Code of Conduct for all Trusts and Units of the Auroville Foundation

Auroville was founded by The Mother on the 28th day of February 1968 and envisioned by her as a universal township dedicated to Human Unity and international understanding based on the teachings of Sri Aurobindo;

The Mother has laid down the aims and ideals of Auroville in the Auroville Charter (1968), To Be A True Aurovilian (1970) and in numerous other messages and writings, such as “A Dream” (1954);

Subsequently, the Auroville Foundation Act, 1988, was enacted with a view to making long-term arrangements for better management and further development of Auroville in accordance with the Auroville Charter and for matters connected therewith and incidental thereto;

The Secretary of the Auroville Foundation was appointed u/s 15 (1) of the Auroville Foundation Act, 1988, in exercise of the powers conferred u/s 7(1)(a) of the said Act Office Orders were issued since May 14, 1992, for the creation of new Units and appointing executives for the said undertakings to carry on, for and on behalf of the Governing Board of the Auroville Foundation, the management of said undertakings in keeping with the aims, objectives and voluntary nature of the said undertakings;

Further, the Governing Board of the Auroville Foundation, during their 45th Meeting held on August 3, 2014, approved the Guidelines between Trusts and Units, on the recommendation of the Working Committee and the Funds and Assets Management Committee (FAMC) of the Residents’ Assembly, constituted under the Auroville Foundation Rules 1997.

The Office of the Secretary, Auroville Foundation, further to the approval of the Governing Board discontinued the issue of Office Orders and authorized the FAMC to issue orders for the creation of new Units under Trusts of the Auroville Foundation, appointment of Unit executives and closure of Units;

The Working Committee and the Funds and Assets Management Committee of the Residents’ Assembly of the Auroville Foundation consider it necessary and expedient to replace the aforementioned Guidelines between Trusts and Units of the Auroville Foundation with a Code of Conduct for Trusts and Units of the Auroville Foundation;

Now therefore, the Working Committee and the Funds and Assets Management Committee hereby make the following Code of Conduct for Trusts and Units of the Auroville Foundation.
1) PURPOSE OF CREATING TRUSTS AND UNITS

a) To create abundance for the growth of Auroville.
b) To contribute towards building a common collective prosperity.
c) To express beauty and harmony in matter.
d) To build and strengthen a shared economy.
e) To provide a healthy and sustainable environment for the development of people from Auroville, the Bioregion, India and the World.
f) To develop while maintaining a harmony with nature and environment.
g) To support fair trade practices
h) To support fair and lawful labor relations.

2) GENERAL PRINCIPLES OF CONDUCT

a) All actions as a service and offering to the Divine.
b) A spirit of non-ownership above personal possession.
c) Conduct of stewardship on behalf of all the residents and Humanity as a whole.
d) Trusteeship on behalf of the collectivity.
e) Adherence to Indian Laws and the Spirit of Auroville.
f) Transparent in representations.
g) Generosity and sharing of resources.

3) DEFINITIONS

a) In this Code of Conduct, unless the context otherwise requires,

   i) “Act” means the Auroville Foundation Act, 1988 (54 of 1988);

   ii) “Auroville Maintenance” is the unit under which the Office Order for “Auroville Maintenance” has been issued.

   iii) “BoT” (Board of Trustees) means all the Trustees of a Trust of the Auroville Foundation;

   iv) “Code of Conduct Level” means any number embedded in this Code of Conduct which indicates a number required, a threshold, a specific time period, etc., and may include any whole number or real number.


   vi) “Executive” means a person appointed by the Funds and Assets Management Committee of the Auroville Foundation to manage a Unit under the Trust.
vii) “External Entity” includes any individual, organization, company, activity, etc. outside of the Auroville Foundation.

viii) “in writing” may include signed hard copy or email communications with delivery receipt.

ix) “Internal Entity” includes any individual, group, unit, trust, activity, etc. that is part of Auroville and are not Auroville Maintenance.

x) “FAMC” means the Funds and Assets Management Committee of the Residents’ Assembly of the Auroville Foundation;

xi) “Governing Board” means the Governing Board of the Auroville Foundation.

