

*CORPORATE
SOCIAL
RESPONSIBILITY
POLICY*

Kannur Airport use CSR to integrate economic, environmental and social objective with the Company's operations and growth.

*KANNUR INTERNATIONAL
AIRPORT LIMITED*



International Airport

CORPORATE SOCIAL RESPONSIBILITY POLICY OF KANNUR INTERNATIONAL
AIRPORT LTD

INTRODUCTION

Under Section 135(1) of the Companies Act, 2013 read with The Company (Corporate Social Responsibility Policy) Rules, 2014 every company having a net worth of rupees five hundred crore or more or turnover of rupees one thousand crore or more or net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board of Directors consisting of three or more Directors of whom at least one shall be an Independent Director. Section 135(3) further envisages that the Corporate Social Responsibility Committee shall 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 of the Companies Act. It is further envisaged under section 135(4) that 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 profit of the company made during the three immediately preceding financial years, in pursuance of Corporate Social Responsibility Policy.

The Board of Directors of Kannur Airport resolved to re-constitute a Corporate Social Responsibility Committee consisting of following Directors at the Board meeting held on 8 September 2016:

- 1) Shri. E. Chandrasekharan, Hon'ble Minister of Revenue and Housing – Director
- 2) Shri. V. Thulasidas IAS(Retd) - Managing Director, Kannur Airport
- 3) Shri. M. Madhavan Nambiar - Independent Director
- 4) Shri. Prasad K Panicker - Nominee Director, BPCL

The Committee is responsible for

- Formulating and recommending the CSR policy to the Board of Directors for approval.
- Monitoring the Policy from time to time.
- Recommending the amount of expenditure to be incurred on CSR projects in each financial year.
- Approving individual projects to be undertaken by the Company under CSR.
- Constituting a transparent monitoring mechanism for ensuring implementation of the CSR projects.

1. This policy is called “Corporate Social Responsibility Policy of Kannur International Airport Ltd,” briefly CSR Policy of Kannur Airport.

2. Definitions:-

In this Policy unless the context otherwise requires:

- (a) "Act" means the Companies Act, 2013;
- (b) “Corporate Social Responsibility” is a process by which the organisation enables the production and distribution of wealth for the betterment of its stakeholders through the implementation and integration of ethical systems and sustainable management practices and includes, but is not limited to, projects or programmes relating to activities undertaken by the Company in pursuance of recommendations and decisions of the Board or CSR Committee of the Board as per declared CSR Policy of the Company subject to the condition that such projects or programmes will be related to subjects enumerated in Schedule VII of the Act;
- (c) "CSR Committee" means the Corporate Social Responsibility Committee constituted by the Board of Kannur International Airport Limited pursuant to Section 135 of the Act;
- (d) "CSR Policy" relates to the activities to be undertaken by the company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of the Company;
- (e) "Net profit" means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely :
 - (i) Any profit arising from any overseas branch or branches of the Company' whether operated as a separate Company or otherwise;
 - (ii) Any dividend received from other companies in India, which are covered under, and complying with, the provisions of Section 135 of the Act.

Note:

Words and expressions used and not defined in this policy but defined in the Act shall have the same meanings respectively assigned to them in the Act.

3. CSR ACTIVITIES

The Policy recognizes that Corporate Social Responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged by one

or more of the following focus areas as notified under Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014. All activities under the CSR should be environment friendly and socially acceptable to the local people and society.

4. ROLES AND RESPONSIBILITIES OF THE COMMITTEE:

In addition to the generalities of the powers and functions given under the Act and Rules, the Committee shall undertake the following functions and duties:

- (i) Identify a list of projects or programmes or activities that can be undertaken by the Company with the funds earmarked out of the net profits which would benefit the general public,
- (ii) Specify modalities of execution of such projects or programmes and fix the implementation schedule for the same.
- (iii) Monitor the implementation of the projects or programmes or activities.
- (iv) Report to the Board the projects or programmes or activities undertaken by the Company during the financial year, the total amount to be spent during the financial year and manner in which the amount is to be spent.
- (v) Institute a transparent monitoring mechanism for implementation of CSR projects or programmes or activities undertaken by the Company.
- (vi) Report to the Board at the end of the year programmes undertaken in the year, amount spent and amount unspent, if any.

5. POWERS AND FUNCTIONS OF THE BOARD

- (i) The Board of Directors of the Company shall, after taking into account the recommendations of the CSR Committee, approve CSR Policy of the Company and disclose the contents of such policy in its report to the shareholders and display the same in the web site of the Company.
- (ii) The Board shall ensure that the Company spends in every financial year at least two percent of average net profits of the Company made during the three immediately preceding financial years, in pursuance of the CSR policy.
- (iii) As per the special condition stipulated by the Ministry of Environment and Forests, while granting environmental clearance for the airport project, at least five percent of the cost of the project shall be earmarked for Corporate Social Responsibility (CSR) and item wise details with item bound action plan shall be prepared and submitted to the Ministry's Regional Office at Bhopal and State Pollution Control Board (SPCB). Implementation of these programmes shall be ensured in a time bound manner.

- (iv) The Board shall ensure that the Company gives preference to the local area and areas around the Project site at Mattannur/Keezhallur where it operates for spending the amount earmarked for Corporate Social Responsibility activities.
- (v) In case the company fails to spend such amount, the Board shall in its report made under Section 134 (3)(O) of the Act, specify the reasons for not spending the amount.

