



## **Mangalore SEZ Limited** **Policy on Corporate Social Responsibility (CSR)**

### **1. Background:**

Mangalore SEZ Limited (MSEZL) incorporated as a SPV in 2006 is co-promoted by ONGC, IL&FS, KIADB, KCCI and others. MSEZL envisaged setting up a Multi product SEZ spread over 4000 acres, in two phases, in Mangalore along with the Infrastructure facilities.

MSEZL Phase – I, spread over 1,638 Acres of land in Mangalore, was notified as a Sector specific SEZ for Petroleum & Petro chemicals sector in 2007. More recently, in September, 2013, it has been accorded the “Multi-Product” SEZ status in accordance with the amendment to Special Economic Zones Act, 2005 and other applicable laws.

Broadly, the Company has adopted the following approach towards carrying out its CSR activities:

- Following the recommendations in the Charter on Corporate Responsibility for Environmental Protection (CREP) and Corporate Social Responsibility Voluntary Guidelines, 2009 as mandated by the Ministry of Environment and Forests (MoEF) and meet the stipulated target of incurring an expenditure 5% of the Project Cost towards CSR activities;
- In accordance with the provisions of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014

Considering the wide ambit of CSR activity, the Company in the course of undertaking its prescribed business activities of carrying out R&R for the project displaced people as a part of land acquisition as well as development of infrastructure has identified the following areas as relevant CSR activities to comply with the stipulation of MoEF:

- Water Supply facilities to R&R colonies
- Sanitation facilities to R&R colonies
- Community facilities for project displaced people
- Sponsoring educational facilities
- Improved Road connectivity in the vicinity, especially in the catchment area of infrastructure development of the Company and village roads improvement works
- Sponsoring local events, etc.

### **2. Short title and applicability:**

The policy shall encompass the contribution made towards the social and economic development of the communities in which it operates and lays down the guidelines and mechanism for undertaking the CSR activities and other socially welfare programmes and is titled as “**MSEZL CSR Policy**”

This policy shall apply to CSR initiatives and activities taken up by MSEZL in line with the Act, Rules & CERP and CSR Voluntary Guidelines, 2009, for the benefit of different segments of the society and shall come into force, with effect from approval of MSEZL Board.



### **3. Definitions:**

“Act” means the Companies Act, 2013, published on 30.03.2013, by Ministry of Corporate Affairs.

“Rules” means the Companies (Corporate Social Responsibility Policy) Rules, 2014, notified by Ministry of Corporate Affairs, on 27.02.2014.

“Corporate Social Responsibility (CSR)” means and includes but is not limited to:

- Projects or programs relating to activities specified in Schedule VII of the Act; or
- Projects or programs relating to activities undertaken by the Board of Directors of MSEZL in pursuance of the recommendation of the CSR committee of the Board as per declared CSR policy of MSEZL, subject to the condition that such policy shall cover subjects enumerated in Schedule VII of the Act.
- And the CSR activities carried out in pursuance of the stipulation made by the MoEF as approved by the Board in its 31<sup>st</sup> meeting held on 06.12.2012.

“The Company” means Mangalore SEZ Limited having its registered office at 3<sup>rd</sup> Floor, Pranava Park, Infantry Road, Vasanthnagar, Bangalore and having its site office at 3<sup>rd</sup> Floor, Mangalore Urban Development Authority (MUDA) Building, Ashok Nagar, Urwa Stores, Mangalore – 575 006.

“CSR Committee” means as constituted and re-constituted by the Board from time to time.

### **4. CSR Vision:**

To actively contribute to the social and economic development of the communities in which we operate through our services, conduct and initiatives with environmental concern. In so doing build a better, sustainable way of life for the weaker sections of society.

This will entail undertaking a variety of programs for enhancing economic activity, education, and empowerment of people on lower rungs of the socio-economic hierarchy in the catchment area of infrastructure projects of the Company, thus widening the project boundaries and its social frontiers.