xii) “Loan” means any amount advanced that is not billed materials or services.

xiii) “Loan Group” is a sub-group constituted by the FAMC whose primary responsibility is to review and approve/reject applications for loans to be issued by Auroville Maintenance as per the guidelines determined by the FAMC.

xiv) “Register of Residents” means the Register of residents of Auroville maintained by the Secretary of the Auroville Foundation under the Act;

xv) “Rules” means the Auroville Foundation Rules, 1997;

xvi) “Secretary” means the Secretary of the Auroville Foundation;

xvii) “Trust” means a Trust of the Auroville Foundation;

xviii) “Trustee” means a person appointed to manage a Trust;

xix) “Unit” means an entity under a Trust;

xx) “Working Committee” means the Working Committee of the Residents’ Assembly of the Auroville Foundation;

b) All other words and expressions used herein and not defined but defined in the Auroville Foundation Act, 1988 (54 of 1988) shall have the meanings respectively assigned to them in that Act.
4) SETTING UP OF A TRUST

a) To create a Trust under the Auroville Foundation an application is made to the FAMC. The application will contain the objectives of the Trust as well as the names of its proposed Trustees. The FAMC submits the application and its approval to the Working Committee.

b) Once both the FAMC and Working Committee have given their approval, the Working Committee, in accordance with the Act will seek the approval of the Governing Board for the creation of the Trust.

c) As soon as the Governing Board has approved the creation of the Trust, the Secretary will execute and the Working Committee will facilitate the execution and registration of the Trust Deed.

5) SETTING UP OF A UNIT

a) To create a Unit under a Trust of the Auroville Foundation an application is made to the BoT of the Trust under which the Unit is to be created. The application will contain the activities and objectives of the Unit as well as the names of its proposed Executives.

b) The BoT shall submit this application with its recommendation to the FAMC.

c) Once the FAMC has given its approval, the BoT will pass a resolution to create the Unit.

d) The FAMC will subsequently issue a resolution creating the Unit and appointing the Executives.

6) ELIGIBILITY FOR BEING TRUSTEE OR EXECUTIVE

a) A resident of Auroville, whose name is entered into the Register of Residents maintained by the Secretary, is eligible to be Trustee and/or Executive.

b) A person whose name is not in the Register of Residents cannot be appointed Trustee or Executive. However, they can be appointed member of a Management Committee.

c) Every Trust can establish a management board upon approval by the FAMC and the Working Committee.

i) The Management Board can be composed of both residents and non-residents.

ii) Non-residents must be in the minority, not more than one-third of the members.

iii) The Trust will submit the MB Terms of Reference which includes: time of office, roles and responsibilities.
7) NUMBER OF TRUSTEES / EXECUTIVES

a) A Trust has no less than three trustees at any time, one of which is not a live-in partner or family member of one of the other trustees.

b) A Unit may have no less than two Executives at any time. A unit with an annual turnover exceeding Rs. 100 lakhs, will have at least three executives, one of which is not a live-in partner or family member of the other executives.

8) APPOINTMENT AND TERM OF OFFICE OF TRUSTEES / EXECUTIVES

a) Trustees will be appointed / re-appointed jointly by the Working Committee and the FAMC. The FAMC will consult the BoT and may consult any group at their discretion on the appointment of a new trustee or the re-appointment of a trustee.

b) A Trustee holds office for a period of five years and may be reappointed, except as specified in Section 9, below.

c) Executives will be appointed by the FAMC. The FAMC will review unit executive appointments during the first 3 years from the initial appointment. Following a review, the FAMC may permanently appoint, terminate or reappoint executives for a limited period of time.

