

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



## CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

# Business Policies and Procedures

***Sale or Outside  
Distribution  
without prior  
permission is  
illegal and may  
invite  
appropriate  
legal actions at  
defaulter's risk  
and costs.***

**Version:**

**MIL/ BPP/CSR 1.0**

**Adopted on**

**February 2020**

### **EFFECTIVE FROM 1<sup>st</sup> April 2019**

Any amendment of this Policy MUST be approved by the Board and must be in writing with date of effect mentioned therein. Some of the modifications may be applicable from prospective effect while some of them from retrospective effect. Every Amendment shall be circulated for the notice of Team Members and Directors appropriately.

***Approved by  
Board of  
Directors***

The Policy is adopted in terms of Section 135 of the Companies Act, 2013 and Rules framed thereunder.

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



## CONTENTS

<b>Clause No. &amp; Contents</b>	<b>Page #</b>
<b>PREFACE TO CSR POLICY AND DISCLAIMER</b>	
<b>1) INTRODUCTION</b>	
A) The Company	
B) Introduction to Corporate Social Responsibility	
C) Provisions under The Companies Act, 2013	
D) Activities Prescribed under Schedule VII to the Companies Act, 2013	
E) Provisions under The Companies (Corporate Social Responsibility Policy) Rules, 2014	
F) Penalty for non-compliance of CSR provisions of the Companies Act	
G) MCA's initiatives or crackdown to facilitate CSR compliance	
H) Conclusion	
<b>2) MODALITIES OF EXECUTION</b>	
A) Synopsis	
B) Background for Implementation of Policy	
C) Objective of CSR	
D) CSR Vision Statement	
E) CSR Mission Statement	
F) Specific Measures	
G) Implementation Team and Responsibilities	
H) Activities, Measurable Targets, Timeframes and Performance Management	
I) Partnerships	
J) Budgets	
K) Dissemination of Information	
L) Management's Commitment	
L) Compliance and Declaration under the Companies Act, 2013	
<b>3) PERFORMANCE AND REVIEWS</b>	

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



## PREFACE TO REMUNERATION POLICY AND DISCLAIMER

This Policy is a proprietary document and property of **MIHAN India Limited**. This Document underlines the policy and procedure in relation to the **Corporate Social Responsibility (CSR) Policy** as expected of them in terms of various laws including the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 framed thereunder. There are several other policies and procedures, which may have relevance while following this Policy and its procedures, but not rewritten herein as those policies have been framed for specific purposes. This document is not a permanent one and is liable to be changed or altered from time to time due to changes in law or circumstances. In other way, this Policy may be changed whenever circumstances do exist and advise for a change due to government or other statutory laws, rules, regulations, business nature and experience, practice, usage and change in business environment.

This document is strictly private, confidential and personal to its recipients and is meant for internal circulation and use **ONLY** and **MUST NEITHER** be copied, faxed, divulged, distributed, disseminated, disclosed, modified or reproduced or published in whole or in part, **NOR** be passed on to any third party unless approved by the Board. The reproductions of this document in any manner or misuse hereof outside the purview of business operations without obtaining prior written permission from MIHAN India Limited may lead to appropriate legal action.

The timelines and other limitations are only for the purpose of normal practice. Should there be any exigencies Team Members are required to follow the Board's instructions.

This Document has been made in terms of several laws of the land in general, but the Companies Act, 2013 in particular. Any discrepancies found herein must be immediately brought to the notice of the Board or the Company Secretary.

This Document is divided in three clauses, and all are self-explanatory. An explanation on any of the clauses hereof may please be sought, wherever there is ambiguity felt in interpretation or implementation.

The contents of this document have not been independently verified by any external agency. No representation, warranty or undertaking, expressed or implied is or will be made or given and no responsibility or liability is or will be accepted by MIHAN India Limited or by any of its directors, employees or advisors in relation to the accuracy or completeness of this document or any other written or oral information made available in connection with this Document.

Any suggestion on improvement of this Policy should be routed through the Company Secretary only.

This Document may be uploaded on the website after approval by its Board of Directors.

