

**CORPORATE SOCIAL RESPONSIBILITY
POLICY**

HINDUSTAN AERONAUTICS LIMITED
Corporate Office 15/1, Cubbon Road, Bangalore - 560001.

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POLICY STATEMENT

We at Hindustan Aeronautics Limited (HAL) strive to accomplish our vision of becoming a significant global player in the aerospace industry and to address the concerns of economic status, environment and well being of the society through CSR initiatives. HAL will:

1. Operate its CSR Projects in a socially responsible & sustainable manner, while recognizing the interests of all its stakeholders by adopting a shared value approach.
2. Ingrain the thrust of CSR and Sustainability concept across various levels in the organization by means of capacity building, awareness and training programs.
3. We are committed to allocate adequate resources and set up a suitable organization structure for steering the CSR and Sustainability in our organization and report our performance on an annual basis.

1. Objectives:

The Objectives of the CSR projects will be as follows:

- i) To carry out CSR activities in an economically, socially and environmentally sustainable manner that is transparent and ethical
- ii) To integrate the core values of the company with the philosophy of corporate social responsibility (CSR) and Sustainability.
- iii) To incorporate the spirit of CSR and Sustainability to the employees at all levels and to infuse into all the activities, processes, operations and transactions of the company.
- iv) To undertake any other matter as deemed appropriate or determined by the Board from time to time in the best interest of the Company and other stakeholders of the Company.

2. Scope:

HAL will integrate the CSR and Sustainability plans and strategies with the business plans and strategies. The Projects / Activities as deemed fit under Schedule VII of the Companies Act, 2013 (**Appendix – A**) will be taken up by the Company and any changes/updates made in the Companies Act, 2013 thereto will be adopted accordingly. Any other Project / activity not falling within the ambit Companies Act, 2013 under Schedule VII, will not be considered as a CSR Project / activity and the amount spent therein will not be accounted for CSR Expenditure of the Company.

3. Definitions:

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

- (i) Projects or programs relating to activities specified in Schedule VII to the Companies Act, 2013; or
- (ii) Projects or programs relating to activities undertaken by the board of Directors of the company (Board) in pursuance of recommendations of the CSR Committee of the Board subject to the condition that such Projects will cover subjects enumerated in Schedule VII of the Companies Act, 2013.

3.2 “CSR Committee” means the Corporate Social Responsibility Committee of the Board.

3.3 “CSR Policy” relates to the activities to be undertaken by the company as specified in Schedule VII to the Companies Act, 2013 and the expenditure

thereon, excluding activities undertaken in pursuance of normal course of business of a company.

4. Budget & Approval:

4.1 The budgetary allocation for CSR Projects/activities for the year will be based on the profitability of the company. The budget allocation for the CSR Projects will be 2% of the Average Net Profits of the Company made during the three immediately preceding financial years.

4.2 The budget allocated for CSR Projects/activities planned for each financial year is expected to be spent within that year. If the Company fails to spend such amount, the Board shall, in its Report, specify the reasons for not spending the amount.

4.3 The Company will give preference to the local area and areas around the Divisions / Complexes where it operates, for spending the amount earmarked for Corporate Social Responsibility Projects / activities.

4.4 Up to 5% of the Annual CSR Budget may be utilized to build CSR Capacities of the Employees of the Company including those of the implementing agencies through Institutions with established track Records subject to the condition that it will not exceed 5% of the Total CSR Expenditure in one Financial Year.

4.5 The Board is the Competent Authority for approving the policy on Corporate Social Responsibility of the Company based on the recommendation of the CSR Committee of the Board.

4.6 The budget for CSR Projects/activities will be sanctioned by the Corporate Office at the beginning of the financial year. The Projects/activities are to be implemented by Complexes/ Divisions as per the Delegation of Powers (DoP).

5. Implementation & Review process:

5.1 The CSR Projects / Programs approved by the CSR Committee may be taken up through a registered Trust or a registered Society or a Company established by the Company provided that:

- a) If any Division desires to implement CSR Projects through an external agency / NGO, it should ensure that the external agency / the NGO selected has an established track record of three years in undertaking similar Projects / programs.
- b) The Division should specify the CSR Projects / Programs to be undertaken through these entities (external agency / NGO / Registered Trust / Registered

Society), the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.

5.2 The CSR Projects /activities for the year 2014-15, will be undertaken by the Company itself (in-house) excluding activities taken in pursuance of normal course of Business and this system will continue until a dedicated “Trust” is created to implement the CSR Projects / activities.

