

HSL- CSR & SUSTAINABILITY POLICY

Preamble

1. Hindustan Shipyard Limited (HSL), Visakhapatnam, set up in 1941 as Scindia Steam Navigation Company by Late Sri Walchand Hirachand, was taken over by Government of India as a Central Public Sector Enterprise in 1961 under the administrative control of Ministry of Shipping. HSL is the largest and the most strategically located shipbuilding yard in the country located on the East Coast of India with a proud history of having so far built and delivered 169 ships to mercantile marine and Indian Navy and Coast Guard. HSL has also undertaken repairs of over 1900 ships and craft of both Indian and foreign agencies. To meet the growing strategic needs of the country for construction of warships and submarines for the Indian Navy and also ships for the Indian Coast Guard the administrative control of HSL was brought under the Ministry of Defence in February 2010.

2. HSL has been in the fore front of various Corporate Social Responsibility (CSR) initiatives and has earned for itself a formidable reputation in this region from its very inception. The company has always sought to address the social, economic and environmental concerns for inclusive growth and capacity building measures for all its stakeholders through its CSR activities. Some of the CSR programmes initiated and being nurtured by the company over the years are : -

- (a) Educational infrastructure upto graduate level.
- (b) Market, commercial shops and banks to meet daily needs of its residents and the neighbourhood.
- (c) Vocational Training under various schemes.
- (d) Development and promotion of ancillary industries to shipbuilding.
- (e) Environment friendly and safe working practices to eliminate / mitigate pollution and plantation of trees over large areas in the township.
- (f) Promotion of music, art and culture through various volunteer forums and communal harmony through various religious institutions in the residential colony.

New DPE Guidelines on CSR & Sustainability

3. Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises) have promulgated new guidelines on 'Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises' effective from 01 April 2013 vide their directive F. No. 15(7)/2012 –DPE (GM)-GL-104 dated 12 Apr 2013. According to the new guidelines CPSEs are expected to formulate their policies with a balanced emphasis on all CSR and Sustainability – equally with regard to their internal operations, activities and processes, as well as in their response to externalities.

4. In the revised guidelines, the thrust of CSR and Sustainability is clearly on capacity building, empowerment of communities, inclusive socio economic growth, environment protection, promotion of green and energy efficient technologies, development of backward regions, and upliftment of the marginalised and under privileged sections of the society. The new guidelines expects that CPSEs conduct their business in a manner that is beneficial to both, business and society through adoption of shared value approach in their business operations.

5. It has also been mandated that for the purpose of MoU evaluation, the performance of the CPSEs would be judged on the basis of the revised guidelines.

6. In pursuance of the of the new DPE guidelines, HSL CSR & Sustainability Policy has been framed keeping in mind the business goals, plans and strategies of the company.

Short Title & Applicability

7. This policy, document encompasses the company's philosophy as a corporate citizen and lays down the guidelines and mechanism for undertaking further socially useful programmes for welfare & sustainable development of the community at large and shall be the road map for future actionable plans. It is titled as "**HSL- CSR & Sustainability Policy**".

8. This policy shall apply to all CSR & Sustainability initiatives and activities taken up by HSL within the State of Andhra Pradesh for the benefit of different segments of the society. It shall factor in the organisational capabilities and capacity of the company for the achievement of the goals and targets that are set.

Objectives of the HSL - CSR & Sustainability Policy

9. The main objectives of the HSL - CSR & Sustainability Policy are to: -

(a) Seek increased commitment at all levels in the organization to operate its business in an economically, socially and environmentally sustainable manner, while recognizing interest of all its stakeholders.

(b) Integrate CSR & Sustainable initiatives with the company's business plans and strategies.

(c) Promote innovation and encourage leveraging green technologies, processes and standards in all our activities to achieve all round sustainability

(d) Promote organisational integrity and ethical business practices through transparency in disclosure and reporting procedures and by leveraging on the technological advances.

(e) Enhance industry-academia interface through industrial visits, research and internship facilities etc. For professional enrichment of employees, students and academicians.

(f) Ensure welfare of employees and labour by addressing their concerns of safety, security, professional enrichment and healthy working conditions even beyond the mandated requirements.

(g) Generate, through these initiatives, the community's goodwill and help reinforce the positive and socially responsible image of HSL.

(h) Enable socially and economically weak, disadvantaged, underprivileged & destitute sections of the society in the neighbourhood to make the group or individual self dependent and live life more meaningfully.

(i) Partner and collaborate with other public sector enterprises, government agencies, NGOs and any other organisation having credibility, reliability and integrity in implementing CSR & Sustainable projects.