**BY ACCESSING THIS DOCUMENT YOU ACKNOWLEDGE, ACCEPT AND AGREE TO THE TERMS OF CONFIDENTIALITY AND ALL THE CONTENTS OF THIS DOCUMENT.**

**By Order of the Board**

**Anil Patil**  
**Chairman and Chairman and Managing Director**

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



## 1) INTRODUCTION

This document is for internal circulation only and not meant for disclosure outside MIHAN India Limited or its affiliates including its holding company. Any part of this document is not to be reproduced or copied in any manner without prior written permission from the CSR Committee or the Board. Any infringement of this document may lead to punishment, which may attract legal proceedings.

This document is not intended to create, nor can it be construed as creating, a contract between MIHAN India Limited and anyone or all of its Team Members. The terms of this Policy is not fixed and can be changed by the Board at anytime, based upon the requirements of the Companies Act, 2013 and rules made thereunder.

This CSR Policy envisages to provide a guidelines to the Board on the aspects of Corporate Social Responsibility undertaken and to be undertaken by MIHAN India Limited (“the Company”) in terms of Section 135 of the Companies Act, 2013 and Rules framed thereunder, as amended from time to time and due compliance with legal requirements. This Policy is to act as a mechanism for deciding the activities which come under the purview of the Section 135 of the Act. This Policy framework is the manifestation of the Company’s commitment to lawful and ethical business conduct which is critical to the successful operation of the Company and is of utmost importance to the Company’s Shareholders, Director and other Business Associates.

### A) The Company

MIHAN India Limited (hereinafter referred to as “MIL”) is a Company registered under the Companies Act, 2013 by virtue of a joint venture between M/s. Maharashtra Airport Development Company Limited, Mumbai a wholly owned undertaking of the Government of Maharashtra incorporated under the Companies Act, 2013 (“hereinafter referred to as “MADC”) and M/s. Airports Authority of India, an autonomous body constituted under the Government of India by virtue of the Airports Authority of India Act, 1994 having its office at Rajiv Gandhi Bhavan, Safdarjung Airport, New Delhi -110003 (hereinafter referred to as “AAI”) for the purpose of operation, development and maintenance of Dr. Babasaheb Ambedkar International Airport, Nagpur (hereinafter referred to as “DBAI Airport”). MIL has also been operating and maintaining the DBAI Airport in terms of the said agreement. The following are the salient points in respect of the Joint Venture Agreement:

- Nagpur Airport was commissioned in the year 1917-18 and was operated by Royal Military Force followed by the Indian Air Force, the National Airport Authority and the AAI until it was taken over by MIL.
- Named as Dr. Babasaheb Ambedkar International Airport in May 2005
- First scheduled international flight took off in October 2005
- On 18<sup>th</sup> December 2006 an MoU was signed between the Central Government through Secretary, Ministry of Civil Aviation and AAI AND the State Government of Maharashtra through Secretary, Administration

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



- Reforms and Special Projects, General Administration Department and MADC, which included inter alia –
- Formation of a Joint Venture Company (hereinafter referred to as “JVC”) having share capital distributed between MADC 51% and AAI 49%.
  - Transfer of assets of Nagpur Airport to the JVC as also staffs belonging to AAI, but excluding staff with CNS/ ATM and RNFC.
- On 22<sup>nd</sup> February 2009 the Joint Venture Agreement as envisaged was signed between MADC and AAI.
  - On 9<sup>th</sup> June 2009, the JVC as envisaged in the name of MIHAN India Private Limited, was registered under the provisions of the Companies Act, 2013 (then Companies Act, 1956), the name of which was later on changed to MIHAN India Limited.
  - On 7<sup>th</sup> August 2009 MIL took over the DBAI Airport from AAI for operation, maintenance and further development by virtue

## **Airside Facilities**

- (a) Runway of 3200 x 45 metres size
- (b) Category VII fire services
- (c) CAT – I approach from 32 end
- (d) Apron - 17 Nos. Code “C” aircrafts parking bays
- (e) Solar fencing around runway
- (f) Anti-hijacking and anti-sabotaging provided by CISF personnel
- (g) Ground Support Equipment area

## **Cargo Facilities**

- Total Area of cargo warehouse is 12,682 sq. ft.
- Import & export of domestic cargo services provided.
- There is a gradual but steady increase in domestic as well as international cargo on year to year basis.
- Recently added cold storage facility for Import/Export of agro products.