#### **4.1 CSR Scope**

As stated earlier the scope of CSR includes the activities to be carried out as per prescribed under Schedule VII under the Companies Act, 2013 coupled with expenditure on CSR as per the mandate of the Ministry of Environment and Forests (MoEF) under the Voluntary Guidelines on Corporate Social Responsibility

### **5. Objectives of the MSEZL CSR Policy:**

5.1 The Company should respect the interest of and be responsive towards all stakeholders, including stakeholders, employees, Project Affected People, customers, suppliers, Society at large, etc and **thereby creating value for them.**

- 5.2 Depending upon their core competency and business interest, Company shall undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of its operations. These include: education, skill building for livelihood of people, health, cultural and social welfare etc, particularly targeting sections of society.
- 5.3 To generate through its CSR initiatives, a community goodwill for MSEZL and help re-inforce a positive and socially responsible image of the Company as a Corporate entity.

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## **6. CSR Functions in the Company:**

- 6.1 Identification of CSR activities / projects / programmes in line with Section 135 and Schedule VII of the Act, Rules and the CSR Voluntary Guidelines, 2009
- 6.2 Compiling of cost, duration of the project and execution modalities, as identified by the executives of the Company.
- 6.3 Information about the CSR activities to be put up before the CSR Committee at the beginning of the financial year to concur and recommend the amount of expenditure to be incurred on CSR activities computed under the Act for the approval of the Board.
- 6.4 The Company to carry out CSR activities out of the expenditure approved by the Board to comply with the mandate of the MoEF.
- 6.5 Execute the CSR activities/projects/programs, as per the approval of the Board.
- 6.6 Monitoring the progress of the CSR activities and providing quarterly progress reports to the CSR Committee each time it meets.
- 6.7 Constitute an Internal Committee for supervising CSR activities are being carried out and the related bill certification towards the same.

## **7. Functions of CSR Committee:**

- 7.1 Coordinate formulation and recommend the CSR Policy to the Board, indicating the activities as specified in Schedule VII of the Act;
- 7.2 Recommend the amount of expenditure to be incurred on the activities indicated in the policy to the Board;
- 7.3 Monitor the progress of the CSR activities with respect to timelines and quality.
- 7.4 Devise a communication strategy for regular information and feedback sharing with key stakeholders. Publish information in the Company's Intranet, Internet, Press and Media.
- 7.5 Provide information sought by the Ministry of Corporate Affairs and Other statutory bodies.
- 7.6 Monitor the CSR activities of the Company as per the approved policy regularly

## **8. Role of the Board:**

- 8.1 Approve the CSR policy as recommended by the CSR Committee with or without modifications.

- 8.2 Ensuring the activities being done are as per Schedule VII of the Companies Act, 2013
- 8.3 Ensuring that at least 2% of the average net profits of the Company made during the three immediately preceding financial years is being spent, in pursuance of its CSR Policy
- 8.4 Carry forward of un-spent amount (only in exceptional circumstances) to the next financial year with reasons for non-spending shall be reported in the Board Report

## 9. Financial Implications and CSR Budget

- 9.1 Budgetary allocation for the CSR activities in every financial year shall be at least 2% of the average net profit before tax of the company made during the three immediately preceding financial years. The “average net profits” shall be calculated in accordance with the provisions of section 198 of the Act or as may be revised from time to time by the Act.
- 9.2.0 CSR Committee shall recommend the CSR budget, based on the proposal put up by the Company. In the proposal, details such as approved CSR budget for the previous year, actual expenditure on CSR in the previous year and the resultant computation for the present year shall be given.
- 9.2.1 3 years of non-applicability of the criteria such as threshold limits of net-worth, turnover or net profit, mentioned in the Section 135(1) of the Act is required to exit CSR compliance requirements. However the Company would be required to take up CSR activities, if the Company makes profits in any particular year.
- 9.2.2 The surplus arising out of the CSR projects or programs or activities shall not form part of the business profits of the Company.

