the country are leveraging the exchange platform to manage their power portfolio in the most competitive and reliable way.

III. POLICY STATEMENT

IEX's CSR Policy aims to address environmental sustainability, economic empowerment and social development through an integrated, holistic and need-based approach by way of:

- Promoting renewable energy by creating opportunities for access and awareness.
- Supporting socio-economic development of underprivileged communities through improved access to livelihoods, sanitation, water, healthcare and education.
- Endeavouring to integrate the cause of women empowerment while designing the projects.
- Contributing to relief and rehabilitation measures in disaster-affected parts of country.

The projects will be selected and developed with the objective of providing long-term sustainable impact on communities in rural, semi-urban or urban slum areas. Only those projects that are over and above IEX normal course of business will be defined as CSR.

IV. IMPACT AREAS AS PER SCHEDULE VII COMPANIES ACT 2013

Schedule VII, Companies Act 2013	IEX CSR impact areas
Environment	Environmental sustainability through renewable energy promotion
Economic	Rural, semi-urban and urban slum area development through a livelihoods approach
Social	Promoting education, healthcare, sanitation and access to safe drinking water Promoting gender equality and women empowerment
Relief/ Rehabilitation	Supporting relief and rehabilitation measure in areas affected by disasters and/or natural calamities

Programme themes:

4.1 Promotion of Renewable Energy

This will include access to clean and renewable energy through community-based self-sustaining delivery models including off-grid solutions using technologies such as solar, biomass, biogas, mini-hydel, hybrid solutions etc. Initiatives for provision of clean fuel options for cooking will also be promoted. The approach will incorporate a user payment aspect in a feasible community-managed structure for programme sustainability.

4.2 Community Development and Social Infrastructure

This will include access to energy solutions for street lighting, anganwadis, panchayat buildings, weekly haats, schools and other local community facilities. It will also include support locally required for sanitation, water, healthcare and/or education. Needs may be prioritised from a gender equity perspective.

4.3 Creation and Promotion of Livelihood Opportunities

This will include local enterprise development such as through aggregation-based empowerment initiatives of farmer interest groups, small crop storage centres, making organic manure, water conservation, irrigation through solar pumps. This also includes support to alternative livelihoods activities in off-agriculture seasons and other cottage industries, especially women-led micro-enterprise. Skills training in relevant technologies and enterprise management can also be supported. The endeavour will be to ensure environmental sustainability along with livelihoods promotion.

4.4 Any other project in the project location as prescribed in Schedule VII

IEX may also undertake any other project activity not specifically listed as an example here, including need-based projects in industrial clusters, provided it qualifies as per the provisions of Schedule VII referred to in the Section 135 of the Companies Act, 2013. The approach would be to address local area needs in a holistic manner.

V. MODE OF IMPLEMENTATION

The company will adopt an evolving approach for effective, outcomes-oriented implementation, as appropriate to the size of budget outlay and scope of projects **through any of the following or a combination of these mechanisms.**

5.1 In-house management: A select set of personnel from relevant departments shall oversee the implementation of CSR policy duly approved by the Board. A full-time dedicated CSR manager may be appointed as and when required. An expert consultant may be engaged for integrated project design, partnership development and programme management and monitoring purposes.

5.2 Implementation partnerships: In the initial years, direct implementation partnership/s with credible grassroots-level Non-Government Organisations (NGOs) and community organisations and other social enterprises would be undertaken after a due diligence process of identification, design, budgeting and project development. IEX may directly purchase goods or services for deployment in its programmes such as equipment for access social infrastructure under energy, sanitation, healthcare and education for providing community solutions and the overall implementation would be through funding support to NGO partner/s for ensuring community participation and ownership for sustainable outcomes. Once the project/program is approved, IEX and the CSR Partner may enter into a well-defined MOU. At a later stage, should the Board deem it necessary, IEX may consider creating a new independent foundation for the implementation purpose.

5.3 Strategic collaborations: IEX would be open to exploring collaborations with its stakeholders including business partners' CSR programmes, government departments' social schemes and other like-minded institutions' initiatives for pooling resources and competencies in the interest of scalable social impact and enhanced outcomes for beneficiary communities.

VI. PROGRAMME LOCATION/S

In the absence of any physical operation locations of the company's business, IEX will exercise the discretion to select location/s in less-developed areas for its CSR initiatives through prioritisation based on: local developmental needs, relevance of issues, feasibility of project/s, accessibility, ease of implementation, potential for acceptance and adoption of the initiative by local communities.