## **Terminal Facilities – Passenger and Cargo**

- (a) Terminal Building – 25,000 Square Metres – two floors
- (b) Peak hour passenger handling capacity – 960 Nos.
- (c) Aerobridges – 2 Nos.
- (d) Check – in Counters – 22 Nos.
- (e) Boarding gates – 11 Nos.
- (f) Customs and Immigration counters
- (g) Hotel reservation counters – 4 Nos.
- (h) Car rental service – 1 No.
- (i) Pre-paid taxi counter – 1 Number
- (j) Restaurant, food courts, Spa & Massage centre, kids play area, books stall, souvenir shop, etc.
- (k) Canopy connecting Terminal Building and the Parking for both departures and arrivals
- (l) VIP lounge

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



- (m) Free Wi-Fi services to the passengers
- (n) **Maintenance Repair and Overhaul (MRO) Facility has come up adjacent to airport in MIHAN SEZ area, which has been set up by Air India – Boeing Inc.**

## Latest Developments

- Resurfacing and strengthening of runway
- Construction of additional apron space
- Commissioning of 2 Nos. aerobridges
- Procurement of 2 Nos. Airfield Crash Fire Tenders with advanced technology and capacity
- Construction of Canopy connecting Terminal Building and Passenger Parking
- Renovation of terminal building viz., renovation of toilets, repairs / replacement of floor tiles, internal painting, changing false ceiling etc.
- Procurement of 100 Nos. of Passengers baggage's trolleys
- Installation of Common Use Terminal Equipment (CUTE), Common Use Self Service (CUSS) and Baggage Reconciliation System (BRS)
- Apron extension to withstand Boeing 777, i.e., Category "E" type aircrafts
- Biometric access control system in Terminal Building
- Provision of Elevators at Departure Hall area

## Upgradation & Modernization of DBAI Airport, Nagpur through PPP on DBFOT Basis:

MIHAN India Limited (MIL) had floated the RFQ tender for selection of developer for the 'Up-gradation, Modernization, Operation and Maintenance of Dr. Babasaheb Ambedkar International Airport, Nagpur through Public-Private Partnership (PPP) on Design, Build, Finance, Operate and Transfer (DBFOT) basis in May 2016. The tender was issued vide Reference No MIL/NGP/267-C/2016/1410 dated 12-05-2016. By the due date, i.e., 6<sup>th</sup> October, 2016, MIL received six (6) applications.

Documents received pursuant to the notification of the RFQ were evaluated, and six (6) applicants were shortlisted to participate in the second stage of the bidding process, which should be the RFP stage.

The proposed partnership for privatization would have a the private party acquiring 74 percent stake in the airport assets and remaining 26 percent held by MIL against a yearly payout of a fixed percentage as revenue share out of the gross receipts. The highest (revenue share) bidder would be awarded the contract.

The estimated cost of the project for phase-I was ₹1,420 Crores, which will be completed in four (4) years.

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



## B) Introduction to Corporate Social Responsibility

We are aware that the Companies Act, 2013 (hereinafter referred to as “**the Act**”) has been notified by the Government of India. One of the important aspects of the Act is the introduction of the concept of Corporate Social Responsibility (hereinafter referred to as “**CSR**”), which is prescribed under Section 135 of the Act. The Ministry of Corporate Affairs (MCA) under the Government of India has notified Section 135 and Schedule VII of the Act effective from April 1, 2014.

The Government has also notified the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as “**the Rules**”) under the said Section of the Act.

The relevant Provisions of the Act and the Rules are reproduced hereinbelow.

## C) Provisions under The Companies Act, 2013

### **Section 135: Corporate Social Responsibility**

- (1) *Every company having net worth of rupees five hundred Crore or more, or turnover of rupees one thousand Crore or more or a net profit of rupees five Crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.*
- (2) *The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.*
- (3) *The Corporate Social Responsibility Committee shall, -*
- (a) *formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;*
  - (b) *recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and*
  - (c) *monitor the Corporate Social Responsibility Policy of the company from time to time.*
- (4) *The Board of every company referred to in sub-section (1) shall, -*
- (a) *after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and*

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



*(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.*

*(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:*

*Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:*

*Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.*

*Explanation - For the purposes of this section "average net profit" shall be calculated in accordance with the provisions of section 198.*