9) RESIGNATION, REPLACEMENT, VACANCY, AND REMOVAL OF TRUSTEES AND EXECUTIVES

a) A Trustee / Executive may resign by giving a written notice to the BoT. The resignation will be effective from the date as decided by the FAMC. The FAMC may request a statement of accounts of the Trust / Unit (Trial Balance & or Balance Sheet) and a recommendation for the replacement for the resigning Trustee / Executive before approving the resignation request.

b) A recommendation for replacement of the resigning Trustee / Executive may be made by the BoT and sent to the FAMC. The replacement of new Trustees / Executives shall follow Section 8, above.

c) The office of the Trustee / Executive will become vacant when any of the following events occur:
   i) Death of the Trustee / Executive.
   ii) The Trustee / Executive has been convicted of a criminal offence under the laws of India.
iii) The Trustee / Executive has been removed by the Working Committee jointly with the FAMC as stipulated in Section 9, below.

d) The Working Committee jointly with the FAMC may remove a Trustee / Executive at any time if any one of the following events occur:
   i) The Trustee / Executive is mentally or physically incapable of functioning effectively as Trustee / Executive, as certified by a qualified medical practitioner.
   ii) The Trustee / Executive is absent from Auroville for a continuous period exceeding 180 days without informing the FAMC in writing within the first 3 months of the absence.
   iii) The Trustee / Executive is absent from Auroville for a continuous period exceeding 18 months with or without informing the FAMC.
   iv) The name of the Trustee / Executive has been removed from the Register of Residents maintained by the Secretary, Auroville Foundation.
   v) The FAMC concludes that the Trust or Unit is mismanaged. Before concluding that a Trust / Unit is mismanaged, the FAMC will give a fair hearing to the Trustees / Executives and thereafter shall submit its findings to the Trustees / Executives and the Working Committee.
   vi) The FAMC concludes that the Trust / Unit has failed to submit the annual accounts for two consecutive years in the form stipulated.
   vii) Upon closure of the Unit as specified in Section 14 of this Code of Conduct.
   viii) The Working Committee jointly with the FAMC is, after following established internal processes, of the view that in the larger interest of the community a change or removal of Trustee / Executive has to be effected.

e) When the vacancy of a Trustee / Executive occurs, and if the FAMC determines that any of the remaining Trustees / Executives is not capable of managing the Trust / Unit, they may, with approval of the Working Committee, remove such Trustees / Executives, and replace them in accordance with Section 8 above.

10) OVERALL SUPERVISION OF THE TRUST / UNIT

a) The Trust / Unit is subject to the general superintendence of the Auroville Foundation and the Trustees / Executives shall abide by all directives that may be issued from time to time by the Governing Board.
b) The FAMC shall oversee the functioning of the Trusts and Units and may take any action as is required. The Trustees / Executives shall abide by all directives that may be issued by the FAMC.

c) The surplus income of the Trust / Unit shall be utilized only to further the aims and objectives of Auroville.

d) Every Trust can establish a management board upon approval by the FAMC and the Working Committee. Prior to approval the Trust must submit its Terms of Reference, including terms of office of members; appointment and dismissal of board members; and roles, responsibilities, and rights of the management board.
   i) The Management Board can be composed of both residents and non-residents.
   ii) Non-residents must be in the minority, and may not constitute more than one-third of the members.

11) GENERAL MANAGEMENT OF THE TRUST / UNIT

a) Except as otherwise mentioned in this Code of Conduct the Trustees/Executives shall manage the Trust/Unit autonomously.

b) Neither the FAMC nor the Trustees shall normally intervene in the day-to-day management of the Unit. The FAMC may temporarily intervene if it determines that the Executives of a Unit require assistance and may appoint a management committee to assist the unit in the interim. In such a case, the FAMC will document the reasons, establish a time frame or criteria to be met to return the unit to autonomous management, and inform the BoT. The powers and term of the management committee will be determined by the FAMC.

c) A Unit may only undertake a new activity, which is not specifically mentioned in the FAMC Resolution for creation of the Unit, after having received the prior written permission of the BoT and FAMC.

d) Accounting.
   i) The Trust/Unit will maintain proper accounts which are open for inspection at any time by any person so authorized by the FAMC, the Working Committee, or the Secretary of the Auroville Foundation.
   ii) Trusts/Units must keep accounts for income generating services and sales separate from accounts for non-profit activities, if any.
   iii) All Trusts and Units must submit their accounts annually to the Secretary, Auroville Foundation as notified by the Auroville Foundation.
iv) Trusts/Units may only declare allowable business expenses as described in Appendix 3: Allowable Business Expenditure.