VII. OUTLAY & FUNDING

- 7.1 IEX budget for CSR shall be 2 per cent of its average net profits of the three preceding financial years towards CSR activities. The net profit will be estimated in accordance with the provisions of section 198 of the Act read with the Companies (Corporate Social Responsibility Rules), 2014. The budget will be based on recommendation by the CSR Committee.
- 7.2 Any surplus generated from CSR projects shall not be added to the normal business profits, but shall be allocated to the CSR corpus for use in enhancing existing CSR programmes or in developing new CSR projects as per decision taken by the CSR Committee.
- 7.3 The Company may spend up to 5 per cent of its total CSR budget for the financial year to build CSR capacities of its personnel and/or those of its implementing agencies through Institutions with established track records of at least three financial years or for administrative purposes.
- 7.4 All reasonable efforts will be made to ensure that the annual CSR allocation is fully utilised in the respective year. However, if the Company fails to spend such amount, the Board of Directors shall, in its report under clause (o) of sub-section (3) of section 134 of the Act, shall specify the reasons for not spending the amount.
- 7.5 The tax treatment of CSR expenditures will be in accordance with the provisions of the Income Tax Act as notified by Central Board of Direct Taxes (CBDT).

VIII. GUIDING PRINCIPLES FOR PROJECT SELECTION AND IMPLEMENTATION

8.1 Relevance

- Projects should be need-based, keeping local issues into consideration.

8.2 Outcomes-orientation

- Projects will be designed with clear objectives, planned outcomes and a suitable monitoring and reporting framework. All projects will be periodically reviewed for course correction, wherever necessary.

8.3 Sustainability

- Projects should be designed for creating *along-term impact*. An incremental expansion approach may be deployed if required. They should incorporate multiplier effects. Projects should ideally be replicable for subsequent coverage in other regions.
- *Implementation partners* should be carefully selected after due assessment of their local credibility, local knowledge, domain expertise, local institutional relationships and their approach to sustainability.
- Provisions of *community participation* should be built-in. Community ownership and co-financing wherever required may be introduced in a

progressive manner in suitable time frames necessary for communities to accept and adopt the initiatives. This will create understanding among communities on expectations, risks, roles and responsibilities.

- There should be due consideration of any *material risk factors* before selecting, initiating and during implementation of projects. These risks should be duly mitigated and managed on a regular basis.

IX. GOVERNANCE

IEX has created a robust and transparent governance structure to supervise the implementation of the CSR Policy.

9.1 IEX Board

- **Role:** Approval and Oversight
- **Responsibilities:** The Board shall approve the CSR policy and oversee that identified work is duly undertaken and in each financial year at least 2% of average net profit of preceding three financial years is spent effectively. The Board will also ensure disclosure of the names of CSR Committee members, the content of the CSR policy and reporting of its CSR activities on the Company website, and in the Annual Reports in the prescribed format.

9.2 CSR Committee

- **Role:** Guiding and Monitoring
- **Responsibilities:** the CSR Committee is responsible for formulation and final recommendation of the CSR policy. It also recommends the amount to be spent, sets project selection guidelines and monitors implementation to ensure spending is undertaken as per policy guidelines. The committee will meet at least twice a year to review progress. This can be a physical meeting or through a combination of video or tele-conferencing. The minutes of the meetings shall be signed by the Chairperson and regularly shared with the Board of Directors.

9.3 CSR Council

- **Role:** A cross-functional team led by MD and CEO, IEX will work as an internal structure for CSR management and reporting to the CSR Committee
- **Responsibilities:** The Council will be responsible for approving projects, releasing funds on time, ensuring reporting from the project managers, ensuring risk assessment and mitigation, and securing funds utilisation

evidence from implementation partner for reporting to the CSR Committee on a regular basis.

9.4 CSR Execution Cell

- **Role:** Project and partnership development and management
- **Responsibilities:** A CSR manager may be appointed for this in-house or support from an expert consultant/agency may be taken for project design, monitoring, budget utilisation scrutiny, risks and outcomes management and reporting. As an additional option employee volunteers may also be involved.

X. MONITORING, REPORTING & COMMUNICATIONS

The planned outcomes will be regularly monitored by the in-house team, supported by experts, through a combination of on-site visits, local stakeholder discussions for feedback and suitable reporting documentation. The progress monitoring will be undertaken as below:

Monitoring group	Frequency of review
CSR Committee	Half-yearly
CSR Council	Quarterly
CSR Execution Cell	Monthly or as and when required

XI. AMENDMENTS TO THE POLICY

The Board of Directors, either on its own or as per the recommendations of CSR Committee, can amend this Policy, as and when required. The decision of the Board of Directors on all matters, relating to this Policy, shall be final and binding upon all concerned. This Policy is subject to continuous review and updates as required from time to time.