Thrust Areas for CSR & Sustainability Programmes

10. For purposes of focusing the CSR & Sustainability efforts of the company in a continued and effective manner, the following broad thrust areas have been identified: -

- (a) Sensitising/ training all stakeholders for their increased commitment to CSR & Sustainability initiatives of HSL.
- (b) To involve all employees to ensure safe and clean working environment through innovative approaches including organising interdepartmental and other competitions.
- (c) To ensure ethical and corrupt free business processes by strict implementation and compliance of all regulations and through enhanced vigilance.
- (d) To enhance quality and cost awareness among all employees.
- (e) To promote healthy industrial relations through proactive initiatives in addressing genuine grievances of employees and their families.
- (f) Promotion of environment conservation pollution control / mitigation by implementation of green technologies in various industrial processes of the yard. Enhancing environmental awareness among employees and the neighbourhood through rallies, billboards, plantation drives, etc.
- (g) To extend facility of industrial internship training, forming part of educational curriculum, to children of all employees and ex employees of the company free of cost, and to extend similar facility to disadvantaged and socially and economically weaker section of the society in the identified immediate neighbourhood of the company in a phased manner.
- (h) Providing rent free accommodation and free water and electricity to educational institutions set up by the company in the residential colony
- (i) To undertake future developmental activities to include setting up / improving library facilities, science and computer labs.
- (j) Organization of Health Awareness Campaigns and Medical Camps for the benefit of the neighbourhood.

CSR & Sustainability Planning

11. HSL will follow a project based accountability approach to stress on the long term sustainability of CSR & Sustainability projects, where its action plan will be distinguished as: -

- (a) Short Term Plan – Annual Plan specific to meet MoU targets for the year
- (b) Medium Term Plan - 1 to 3 years plan.
- (c) Long Term – Beyond three years.

12. While identifying long term plans, all efforts must be made to define the following: -

- (a) Requirements based on Community Need Survey.
- (b) Programme objectives.
- (c) Activities to be undertaken.
- (d) Financial viability of the programme and budget allocation.
- (e) Implementation guidelines / schedules and monitoring mechanism.
- (f) Feedback and Impact Assessment.

13. The company will formulate and promulgate its CSR & Sustainability Plans with the approval of the Board of Directors as follows: -

(a) **Short Term Plan**. Annual plan along with CSR & Sustainability Monitoring Plan specific to meet the committed annual MoU target of the company.

(b) **Long & Medium Term Plans**. All plans based on community projects shall be long term plans, which in turn will be broken into medium and short term plans. These plans will be promulgated as part of the 05 Years Corporate Plan of the company.

Funding

14. As per the new DPE guidelines the sick or loss making companies or those having a negative net worth are also mandated to carry out CSR & Sustainability activities. However, they are not mandated to earmark specific funds for CSR & Sustainability activities.

15. Though the company is presently not in a position to make any specific budgetary allocation for CSR & Sustainability activities, it will be the sincere endeavour of the company to provide inescapable funding requirements, to extent feasible, to meet the company's commitment to CSR and Sustainability initiatives as brought out above in this document.

16. The funding position will however be reviewed after the financial position of the company improves.

Implementation and Monitoring Mechanism

17. The implementation of HSL – CSR & Sustainability Policy will be monitored by a two tier mechanism as mandated by the new DPE guidelines on the subject, namely: -

(a) **Board Level Committee**. A Board Level Committee headed by an Independent Director and two other functional Directors will be constituted to steer and oversee the implementation of the HSL - CSR & Sustainability Policies. The Board Level Committee will assist the Board of Directors to formulate suitable policies and strategies to take the CSR & Sustainability agenda of the company forward in the desired direction.

(b) **Below Board Level Committee**. A Below Board Level Committee headed by an officer not less than one rank below the board, presently an officer of the rank of a General Manager (E7) and comprising senior level officers of various functional areas will be constituted with the approval/ ratification of the Board Level Committee or Board of Directors . The role of this committee will be to facilitate co-ordination of CSR & Sustainability initiatives of different departments of the company, report on their separate endeavours, to issue policy directives on the subject and devise appropriate corporate communication strategy in this regard. This committee will regularly submit reports regarding the progress in the implementation of CSR & Sustainability activities to the Board Level Committee.

18. Various activities under the CSR & Sustainability initiatives of the company will also be closely monitored by the respective senior officials of each department or division pertaining to their areas of responsibilities. The Chairman and Managing Director will also review the progress of all the activities periodically.

19. An external independent agency may also be entrusted to study and report on the implementation and impact of the CSR & Sustainability Policies of the company on an annual basis, subject to financial viability of the company.

CSR & Sustainability Reporting

20. Apart from mandatory reporting requirements to the Board of Directors and the Administrative Ministry, the company will endeavour to give wide publicity of its CSR & Sustainability Policies, plans and achievements for the dissemination of all its stakeholders through hosting on HSL website, HSL's quarterly news letter, Chairman's Address, Annual Report, etc.

Conclusion

21. HSL recognises that activities under CSR & Sustainability Policy of the company are not merely a philanthropic acts but a means to serve the society including all its stakeholders. All activities under the HSL's CSR & Sustainability Policy form an integral part of the business functions of the company and cover community development initiatives prioritised to local needs. HSL believes that with its core business interests in construction and repairs of Ships and submarines, the company plays an important part in generating employment and business opportunities for the community and in strengthening the fabric of society through various socially responsive measures in promotion of education, health and family welfare, control / mitigation of pollution and economic empowerment of the internal and external stakeholders.