The budget allocated as above, should be spent within the financial year. If due to some reason, the budget of a year remains unutilized, the unspent amount shall be permitted to carry forward to the next financial year, provided the reasons for not utilizing the entire CSR amount in a particular year and the plan(s) for utilizing the unspent amount in the next year is approved by the Board and disclosed in its report made under clause (o) of sub section (3) of section 134 of the Act. Format of the report enclosed as an Annexure II.

## 10. Focus areas of CSR activities:

The Company can choose any activity out of the activities mentioned below which are prescribed under Schedule VII of the Companies Act, 2013 in addition to the activities being carried as per the mandate of MoEF.

- 10.1 Eradicating hunger, poverty and malnutrition, promoting health care including preventive healthcare and sanitation including the contribution to Swachh Bharat Kosh set up by the Central Govt. for the promotion of sanitation and making available safe drinking water.
- 10.2 Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement programmes.



- 10.3 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;
- 10.4 Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set up by the Central Govt. for rejuvenation of river Ganga.
- 10.5 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;
- 10.6 Measures for the benefit of armed forces veterans, war widows and their dependents
- 10.7 Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;
- 10.8 Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief, and funds for the welfare of the Scheduled Castes, Scheduled Tribes, other backward classes, minorities and women;
- 10.9 Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- 10.10 Rural Development Projects

## **11. Identification of CSR Activities**

- 11.1 CSR Committee shall identify the CSR projects / programs for the year, drawn from the above paras, which however when liberally interpreted, shall be broadly limited to the activities allowed under Schedule VII of the Act. However the list of specific activities to be taken up in each Financial Year will be put up each year, while seeking budgetary approvals.
- 11.2 CSR Committee while identifying the CSR activities shall consider & give preference to the suggestion/demands of the key stake holders, especially those who are directly impacted by the company's operations / activities. As per the Act, the company shall give preference to the 'local area' in selecting the location of its CSR activities and the Company shall define the 'local area'. Considering the proximity to the SEZ, Dakshina Kannada (D.K), is considered as 'local area' for the purpose of CSR activities. However the company will give first preference to the Villages in and around the SEZ where the Company is carrying its



development activities, considering the fact that maximum impact of operations on the society & environment is around those areas.

## **12. Guidelines for Identifying CSR Activities:**

- 12.1 Identification of stakeholders (society) and intended beneficiaries of the project. While identifying the project, CSR Section will check the following:
- 12.2 The relevance of the project, i.e. whether it is integrated with the social and environment concerns, related to the nature and impact of the Company's business and whether it will deliver/contribute to sustainable development of the Company.
- 12.3 Adequacy of the proposal for meeting the imminent need of the beneficiary.
- 12.4 Whether the activities are philanthropic activities, since mere donations to philanthropic/charity or other organizations would not come under the category of CSR activities.
- 12.5 Ensure the activities proposed are not related to the business of the Company or its employees.
- 12.6 Monitoring progress and completion of activities /projects up to completion of total commitment from the Company.
- 12.7 Every individual Project will have details of execution including timelines.

## **13. Procedure for seeking approval of each CSR activity:**

- 13.1 Head (HR) will put up an agenda note, for approval of CSR Budget for the Financial Year. The proposal will have a write up of each of the project, with details. The CSR Committee will review the same and recommend suitable proposals to the Board for approval of yearly budget and in-principle approval for the activities listed in the proposal with the following details.
  - Brief Description of the CSR project.
  - What the project intends to do?
  - What are the Project timeline / schedule?
  - Who are the targeted beneficiaries?
  - How the beneficiaries are going to be benefited?
  - What are the metrics for measuring intended benefit?
  - How the project will be monitored in terms of physical milestones and social milestones.
  - Measuring performance in terms of the intended benefit.
  - Financial requirement for undertaking the activity, funding sources (if any other than the Company) and fund requirement timeline.
  - % of each project over the total CSR budget for the FY



- Capturing the social benefits to the Company and communication accordingly for enhanced reputation.