5.3 The Divisions may conduct a baseline survey to assess the inputs required for identification & implementation of Projects/activities under CSR to achieve the expected level of social/economic/environmental development. In this regard, it is to state that Gram Sabhas and Panchayati Raj institutions at the village level are important and reliable sources for assessing the social, economic and environmental needs in rural areas. Therefore, as far as possible they should be consulted in planning for CSR Projects/activities.

5.4 Conducting a baseline survey is not a mandatory provision; accordingly the Divisions / Complexes may opt for other methods, including use of its own in-house expertise and resources for need assessment studies. However, the Complexes / Divisions has to essentially submit credible evidence of having made a fairly accurate assessment of the needs of the stakeholders or having accessed reliable data in this regard from recognized authoritative secondary sources, the same would also help in making a fair estimation of the social /economic/environmental impact after the conclusion of the activity.

5.5 The Divisions will choose Projects/activities falling within the ambit of Schedule VII of Companies Act, 2013. CSR expenditure shall include all expenditure including contribution to corpus for projects or programs relating to CSR Committee activities approved by the Board on the recommendation of its CSR Committee, but do not include any expenditure on an item not in conformity or not in line with activities mentioned in the Schedule VII of the Companies Act, 2013.

5.6 Projects/activities which are selected under CSR should, as far as possible, be implemented in a Project mode, which entails charting the stages of execution in advance through planned processes, with mobilization of pre-estimated quantum of resources, and within the allocated budgets and prescribed timelines.

5.7 The Divisions may take up long gestation Projects for reaping the maximum benefits and impact towards the social, economic and environment status in the locations identified under CSR projects. For easy implementation, long-term CSR plans should be broken down into medium-term and short-term plans.

5.8 All the CSR Projects / activities proposed by the Divisions will be put up to the CSR Committee of the Board for approval. Based on the recommendation of the CSR & SD Committee, the CSR Projects / activities along with CSR Policy would be put up to the Board for approval. The Board approved CSR Projects / activities will be taken up by the Divisions / Offices and the expenditure therein will be considered under CSR budget of the Company for that Financial Year. The Company, at the beginning of its financial year, will publish on its website, the approved CSR Policy, Budget and CSR Projects/ activities taken up by the Company and the Compliance / Responsibility Report and the targets achieved by the Company at the end of the Financial Year, respectively.

5.9 While implementing CSR Projects, it is mandatory to comply with the rules / regulations / laws of the State. However, expenditure on such compliance / statutory measures will not be covered under CSR's financial component and would be considered as mainstream business spend / expenditure.

5.10 The CSR Projects / activities that benefit only the Employees of the Company and their families will not be considered as CSR Project/ activity.

5.11 The surplus arising out of the CSR Projects / Programmes / activities, shall not form part of the business Profit of the Company.

5.12 Contribution of any amount directly or indirectly to any Political Party shall not be considered as a valid CSR activity.

5.13 The Divisions / Complexes will not take up Projects/activities required to be implemented by the Government and / or for which Central / State Government's schemes have been sanctioned, as it could result in unnecessary duplication.

5.14 The Company may collaborate with other Companies for undertaking Projects / Programs / activities in such a manner that the CSR Committees of respective Companies are in a position to report separately on such Projects / Programmes in accordance with the CSR Rules notified under Companies Act, 2013.

5.15 Two-tier organizational structure is constituted to steer the CSR Projects/activities of the Company, at the Corporate level.

5.16 One at the Board level headed by an Independent Director to oversee the implementation and monitoring of the CSR Projects/activities. The Board of Directors shall ensure that the activities included by the Company in its Corporate Social Responsibility Policy are related to the activities included in Schedule VII of the Act.

5.17 Second at one rank below the board level team headed by GM(HR)-CO cum nodal officer. GM(HR)-CO will be assisted by all Complex HR Heads as Ex-Officio members and AGM(HR)-CO, CSR as member/Secretary. The committee will meet on quarterly basis. Presence of all the committee members is mandatory and no sub-delegation is permitted.

5.18 A 'CSR Implementation Committee' is to be created in every Division. A Senior Officer (GM / AGM) of the Division will be nominated as the Head of the 'CSR Implementation Committee' who will be responsible for Planning, Implementation and Monitoring of CSR Projects / activities of that Division who will be supported by Officials from HR, Finance, Marketing, civil and IMM Departments. HR Head of the Division will act as a nodal point / single point of Contact with matters regarding to CSR Projects / activities in that Division.