e) **Bank Accounts.**
   i) Subject to a Trust resolution of the BoT the Executives are authorized to open bank accounts for carrying on the activities of the Unit.
   ii) Such accounts may be operated by any one Executive or by the Executives jointly, as specified in the Trust resolution.
   iii) Units must inform the Trust of all of the bank accounts they operate, and provide the following information: bank, branch, account name, account number, and account holders.
   iv) Trusts must maintain a register of bank accounts operated by Units under the Trust.
   v) Bank statements are open for inspection at any time by any person so authorized by the FAMC, the Working Committee, or the Secretary of the Auroville Foundation.

f) **Donations.** The Trust/Unit may receive donations which must be channeled through the Unity Fund, unless otherwise approved by the FAMC.

g) **Loans.** A Trust/Unit may request loans or issue loans as per the loan regulations described in Appendix 1: Loan Regulations.

h) **Financial Liabilities.** Unit/Trust may create financial liabilities up to 25% of the capital fund of the Unit/Trust. (Capital fund of the Unit/Trust means the capital of the Unit/Trust as per the end of the previous financial year and excludes - in the case of a Trust - the accumulated capital of the Units under the Trust). This limitation applies to all cumulative liabilities of the Unit/Trust as represented on its balance sheet. Any creation of liabilities above this amount requires prior approval of the FAMC.

i) **Immovable Assets.**
   i) The Trust/Unit may acquire immovable assets in the name of the Auroville Foundation only with the approval of the FAMC and the Secretary of the Auroville Foundation.
   ii) Unit/Trusts are Stewards, not owners, of immovable assets.
   iii) Any transfer of the stewardship of immovable assets from one Trust to another Trust, or from a Unit of one Trust to another Trust, or from a Unit of one Trust to a Unit of another Trust shall only be done with the prior approval of the BoTs of both Trusts and the prior permission of FAMC. Transfers of immovable assets between Units or between Trusts must be routed through the Unity Fund.
Agreements with External Entities. The Unit Executives may enter into agreements with external entities under the following conditions:

i) If the total amount of agreements that are simultaneously in effect create financial liabilities which exceed 50% of last year’s turnover, the prior approval of the BoT is required.

ii) If the total amount of agreements that are simultaneously in effect create financial liabilities which exceed 100% of last year’s turnover, the prior approval of the FAMC is required.

The Trust/Unit may lease or rent immovable property not owned by the Auroville Foundation without the approval of the FAMC as long as the liabilities thus created do not exceed 10% of the turnover. Above 10% requires the permission of the FAMC.

The Trust/Unit may lease or rent out immoveable property owned by the Auroville Foundation under the following conditions:

i) If the parties belong to the Auroville Foundation, the Trust / Unit must inform the BoT and submit the agreement to the BoT.

ii) If the parties do not belong to the Auroville Foundation:
(1) A new lease or new rent agreement requires both BoT and FAMC approval.
(2) A proposal to extend and/or amend an agreement that has been previously approved must be submitted to the BoT and FAMC for approval before the extension and/or amendments are put into effect. If neither the FAMC nor the BoT have rejected the agreement within three weeks of receipt of the agreement, it may stand approved.
(3) Units may apply to the FAMC for an exemption from Sections 11(l)(ii)(1) and 11(l)(ii)(2).

Audits. The FAMC shall arrange for audits of the Trusts/Units, as may be required.

Capital Investments. The Executives may make capital investments below 25% of the capital fund of the Unit without BoT approval. This limitation refers to all cumulative capital investments done in one financial year of the Unit as represented in its balance sheet. Any capital investment above this amount and up to 100% of the capital fund requires prior approval of the BoT, and the FAMC must be informed. Any capital investment above the value of the capital fund requires prior approval of the FAMC.