## **D) Activities Prescribed under Schedule VII to the Companies Act, 2013**

*Activities which may be included by companies in their Corporate Social Responsibility Policies*

*Activities relating to:-*

- (i) eradicating extreme hunger and poverty;*
- (ii) promotion of education;*
- (iii) promoting gender equality and empowering women;*
- (iv) reducing child mortality and improving maternal health;*
- (v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;*
- (vi) ensuring environmental sustainability;*
- (vii) employment enhancing vocational skills;*
- (viii) social business projects;*
- (ix) 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, the Scheduled Tribes, other backward classes, minorities and women; and*
- (x) such other matters as may be prescribed.*

## **E) Provisions under The Companies (Corporate Social Responsibility Policy) Rules, 2014**

### **Rule 3: Corporate Social Responsibility**

*(1) Every company including its holding or subsidiary, and a foreign company defined under clause (42) of section 2 of the Act having its branch office or project office in India which fulfils the criteria specified in sub-section (1) of*



# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



*section 135 of the Act shall comply with the provisions of section 135 of the Act and these rules:*

*Provided that net worth, turnover or net profit of a foreign company of the Act shall be computed in accordance with balance sheet and profit and loss account of such company prepared in accordance with the provisions of clause (a) of sub-section (1) of section 381 and section 198 of the Act.*

- (2) *Every company which ceases to be a company covered under sub section (1) of section 135 of the Act for three consecutive financial years shall not be required to -*
- (a) *constitute a CSR Committee; and*
  - (b) *comply with the provisions contained in sub-section (2) to (5) of the said section till such time it meets the criteria specified in sub-section (1) of section 135*

## **Rule 4: CSR Activities**

- (1) *The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.*
- (2) *The Board of a 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 by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise:*

*Provided that-*

- (i) *if such trust, society or company is not established by the company or its holding or subsidiary or the associate company, it shall have an established track record of three years in undertaking similar programs or projects;*
  - (ii) *The company has specified the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.*
- (3) *A company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programs in accordance with these rules.*
- (4) *Subject to provisions of sub-section (5) of section 135 of the Act, the CSR projects or programs or activities undertaken in India only shall amount to CSR expenditure*

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



- (5) *The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.*
- (6) *Companies may build CSR capacities of their own personnel as well as those of their Implementing agencies through Institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overheads, shall not exceed five percent of total CSR expenditure of the company in one financial year.*
- (7) *Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.*

## **Rule 5: CSR Committees**

- (1) *The companies mentioned in the rule 3 shall constitute CSR Committee as under:*
- (i) *An unlisted public company or a private company covered under sub-section (1) of section 135 which is not required to appoint an independent director pursuant to sub-section (4) of section 149 of the Act, shall have its CSR Committee without such director;*
- (ii) *A private company having only two directors on its Board shall constitute its CSR Committee with two such directors;*
- (iii) *With respect to a foreign company covered under these rules, the CSR Committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act and another person shall be nominated by the foreign company.*
- (2) *The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.*

## **Rule 6: CSR Policy**

- (1) *The CSR Policy of the company shall, inter-alia, include the following, namely -*
- (a) *A list of CSR projects or programs which a company plans to undertake falling within the purview of the Schedule VII of the Act, specifying modalities of execution of such project or programs and implementation schedules for the same; and*
- (b) *Monitoring process of such projects or programs:*

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



*Provided that the CSR activities does not include the activities undertaken in pursuance of normal course of business of a company.*

*Provided further that the Board of Directors shall ensure that activities included by a company in its Corporate Social Responsibility Policy are related to the activities included in Schedule VII of the Act.*

- (2) *The CSR Policy of the company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.*

## **Rule 7: CSR Expenditure**

*CSR expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities approved by the Board 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 which fall within the purview of Schedule VII of the Act.*

## **Rule 8: CSR Reporting**

- (1) *The Board's Report of a company covered under these rules pertaining to a financial year commencing on or after the 1<sup>st</sup> day of April, 2014 shall include an annual report on CSR containing particulars specified in Annexure.*
- (2) *In case of a foreign company, the balance sheet filed under sub-clause (b) of sub-section (1) of section 381 shall contain an Annexure regarding report on CSR.*

## **Rule 9: Display of CSR activities on its website, -**

*The Board of Directors of the company shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the company and disclose contents of such policy in its report and the same shall be displayed on the company's website, if any, as per the particulars specified in the Annexure.*

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



## ANNEXURE FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

Sl. No.	Particulars	Remarks
1.	A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.	
2.	The Composition of the CSR Committee.	
3.	Average net profit of the company for last three financial years	
4.	Prescribed CSR Expenditure (two per cent. Of the amount as in item 3 above)	
5.	Details of CSR spent during the financial year.	
	(a) Total amount to be spent for the financial year;	
	(b) Amount unspent, if any;	
	(c) Manner in which the amount spent during the financial year is detailed below.	