5.19 Keeping in view of the importance of CSR Projects/activities, the HR Heads and Divisional Heads would give due diligence and also discuss the modalities and progress of CSR Projects/activities during the Divisional COM Meetings.

5.20 Excluding the Board level Committee, the performance of every employee involved in planning, implementing and monitoring of the CSR Projects / programs will be linked to the annual PARs to the extent of 5-10 marks (out of 100), to bring more work clarity and accountability.

5.21 The designated nodal officer will regularly submit reports regarding the progress in the implementation of CSR activities to Corporate Office, to be put up to the CSR Committee of the Board headed by an Independent Director.

5.22 The CSR Committee of the Board will in turn, periodically submit the reports to the Board of Directors for their information, consideration and necessary directions.

5.23 The Board of Directors of the company, after taking into account the recommendations of CSR Committee of the Board, approves the CSR Policy for the company and discloses contents of such policy in its Board report and the same will be displayed on the company's website, as per the particulars specified in the **Appendix – B**.

5.24 Regular/constant feedback from the beneficiaries is very vital for any project/activity to be successful and sustainable. In this regard, the Divisions/Complexes are required to obtain regular feedback in writing/documentary evidences/photos/videos, before and after implementation of Projects/activities under CSR. The information will help/support during the impact assessment process at the end of the Project.

6. Sustainability Reporting:

6.1 Sustainability Reporting and disclosure may be followed, wherein the Company will report its performance in economic, social and environmental areas as per globally acclaimed guidelines, Global Reporting Initiative (GRI).

7. Impact Assessment and Evaluation:

7.1 In order to ascertain the degree of success or failure of a completed activity/project under CSR, it is required to conduct an impact assessment study.

7.2 All activities/projects taken under CSR of the year may be evaluated by an external specialized agency for the sake of objectivity and transparency.

7.3 External specialized agencies / NGOs with adequate experience / expertise may be engaged from the available panels maintained by the Government Ministries / Departments, Planning Commission, autonomous organizations, or the National / Regional CSR Hub.

7.3 The external agency shall evaluate the Projects/activities for the following information:

- Need for choosing the activity/project (Conduct of Baseline Survey)
- Fulfillment of the objectives for the activity/project
- Beneficiaries of the activity/project.
- Budget utilization.
- Implementation aspects.
- Timely completion of the targets.
- Impact of the activity/project on social, economic and environment perspective.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

Government of India
Ministry of Corporate Affairs
Notification

New Delhi, dated, the 27th Feb, 2014

G.S.R. __E - In exercise of the powers conferred by sub-section (1) of section 467 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following amendments to Schedule VII of the said Act, namely:-

(1) In Schedule VII, for items (i) to (x) and the entries relating thereto, the following items and entries shall be substituted, namely:-

“(i) eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;

(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

(ii) 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;

(iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;

(v) 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;

(vi) Measures of the benefit of armed forces veterans, war windows and their dependents;

(vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;

(viii) Contribution to the Prime Minister's National Relief or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Tribes, other backward classes, minorities and women;

(ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;

(x) Rural development projects.”

2. This notification shall come into force with effect from 1st April, 2014.

File Number 1/15/2013-CL-V

Sd/-
(Renuka Kumar)
Joint Secretary to the Government of India

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD’S REPORT

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 percent of the amount as in item 3 above)
5. Details of CSR spent during the financial year:
 - (a) Total amount to be spent or the financial year;
 - (b) Amount unspent, if any;
 - (c) Manner in which the amount spent during the financial year is detailed below:

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|--------|------------------------------------|--|---|---|--|---|--|
| S. No. | CSR project or activity identified | Sector in which the Project is covered | Projects or programs (1) Local area or other; (2) Specify. The State and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads | Cumulative expenditure upto to the reporting period | Amount spent Direct or through implementing agency |
| 1 | | | | | | | |
| 2 | | | | | | | |
| | TOTAL | | | | | | |

*Give details of implementing agency:

6. 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 company shall provide the reasons for not spending the amount in its Board report.
7. A responsibility statement of the CSR Committees that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

| | | | |
|--|---------------------------------|-----|---|
| Sd/- (Chief Executive Officer or Managing Director or Director) | Sd/- (Chairman Committee) | CSR | Sd/- (Person specified under clause (d) of sub-section (1) of section 380 of the Act) (wherever applicable) |
|--|---------------------------------|-----|---|