Contributions.

i) The Trust/Unit will contribute to the Unity Fund of the Auroville Foundation as per the contribution guidelines Foundation as
per the contribution guidelines described in Appendix 2: Contribution Guidelines.
ii) Trusts/Units may make contributions to other Trusts/Units subject to the following conditions:

   (1) The Trust/Unit has first fulfilled its obligation to contribute as per Section 11(o i).
   (2) If the amount is equal to or greater than Rs. 1 lakh and less than Rs. 10 lakh per year, the Executives shall obtain prior approval from the concerned BoT(s), and shall inform the FAMC.
   (3) If the amount is equal to or greater than Rs. 10 lakh per year, the Executives shall obtain prior approval from the concerned BoT(s) and the FAMC.

p) **Reports.** The Executives of Trusts/Units will submit a performance report as and when requested by the FAMC.

q) **Lawsuits and legal proceedings.** The Unit Executives will inform the BoT and FAMC without delay of any lawsuits and other legal proceedings relating to the Unit with a regular update to the Foundation for Statutory filing with the Ministry of Human Resources Development and Law Ministry under the periodical LIMBS filing

12) **INVESTIGATION AND SUSPENSION OF EXECUTIVES**

   a) The FAMC, in consultation with the Working Committee, may decide to order an investigation into the accounts and general management of a Trust or Unit and suspend the Trustee(s) / Unit Executive(s) pending such investigation.
   b) The FAMC, in consultation with the Working Committee, may decide to appoint an interim Trustee or Unit Executive and suspend a Trustee/Unit Executive in case it has reasons to believe that a Unit or Trust is not being managed properly.

13) **DORMANCY OF THE TRUST**

   A Trust can be made dormant by the FAMC in agreement with the BoT.

14) **CLOSURE OF THE UNIT**

   a) A Unit may be closed if any one of the criteria below are met:
      i) by the FAMC in agreement with the BoT and the Executives.
      ii) by the FAMC after consultation with the BoT if the Unit has been dormant for two financial years.
      iii) by the FAMC upon the recommendation of the BoT that the Unit is heading for insolvency.
iv) by the FAMC and the Working Committee, if, after due process, they jointly determine that the unit has been mismanaged or is financially unviable.

v) by the FAMC and the Working Committee if, after due process, they are jointly of the view that closure of the Unit is in the interest of the community.

b) When ordering the closure of a Unit, the FAMC may appoint a person not associated with the Unit as interim Executive to monitor and/or effect closure proceedings.

c) All assets and liabilities of the Unit shall be turned over to the Trust on the date the Unit is declared closed.

d) In case of blatant financial mismanagement as assessed by the FAMC the Executives will be jointly and individually liable for the payment of any of the Unit’s outstanding liabilities upon the closing of the Unit, and will hold harmless and indemnify the Trustees for any liability resulting from the Executives’ mismanagement of the Unit.

e) Upon closure of a unit, stewardship of any land associated with the unit shall be terminated.

f) Servicing of liabilities, unless otherwise decided by the FAMC, will follow the following order of priority:
   i) Statutory liabilities
   ii) Banks
   iii) Suppliers (Outside)
   iv) Auroville Maintenance, Unity Fund
   v) Suppliers (Auroville)
   vi) Unsecured loans
   vii) Loans from Executives / Trustees

15) DISPUTES

Disputes between Trusts, between Trusts and Units, between Trusts and Aurovilians, between Units, and between Units and Aurovilians shall be resolved in accordance with current Auroville Conflict Resolution Policy as approved by the Residents’ Assembly.

16) ADVISORY BODIES

The FAMC may constitute one or more Advisory Bodies as needed. The Advisory Bodies can advise the FAMC on practical and policy issues as requested by the FAMC.

17) AMENDMENTS OF CODE OF CONDUCT LEVELS AND GUIDELINES
a) Code of Conduct Levels may be amended by the FAMC.

b) A Code of Conduct Guideline, with the exceptions noted in 13 (a) above, may be amended jointly by the Working Committee and FAMC.

c) Any such amendment to the Code of conduct shall be done under prior intimation to the Secretary of the Auroville Foundation.