S. No.	CSR project or activity identified	Sector in which the Project is covered	Project or Programs (1) Local Area or other (2) Specify the state and district where the project and programs was undertaken	Amount outlay (budget) project or program-wise	Amount spent on the projects or programs; Sub-heads: Direct Expenditure on Projects or Programs	Cumulative Expenditure up to the reporting period	Amount spent directly or through implementing agency*
1.							
2.							
3.							
<b>Total</b>							

\*Give details of implementing agency:

- In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the reasons for not spending the amount in its Board report.
- A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

\_\_\_\_\_  
Chairman and Managing Director

\_\_\_\_\_  
Chairman of the CSR Committee

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



## F) Penalty for non-compliance of CSR provisions of the Companies Act

There is no specific penalty for non-compliance of CSR provisions under Section 135 of the Companies Act read with rules. However, penalties can be levied under following provisions:

1. **Section 134(8):** As per Section 134(3)(o) of the Companies Act, companies shall include in its Board Report the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year. If company contravenes the provisions of Section 134:
  - ◆ The Company shall be punishable with fine which shall not be less than ₹50,000/- but which may extend to ₹25,00,000/-; and
  - ◆ Every officer in default shall be punishable with:
    - Imprisonment for a term which may extend to three years; or
    - Fine which shall not be less than ₹50,000/ - but which may extend to ₹5,00,000/-; or
    - Both
2. **Section 450:** Where no specific penalty is provided, in case of contravention of any such provision, company and every officer in default or such other person shall be punishable with:
  - a) Fine which may extend to ₹10,000/-; and
  - b) Where contravention is continuing one, further fine which may extend to ₹1,000/- for every day after the first during which contravention continues.

## G) MCA's initiatives or crackdown to facilitate CSR compliance

In view of the use of the words "Shall ensure that the company spends" under Section 135 of the Act, it is mandatory for eligible companies covered under Section 135(1) to mandatorily spend the prescribed amount and non-spending of CSR amount shall attract penal action as mentioned in the Act unless the regulatory authority accepts the reasons given in the Board reports of the companies. Since the coming into force of this provision i.e. from 01st April, 2014, it has been observed that most of the companies are still not spending towards CSR. In order to ensure compliance of Section 135, MCA has taken following steps:

1. **National CSR Data Portal:** Ministry has launched the National CSR Data Portal on 19th January, 2018 for driving accountability and transparency in Corporate India. This portal has been created with the objective of achieving high level of compliance as well as transparency towards CSR activities of companies. The CSR data portal is showing the data on the basis of Director's Report and Forms filed on MCA Portal.

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



2. **Show Cause Notices to companies:** The Show Cause Notices have been issued to more than 1000 companies for initiating prosecution for non-compliance of Section 135 read with Section 134(3)(o). However, as per Section 135, if a company fails to spend the CSR amount, it has to give reason under Section 134(3)(o), hence if a company is giving its reason in the Board Report then it is complying with the provisions of Section 135 and Section 134(3)(o). Further, Section 450 will also not be attracted, since Section 135 and Section 134 cannot be considered as contravened, if company has provided its reasons for not spending the amount. Hence, this action of MCA can be questioned because law should be clear that if companies do not spend or less spend towards CSR, then it can be prosecuted, if the reasons given by them in Board Reports are not acceptable.
3. **Unspent CSR amount to be transferred to designated Central Government Funds:** In the report of Legal Sub-committee on Corporate Social Responsibility submitted to Ministry of Corporate Affairs on 26<sup>th</sup> April, 2018, it has been recommended that in order to ensure that companies become complaint of CSR, the Ministry may issue a circular stating that in case a company is not able to spend the entire prescribed CSR amount by end of the financial year, then the balance remaining unspent should be transferred to designated Central Government Funds as listed in Schedule VII of the Act i.e., Prime Minister's National Relief Fund or Swachh Bharat Kosh or Clean Ganga Fund etc. It is also recommended that companies who have either less spent or not spent and after issuance of show cause notice in case such companies deposit such amount to the Central Government Fund as per Schedule VII, the Central Government shall not file prosecution against such companies.