6. CSR EXPENDITURE

CSR Expenditure shall include all expenditure, including contribution to the corpus for projects or programmes relating to CSR activities approved by the Board on the recommendation of its CSR committee, but shall not include any expenditure on an item not in conformity or not in line with the activities which fall with- in the purview of Schedule VII of the Act.

7. IMPLEMENTATION OF CSR AS PER THE DIRECTION OF MINISTRY OF ENVIRONMENT AND FORESTS

Ministry of Environment and Forests while granting environmental clearance for the airport project, stipulated that at least five percent of the cost of the project shall be earmarked towards the Corporate Social Responsibility (CSR) and item wise details with time bound action plan shall be prepared and submitted to the Ministry's Regional Office at Bhopal and State Pollution Control Board(SPCB). Implementation of programmes shall be ensured in a time bound manner. The project cost of the airport project is Rs. 1892 crore and 5% of the project cost would come to Rs. 94.6 cr. This amount shall be spent over a period of 20 years for various projects or programmes or activities in conformity with the activities which fall with- in the purview of Schedule VII of Act. The Board Committee shall chalk out various programmes or activities that are to be implemented by using the fund earmarked for CSR out of the project cost.

8. THE GEOGRAPHIC REACH

The Act provides 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. The Company will thus give preference to undertake CSR activities in the State of Kerala, giving priority to the area where the airport is located, that is Mattannur Municipality and Keezhallur Gram Panchayat in Kannur District especially in the initial years.

9. CSR FUNDS

The corpus for the purpose of carrying on the aforesaid activities would include the following:

- 5% of the total project cost (Approx Rs. 94.6 crore) to be spent in twenty year period. The spending will commence from Financial Year 2017-18 onwards.
- 2% of the average Net Profit made by the Company during immediately preceding three Financial Years. Any un-utilised CSR allocation fund of a particular year, will be carried forward to the next financial year i.e. the CSR budget will be non-lapsable in nature.
- the tax treatment of CSR spent will be in accordance with the Income Tax Act, 1961 as may be notified by the Central Board of Direct Taxes.
- the Company may build CSR capacities among its personnel and/or those of its implementing agencies through institutions with established track record of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of the Company in a financial year.
- However, if the Company ceases to be covered under sub-section (1) of Section 135 of the Act for three financial years, then it shall not be required to comply with the provisions laid down under sub-section (2) to (5) of the said Section, till such time it meets the criteria specified in sub-section (1) of the Act.

10. IMPLEMENTATION PROCESS

- CSR programmes will be undertaken by the Company on its own or based on the proposals that the Company.
- The time period/duration over which a particular programmes will be spread, will depend on its nature, extent of coverage and the intended impact of the programme.
- The investment in CSR would be project based and, for every project, time framed periodic mile stones should be finalized at the outset.
- The fund will be released in installments, based on the progress of work.
- The mode of implementation of CSR programmes will include a combination of direct implementation and implementation through Specialized Agencies and generally NOT by staff of the organization. Specialized Agencies could be made to work singly or in tandem with other agencies. The Company will select the agencies after appropriate due diligence. Such specialized agencies would include:
 - Elected local bodies such as Panchayats, Municipalities, etc.
 - Institutes/Academic Organizations
 - Government, Semi Government and autonomous Organizations.
 - Other institutions.
 - well recognized public institution.

II. CSR GOVERNANCE STRUCTURE



CSR Programme Committee:

The Committee shall constitute an internal CSR Programme Committee comprising senior executives of the Company Kannur Airport to assist CSR Committee for formulating CSR programmes and activities.

Functions and duties of CSR programme Committee shall be :

- Identify specific and individual programmes, amount to be sanctioned for the programmes and implementing agencies on their own or on the basis of proposals received and recommend to the CSR Committee of the Board through Managing Director, for approval.
- Monitor progress in implementation of the projects, programmes, etc. and recommend to the Managing Director to release funds in installments to the implementing agencies based on progress achieved.
- Assist the CSR Committee to prepare annual budgets for CSR projects in coordination with the implementing partners.
- Report to the CSR Committee the progress on CSR projects and status of CSR expenditure once in each quarter.
- Documentation and reporting of all CSR activities of the Company.
- Monitoring the utilization of funds.

12. MONITORING AND REPORTING FRAMEWORK

Project Monitoring:

The Company will institute a well-defined monitoring and evaluation mechanism to ensure that each CSR programme has:

- Clear objectives developed out of the societal needs that are determined through baselines studies and research.
- Clear targets, time lines and measurable parameters wherever possible.
- A progress monitoring and reporting framework that is aligned with the requirements of the section 135 of the Companies Act and CSR Rules.

The CSR Programme Committee will provide regular progress report to the CSR Committee of the Board. This report would indicate:

- Achievement since last progress report / during the last quarter in terms of coverage compared to the target and reasons for variance.
- Achievement of the year-to-date in terms of coverage compared to the target, plans to overcome shortfalls if any and support required from the CSR Committee/Board to overcome the shortfalls.
- Actual year-to-date spends compared to the budget and reasons for variance.
- In respect of activities undertaken through outside Trusts/Societies/ NGOs, etc. there will be mechanism of monthly reporting of progress on each such activities and the amount incurred thereon.

The Company will ensure CSR reporting annually in the format recommended in the CSR Rules as part of its Annual Report.

13. AMENDMENTS TO THE POLICY

The Board of Directors on its own and/or on the recommendation of CSR Committee can amend this policy as and when required deemed fit. Any or all provisions of CSR Policy would be subjected to revision/amendment in accordance with the regulations on the subject as may be issued from relevant statutory authorities, from time to time.

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