18) CHANGE OF CODE OF CONDUCT

This Code of Conduct may be amended jointly by the Working Committee and FAMC with timely information to the Governing Board and under prior intimation to the Secretary of the Auroville Foundation.

As approved by the Working Committee on August 1, 2017.

As approved by the FAMC on August 1, 2017.

As approved by the Governing Board in its meeting of August 13 and 14, 2017.
Appendix 1: Loan Regulations

1) Documentation. The terms of a loan must be documented and signed. The terms of a loan must include:
   a) Loan Issuer.
   b) Loan Receiver.
   c) Starting date of the loan.
   d) Loan Amount
   e) Grace Period
   f) Contribution Rate
   g) Repayment Schedule including frequency of payments and repayment period.
   h) Signature of the Loan Issuer
   i) Signature of the Loan Receiver
   j) Collateral provided, if any

2) Loans issued from Auroville Maintenance.
   a) Loans less than Rs. 1 lakh can be approved by the executives of Auroville Maintenance.

   b) Loans equal to or greater than Rs. 1 lakh and less than Rs. 5 lakh must be approved by the Loan Group, which will have at least one member who is a representative of Auroville Maintenance.

   c) Loans equal to or greater than 5 lakh must be approved by the FAMC. The FAMC will consult with Auroville Maintenance before final approval is given.

3) Loans issued from Internal Entities.
   a) The issuance of loans from registered units, trusts, or activities may not exceed the capital of the loan issuer. The loan itself may not be used to invest in any financial instrument including but not limited to fixed deposits, mutual funds, currency or commodity speculation, venture capital, loan kiting, etc. Such practice may result in the immediate dismissal of the Unit Executive / Trust Trustee without compensation.
b) Internal Entities may issue loans to other Internal Entities under the following conditions:
   i) the loans are issued in accordance with, Section 3(a).
   ii) loans of more than 2 lakh and less than Rs. 5 lakh must be approved by all of the unit executives in writing prior to the issuance of the loan. The executives must provide the Trustees and the FAMC with the signed terms of the loan.
   iii) Loans equal to Rs. 5 lakh and less than Rs. 10 lakh must be approved by the BoT. If approved, the BoT must provide the FAMC with the signed terms of the loan.
   iv) Loans equal to or greater than Rs. 10 lakh must be approved by the FAMC. The Unit Executives must provide the BoT with the signed terms of the loan.
   v) The FAMC will maintain a register of outstanding loans made between units and units and trusts.
   vi) Loans to employees may be made on the condition that they will be repaid within 12 months. Extension of time for repayment exceeding 12 months shall be duly communicated in writing to the BoT and such extension shall be permissible only with prior approval of the BoT.

c) **Contribution Rate.** Internal Entities may collect a contribution at a rate up to the one year Fixed Deposit rate as published by the State Bank of India at the date of the loan issue.

d) Repayment of loans issued by Unit Executives to the Unit:
   i) requires the approval of all of the unit Executives, and must be in accordance with Section 14)f.
   ii) is not permissible if it results in the capital account falling below zero.

4) **Loans issued by External Entities.**
   a) Loans less than Rs. 5 lakh must be approved by the BoT.
   b) Loans equal to or greater than Rs. 5 lakh must be approved by the FAMC.

c) **Interest.** Loans that exceed the one year Fixed Deposit rate of interest published by the State Bank of India must be approved by the FAMC.

5) **Repayment in Case of Insolvency.** In case a unit or trust becomes insolvent, repayment of loans shall be in accordance with Section 14)f. Repayment of loans taken that have been given which are not in accordance with these guidelines are the responsibility of the unit executive of the loan recipient.
Appendix 2: Contribution Guidelines

1) All Trusts, Units, Sub-Units, and Activities that generate revenues shall contribute a minimum of 33% of net profit to Unity Fund, unless otherwise stated in the Contribution Guidelines, “Exceptions to 33% net contribution”.

2) Contributions are not refundable.

3) Overpayment of contributions will be used to cover contribution deficits from previous years, and may be used to cover contribution dues in the future, if approved by the FAMC.