13.2 Further, the individual CSR Project / programme / activity as recommended by the CSR Committee may be taken up by the Competent Authority as per the following delegation of authority and be placed before the Board meeting for information. This is mainly on account of any CSR activity which is in addition to the already approved activities by the Board at the beginning of the year.

Sl. No.	CSR value	Approving Authority
1	Above Rs.25 Lakhs	Board with recommendation of CSR Committee
2	Between Rs.2 lakhs to Rs.7.5 lakhs	Managing Director
3	Upto Rs.2 Lakhs	Local MSEZL Committee jointly with CFO and Head (HR)

#### 14. Implementation Methodology:

- 14.1 CSR activities / programs / projects as per Board approved policy could be undertaken by the Company or through:
- 14.2 A Registered Trust or society or a company registered under Section 8 of the Act established by the Company or any of its associate company or otherwise. Provided that :
- 14.2.1. Any trust, society, or company which is not established by the Company or any of its associate company provided it has an established track record of three years in undertaking similar programs or projects.

#### 15. Key Guidelines for the CSR expenditure:

- 15.1 As approved by the Board at its 31<sup>st</sup> meeting held on 06.12.2012, an amount of Rs.76.375 crores (@5% of project cost in Compliance of MoEF) is earmarked to be spent towards CSR activities. Out of which, an amount of Rs.57.49 Crores has already been spent and a balance of Rs.18.89 Crores will be spent in a phased wise manner.
- 15.2 The prescribed CSR spend, as indicated in Section 135 of the Companies Act, 2013 is at 2% of the Average Profit Before Tax of the Company, duly adjusted for any dividend income received from companies, and any profits from Overseas Branches
- 15.3 The selected projects need to adhere to the following guidelines:
- 15.4 The Company will undertake CSR projects / programmes that are in conformity with Schedule VII of the Act;
- 15.5 CSR Activities **shall not include** the activities undertaken in pursuance of **normal course of business** of the Company;
- 15.6 Any surplus arising out of any of the CSR activities / programmes shall not form part of the business profits of the Company;



- 15.7 Any activity for the **exclusive benefit of the employees** of the Company or their family members **shall not be considered** as a CSR activity;
- 15.8 **One-off events** such as marathons/awards/charitable contribution/advertisement/ sponsorships of TV programs etc **shall not be considered** as a CSR activity;
- 15.9 **Expenses incurred** by companies for the **fulfillment of any Act/ Statute** of regulations (such as Labour Laws, Land Acquisition Act etc.) **shall not be considered** as a CSR activity;
- 15.10 However, the Company may build CSR capacities of its own personnel as well as those of its Implementing Agencies but such expenditure shall not exceed 5% of the total CSR expenditure of the Company in any one financial year

**16. Review Mechanism:**

The CSR Committee shall monitor the CSR program in addition to recommending the CSR policy to the MSEZL Board and formulation of the CSR program on an annual basis. The CSR Committee will ensure the implementation of the projects/programs/activities proposed to be undertaken by the company and monitor the amount being spent on CSR activities. A Quarterly compliance report shall be placed before the CSR committee from the 1<sup>st</sup> Quarter of the financial year. As per requirement, the CSR committee shall meet every Quarter to discuss on the activities conducted in that quarter.

**17. Disclosure:**

As per the Act, the Company is required to disclose the composition of the CSR Committee and its CSR Policy in the Company’s Annual Report and on the website. Further, the details of the CSR activities and program taken up during the year will also be disclosed.

**CSR expenditure incurred shall be reported in the following format (on a quarterly basis)**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl.	CSR project or activity identified	Sector in which the project is covered	Projects or programs 1) Local area or others 2) Specify the State and district where projects or program was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs <b>Sub-heads</b> 1) Direct expenditure on project or programs 2) Overheads	Cumulative expenditure upto the reporting period	<b>Amount spent:</b> Direct or through implementing agency