## H) Conclusion

At present scenario, companies are complying with Section 135 and Rules made thereunder as per their literal interpretation by disclosing their reasons for not spending the CSR amount in their Board Reports. Further, if companies are giving reasons under Section 134(3)(o) for not spending the CSR amount, companies are duly complying with the provisions of CSR under Section 135 and Section 134 because it is unwritten in the law that the submitted reasons shall be cross re-validated or verified by either accepting the reasons or set aside the same; and initiate the prosecution for recovery of unspent CSR amount for specified activities as mentioned in Schedule VII. If based on this unwritten law, Ministry is issuing notices to companies, then Companies should stand for it and question it before the Court of Law for making the law clear so that better compliance of law be made possible in future.

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



## 2) MODALITIES OF EXECUTION

In terms of sub-section (5) of Section 135 of the Companies Act, 2013, the Board shall ensure that the Company spends the amount as per the provisions of the said section and for the purpose of the said section, "Average Net Profit" shall be calculated in accordance with Section 198.

### A) Synopsis

**From the overview of the above provisions, it is evident that the provisions are applicable to every company – private or public.** Therefore, under the provisions of Section 135 of the Companies Act, 2013 and rules framed thereunder, every company, private limited or public limited, which came into effect on April 1, 2014, must spend at least 2% of its average net profit in the immediately preceding three financial years on CSR activities if it has a Turnover of **₹1,000 Crores** or more, or Net Worth of **₹500 Crores** or more, or Net Profit of **₹5 Crores** or more. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act only. Contribution to any political party also is not considered to be a CSR activity and only activities in India would be considered for computing CSR expenditure.

The net worth, turnover and net profits are to be computed in terms of Section 198 of the Act. It has been clarified that if net profits are computed under the Companies Act, 1956 (the old Act) they need not be recomputed under the Act. Profits from any overseas branch of the company, including those branches that are operated as a separate company would not be included in the computation of net profits of a company.

The CSR Rules specify that a company which does not satisfy the specified criteria for a consecutive period of three financial years is not required to comply with the CSR obligations, implying that a company not satisfying any of the specified criteria in a subsequent financial year would still need to undertake CSR activities unless it ceases to satisfy the specified criteria for a continuous period of three years. This could increase the burden on small companies which do not continue to make significant profits.

### B) Background for Implementation of Policy

At the outset, activities at MIL is already in existence for the benefit of the Team Members and their immediate family members like extending loan to Team Members, life and general insurance policies, participation at festivals and best worker award, etc.

The management of MIL understands the need of CSR in the Indian context and has been contributing towards the social welfare from time to time as a sensible social entrepreneurship. It is recognized that integrating social, environmental and ethical responsibilities into the governance of businesses ensures the long term success, competitiveness and sustainability.

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



Further, CSR makes a business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the longer run and their products and services are preferred by the customers.

Since MIL falls within the criteria requiring it to spend on CSR activities as prescribed under Schedule VII to the Act, a responsibility has been cast upon the board members to ensure compliance.

The Government of India is determined not to let companies get away easily if they do not spend the mandated 2% of their profits on Corporate Social Responsibility (CSR) activities as specified by law. The government has added more teeth to the Companies Act, 2013 by introducing a penal clause for companies that miss this target spending repeatedly. At present, non-compliance of CSR Rules is not penalized under the Company Law, and those unable to spend the stipulated amount can get away with some justification.

## C) Objective of CSR

The main objective of CSR policy is to make CSR a key business process for sustainable development of the society. MIL **will act as a good corporate citizen** and aim at supplementing the role of Government in enhancing the welfare measures of the society within the framework of its policy. However, in determining CSR activities to be undertaken, preference would be given to basic amenities such as education and health related activities within the local areas and the areas around where MIL operates.