4) Schedule of Payment. Contributions are expected to be paid each month based on estimated annual surplus. Balance contributions, if any, based on the annual income are to be paid by 30 June of the next financial year.

5) Outstanding contribution payments that are not settled by September 1st are liable for additional contributions at 1% per month.

6) Maintenance Limit on Contribution Calculation. The total of maintenance and remunerations to Aurovilians for non-business related expenses that exceed Rs. 20,000 per month are not treated as unit expenses when calculating the contribution owed and may not be deducted from unit income when calculating the profit. For example, if Aurovilian X receives Rs. 22,000 in a month, Rs. 2,000 is not treated as an expense and may not be deducted from income when calculating the unit’s profit.

7) Exceptions to 33% net contribution. Except for the exceptions noted in this Section all other Contribution Guideline clauses apply.

   a) Taxi Services shall contribute 1% of billing.

   b) Auroville Eateries shall contribute 5% of billing.
c) **Eateries & Other Activities.** In the case of units that have both eateries and other activities, the accounts may not be separated. The contribution shall be calculated as follows:
   i) Eatery shall contribute 5% of billing.
   ii) Contribution = Combined profit x 33% of profit less 5% of eatery billing already contributed. Combined profit = total sales of both eatery and other activities less total expenses of both.

d) **Auroville Learning Activities** shall contribute 5% of billing and 33% of profit adjusted against contributions paid on 5% of billing.

e) **Guest Houses** shall contribute 20% of billing and homestay shall contribute 25% of billing. Breakfast is included in the 20% billing calculation. For Guest Houses that provide other meals the contribution will be 5% on food billing.

f) **Exempted Activities.** Activities that are exempt from contributions require FAMC approval to utilize surplus income, and must provide an income and expense statement to the BCC on a quarterly basis. Quarterly reports are due before 31 July, 31 October, and 31 January. Each activity must provide an annual report before 31 April. The following activities are exempt:
   i) Activities receiving a recurring budget from City Services, which covers more than 51% of their annual expenses.
   ii) Solar Kitchen
   iii) Electrical Service
   iv) Telephone Service
Appendix 3: Allowable Business Expenditure

1) Expenditures are valid business expenditures when they wholly and necessarily occurred in the commission of the business. Personal, living, or family expenses are not business expenses.

2) **Burden of Proof.** If a Unit cannot prove that the expense was business-related, then it is not allowable. The burden of proof rests with the unit and its executives and must be documented.

3) Assets have to be found inside the premises of the unit or be otherwise directly related to the commission of the business. The asset register must indicate where the assets are normally kept.

4) **Transparency Norms.** Units will, as part of the balance sheet:
   a) provide an itemized asset list (i.e., item by item).
   b) list in a separate schedule, the expenses for flight tickets, meals, hotels, and taxi trips.

5) **Flight tickets**
   a) Units may expense economy class tickets only for business related travel.
   b) Any upgrading beyond these guidelines is at the expense of the individual, not of the unit.

6) **Meals.** Expenditure for meals must be for business purposes only.
   a) Meals during business travel beyond 100 km from Auroville are allowable up to 3,000 Rs per day on presentation of bills.
   b) Business related meals with clients in Auroville and around are allowable. Vouchers must list the names of the clients and be signed by the unit executive.
   c) Meals with a unit’s management team are allowable once a month only.
   d) Social outings with employees are allowable once a year only.
7) **Hotels**  
   a) Hotel stays must be directly related to business and the unit must document that business was conducted throughout the stay. Additional stays must be paid from personal funds.

   b) Units may deduct up to Rs. 5,000 per day in India and Rs. 10,000 per day abroad.

8) **Taxi Trips.** Expenditure for taxi trips are allowable at AC current rate.

9) **Vehicles.** A unit can only purchase a passenger car and/or motorbike if demonstrated that the car/motorbike is required for the running of the business.

10) **Staff Welfare.** Expenditure for staff welfare cannot exceed 10% of all salaries and wages in a month. Any additional expenditure has to come from the 67% of net profit.

11) **Housing.** Contribution for housing can only be made from the 67% part of the profits before contribution and must be preapproved by the FAMC.