

Chapter 3

Corporate Social Responsibility Policy Framework

3.1 CSR Policy

A defined Corporate Social Responsibility policy addressing the following issues was formulated by CIL only in December 2009:

- environment,
- health care,
- education,
- water supply including drinking water,
- social empowerment, village electricity, solar light,
- sports and culture

However, the Company did not set any measurable targets for the extent of activities proposed to be taken up and schedule of completion under each of these sub-heads.

The Management stated (December 2010) that a separate head of account is being created to book all expenditure related to CSR activities that would help in monitoring the performance under CSR activities.

Each business entity is expected to formulate a CSR Policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and goals.

The CSR initiatives should include identification of projects/ activities, setting measurable physical targets with timeframes, organisational mechanism and responsibilities to implement CSR initiatives, budget and monitoring setup.

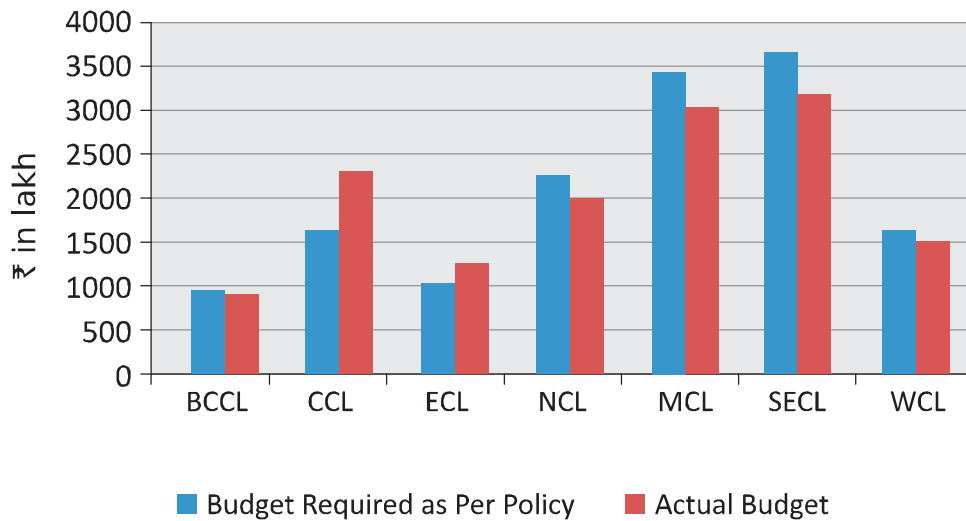
Audit is of the opinion that setting up of measurable targets in addition to accounting under separate heads would serve as an effective tool for monitoring the performance of CSR activities.

3.2 CSR budget and utilization

Before adoption of the CSR policy in December 2009, CIL was having a policy to allocate ₹ one per tonne of the coal produced from the year 2006-07 towards community and peripheral development. This amount is utilized for social development and so far as environment and safety issues are concerned, the resources were provided from the overall budget.

Audit observed that allocation of funds for community and peripheral development was below the norm of ₹ one per tonne of coal produced in five subsidiaries (BCCL, NCL, MCL, WCL and SECL) out of a total of seven subsidiaries for the period 2006-07 to 2009-10 as detailed in the graph below:

Allocation of Budget for CSR



Further, as per CSR policy (December 2009), the fund for the CSR in each subsidiary from the year 2010-11 is to be allocated annually to the tune of five per cent of the retained earnings of the previous year subject to a minimum of ₹ five per tonne of coal production of the previous year. Out of the total fund allocated for CSR activities, 60 per cent would be allocated for CSR activities to be carried out in the vicinity of coalfield and balance 40 per cent would be allocated for carrying out CSR activities by the subsidiary company in the State to which the subsidiary company belongs.

For funding against CSR activities to be executed by CIL (the Holding Company), 2.5 per cent of retained profit of the last year of CIL would be allocated for execution of CSR activities in the State which is not covered by the subsidiary company and in addition would also support the loss making subsidiaries.

Audit while acknowledging the enhancement of CSR allocation is of the opinion that the Company should ensure constructive spending of the allocated funds.

3.3 Separate Fund for CSR activities

A separate head of account for CSR fund has been created from the year 2010-11 and allocation of CSR budget is transferred to this fund.

Audit noticed that the unspent CSR fund available under the head does not lapse and is being accumulated.

3.4 CSR Implementation set up

After adoption of the CSR policy in December 2009, the Company has now a defined system of implementation and monitoring of CSR activities.

For implementation of CSR activities, a CSR committee has been constituted at CIL, subsidiary Headquarters and Area Level to interact with the concerned State Officials, to confirm the areas for undertaking activities under CSR and to ensure avoidance of duplicity of the job.

For monitoring of CSR activities, a CSR cell was framed under Welfare department at CIL corporate level and subsidiary level.

In sum, the CSR policy of CIL is comprehensive in coverage and scope and the funding mechanism and implementation setup is also elaborate. A clear cut CSR policy was adopted in December 2009 and the company now needs to implement it effectively by ensuring adequate allocation of funds and setting up measurable targets.

Recommendation # 1

CIL and its subsidiaries should evolve a mechanism to set up measurable targets with timeline so that performance on CSR activities can be monitored effectively.

The Ministry while accepting the recommendation stated (May 2011) that the CSR Policy of CIL has been introduced from year 2010-11 itself. CSR fund of five per cent of the retained earnings of the last year subject to minimum of ₹ five per tonne of coal production has been allocated for the same. In all the subsidiaries of CIL and its Headquarters, CSR Committees have been constituted which are monitoring the achievements and targets of the CSR activities. Moreover, action is under process for engagement of an independent agency for guiding the company in designing a suitable reporting framework.