## D) CSR Vision Statement

MIL's CSR Vision is as under:

“To deploy the resources optimally for the upliftment of the socially backward and downtrodden as a concerned corporate citizen.”

## E) CSR Mission Statement

Effectively comply with the requirements of the provisions of the Corporate Social Responsibility enacted by any law for the time being in force.

## F) Specific Measures

In the aforesaid backdrop, policy on CSR of MIL is broadly framed taking into account the following measures:

1. The CSR activities shall be undertaken by MIL as stated in this Policy as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.



# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



2. The CSR activities which are exclusively for the benefit of the Team Members or their family members shall not be considered as CSR activity in terms of the Companies Act, 2013.
3. MIL shall give preference to the local area or areas around it where it operates, for spending the amount earmarked for CSR activities.
4. The Board of MIL shall decide to undertake its CSR activities as recommended by the CSR Committee, through a registered trust or a registered society or a company established by MIL or its holding or subsidiary or associate company pursuant to Section 135 of the Companies Act, 2013 and rules made thereunder.
5. As a priority, MIL shall take-up education and health related activities in and around Nagpur.

The following is the list of CSR projects or programs which MIL may plan to undertake individually or jointly with one or more such projects or programs pursuant to Schedule VII of the Act as amended from time to time, if any:

1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently-abled and livelihood enhancement projects;
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;
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;
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;
6. Measures for the benefit of armed forces veterans, war widows and their dependents;
7. Training to promote rural sports, nationally recognised sports and Paralympics and Olympic sports;

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



8. 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;
9. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government
10. Rural development projects;
11. Any other measures with the approval of Board of Directors on the recommendation of CSR Committee subject to the provisions of Section 135 of Companies Act, 2013 and rules made thereunder.

## G) Implementation Team and Responsibilities

To formulate and monitor the CSR policy of MIL, a CSR Committee of the Board needs to be constituted. Section 135 of the 2013 Act requires the CSR Committee to consist of at least three directors, including an independent director. However, CSR Rules exempts unlisted public companies and private companies that are not required to appoint an independent director from having an independent director as a part of their CSR Committee and stipulates that the Committee for a private company and a foreign company need to have a minimum of only 2 members.

In view of the above the Board of Directors of MIL has constituted a committee for framing policies and procedures for day-to-day operations known as the "CSR Committee", which consists of three members, one of whom is the Chairman of the Committee. One of the members of the CSR Committee is and should be an Independent Director, as MIL also conforms to the criteria requiring it to appoint independent directors on Board. The Company Secretary of MIL shall be the Secretary of the Committee ex-officio. The CSR Committee is authorized to frame policy for Corporate Social Responsibility from time to time, CSR Goal Planning and Implementation, Review of Policy and its implementation, Improvement Plans and Procedures.

The CSR Committee shall advise for the revision of Policy due to change in circumstances, law or pursuit from time to time including the manner of deployment of resources and submit its recommendation before the Board for approval. Normally, recommendations of the CSR Committee are accepted in totality by the Board, but the Board is authorized to revise such recommendation in so far as it is in the best interests of MIL as well as the society.

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



Any amendment to policy and procedure shall be in writing, recommended by the CSR Committee and approved by the Board. Every Policy and Procedure once approved by the Board is deemed to be accepted by the CSR Committee without any exception. Any disagreement must be brought to the notice of the CSR Committee for further review and revision.

The CSR Committee shall –

1. Formulate and recommend to the Board, a CSR policy and activities to be undertaken by MIL as per Schedule VII;
2. Recommend the amount of expenditure to be incurred on the activities; and
3. Monitor the Policy of MIL from time to time.

The Board shall after taking into account the recommendations made by the CSR Committee, approve the policy for MIL and disclose contents of such Policy in its report and also place it on MIL's website and ensure that the activities as are included in the CSR Policy of MIL are undertaken by MIL.

At MIL, the Chairman and Chairman and Managing Director takes on the role of the mentor, while the onus for the successful and time bound implementation of the CSR activities/ projects is on the CSR Committee.

The report of the Board of Directors attached to the financial statements of MIL would enclose therewith an annual report on the CSR activities of MIL in the format prescribed in the CSR Rules. If MIL has been unable to spend the minimum required on its CSR initiatives, the reasons for not doing so are to be specified in the Board Report. To measure the impact of the work done, a social satisfaction survey/ audit is carried out by an external agency.

## **H) Activities, Measurable Targets, Timeframes and Performance Management**

Prior to the commencement of CSR activities/projects, we carry out a baseline study of the nearby area/villages around MIL's Office location, i.e., Nagpur.

The study encompasses various parameters such as – health indicators, literacy levels, sustainable livelihood processes, and population data – below the poverty line and above the poverty line, state of infrastructure, among others.

From the data generated, a 1-year plan and a 5-year rolling plan are developed for the holistic and integrated development of the affected society/ people.

All activities/ projects of CSR are assessed under the agreed strategy, and are monitored every quarter/ year, measured against targets and budgets. Wherever necessary, midcourse corrections are made.

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



## I) Partnerships

MIL can undertake its CSR activities through a registered trust or society, a company established by it as its subsidiary or associate company or otherwise, provided that MIL has specified the activities to be undertaken, the modalities for utilization of funds as well as the reporting and monitoring mechanism. If the entity through which the CSR activities are being undertaken is not established by MIL as its subsidiary or associate company, such entity would need to have an established track record of three years in undertaking similar activities.

MIL can build CSR capabilities of its personnel or implementation agencies through institutions with established track records of at least three years, provided that the expenditure for such activities does not exceed 5% of the total CSR expenditure of MIL in a single financial year.

Collaborative partnerships are formed with the Governments including the State Government of Maharashtra or any agency constituted by it including but not limited to any Corporate Social Responsibility Authority, the District Authorities, the village Panchayats, NGOs and other like-minded stakeholders. This helps widen MIL's reach and leverage upon the collective expertise, wisdom and experience that these partnerships bring to the table.

MIL can also collaborate with other Company (ies) for jointly undertaking CSR activities, provided that each of the companies report individually on such projects as also the companies have like-minded CSR objective.

## J) Budgets

The CSR projects or programs or activities undertaken in India only shall amount to CSR expenditure. A specific budget is allocated for CSR activities and spending on CSR activities shall not be less than 2% of the average net profits of MIL made during the three immediately preceding financial years, in pursuance of this policy.

The Chairman and Chairman and Managing Director or the Company Secretary and Chief Financial Officer of MIL shall be the Approving authority for the CSR amount to be spent upon due recommendation of CSR Committee and approval of the Board of Directors of MIL.

In case Company fails to spend such amount, the Board shall specify the reasons for not spending the amount. The CSR Policy mandates that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.

# MIHAN India Limited

(A Joint Venture of MADC & AAI)  
(Government of Maharashtra Undertaking)



CSR expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities approved by the Board on the recommendation of the CSR Committee, but does not include any expenditure on any item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Companies Act 2013.

Tax treatment of CSR Expenditure will be made in accordance with the Income Tax Laws as may be prescribed and/ or notified by the appropriate Government or Statutory authority from time to time.

## **K) Dissemination of Information**

MIL's engagement in this domain is disseminated on its Website, Annual Reports and its in-house journals, pamphlets and brochures as and when deemed fit. Any person, who wants to check with this Policy Document may visit the Website of MIL or write to the CSR Committee or the Company Secretary of MIL.

## **L) Management's Commitment**

Our Board of Directors, our Management and all of our Team Members subscribe to the philosophy of compassionate care with an evolution of humanity, kindness and care. We believe and act on an ethos of generosity and compassion, characterised by a willingness to build a coherent society that works for everyone. This is the cornerstone of our CSR policy.

## **M) Compliance and Declaration under the Companies Act, 2013**

Our Corporate Social Responsibility Policy conforms to the Section 135 of the Companies Act, 2013, Schedule VII attached thereto and Rules made thereunder on Corporate Social Responsibility as spelt out by the Ministry of Corporate Affairs, Government of India.

## **3) PERFORMANCE AND REVIEWS**

Performance of CSR Team shall be conducted at least once on yearly basis through interactions with the CSR Team Members individually as well as collectively. The CSR Committee will review the policy from time to time based on the changing needs and aspirations of the target beneficiaries and make suitable modifications as may be necessary. These observations would help the Board to determine the context for which a formal policy evaluation may be required, by which MIL can contribute towards CSR in most efficient manner as well as strengths and areas of improvement.

\*\*\*\*\*