

## CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

### Review-January-2019

#### 1. Preamble

Section 135 of the Companies Act, 2013 makes it mandatory to frame a Corporate Social Responsibility policy in the Bank and to constitute a Committee of the Board to undertake and monitor the CSR activities of the Bank in tune with the CSR policy adopted by the Bank, framed in accordance with the Schedule VII of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2016.

#### 2. Date of implementation

The Corporate Social Responsibility policy shall be effective from 1<sup>st</sup> of April 2014.

#### 3. Definitions

In this Policy, unless the context otherwise requires:-

- a. "Act" means The Companies Act, 2013, as amended
- b. "Board" means Board of Directors of the Bank.
- c. "Committee" means Corporate Social Responsibility Committee.
- d. "CSR Policy or Policy" means Corporate Social Responsibility Policy.
- e. "Net profit" means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, i.e Section 198, which is primarily profit before tax (PBT), 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; and
  - (ii) Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956, (1 of 1956) shall not be required to be recalculated in accordance with the provisions of the Act:

Net Profit shall not include such sums as may be prescribed and shall be calculated in accordance with the provisions of Section 198.

- f. "Rules" means the Companies (Corporate Social Responsibility Policy) Rules, 2014 or any amendment or modifications thereof from time to time by the Ministry of Corporate Affairs (MCA)
- g. Schedule means Schedule VII of the Companies Act, 2013 provided as **Annexure I** to the policy or any amendment or modifications thereof from time to time by the Ministry of Corporate Affairs.
- h. "Financial Year" referred to in section 135(1) of the Act implies the immediately preceding Financial Year.
- i. Any other term not defined herein will be governed by the terms used in the Companies Act, 2013 or Rules framed thereunder.

#### 4. Objective of the policy

The policy aims to indentifying and supporting all projects /programs undertaken as part of the Bank's Corporate Social Responsibilities within the framework of Schedule VII of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 and the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2016.

The policy will serve as a guiding document to help indentify, execute and monitor CSR projects in keeping with the spirit of the policy

#### 5. Constitution of the Corporate Social Responsibility Committee

The Bank will constitute a Committee of the Board consisting of three or more directors including at least one Independent Director.

\*The Committee has the following members:

<b>Smt. Bhama Krishnamurthy</b>	<b>Chairperson</b>	<b>(Independent Director)</b>
<b>Shri. C. VR. Rajendran</b>		<b>(Managing Director &amp; CEO)</b>
<b>Shri. Sumit Maheshwari</b>		<b>(Non-Executive Director)</b>
<b>Shri. Alok Kochhar</b>		<b>(Independent Director)*</b>

The Composition of the Committee shall be disclosed in the Board's report.

#### 6. Terms of reference and powers of the Committee

The following shall be the terms of reference/powers of the Committee -

- (i) Formulate CSR Policy and recommend the same to the Board for approval.
- (ii) Recommend CSR activities to be undertaken by the Bank in the areas or subjects as specified under Schedule VII of the Act.

\* As on January 01.2019

\* Resigned on 06.03.2019

- (iii) Render approval for undertaking CSR activities and the amount of expenditure to be incurred thereon.
- (iv) Recommend the CSR Budget.
- (v) Create transparent monitoring mechanism for implementation of CSR Initiatives undertaken by the Bank.
- (vi) Spend the allocated CSR amount on the CSR activities in accordance with the Act and the Rules.
- (vi) Submit Reports to the Board in respect of the CSR activities undertaken by the Bank.
- (vii) Review CSR Policy from time to time.
- (viii) Monitor activities to ensure that the CSR activities of the Bank are implemented effectively

#### 7. CSR Budget

Subject to availability of profits, a specific budget may be allocated for CSR activities and spending on CSR activities in every financial year, which shall be at least 2% of the average net profits of the Bank made during the three immediately preceding financial years, in pursuance of this policy.

The Bank shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for the CSR activities.

#### 8. CSR Projects or Programs

The Bank will undertake projects/programs in line with Schedule VII of the Act, as detailed in **Annexure-1** attached hereto.

The modalities of execution of such project or program and implementation schedules for the same may be decided by the committee in accordance with the policy, Act and the Rules.

#### 9. CSR expenditure

- 1) CSR expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities as per the policy 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 Act.
- 2) Contribution to corpus of a Trust/Society/Section 8 companies etc will qualify as CSR expenditure as long as-

- a) the trust/society/section 8 company etc is created exclusively for undertaking CSR activities, or
  - b) where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act.
- 3) Any excess amount spent over and above 2% of the average net profits as specified in section 135, cannot be carried forward to the subsequent years and adjusted against that year's CSR expenditure.
  - 4) The Board shall be at liberty to decide whether any unspent amount from out of the minimum required CSR expenditure in any year is to be carried forward to the subsequent year. However, any amount so carried forward and spent in the subsequent year, shall not be counted towards CSR expenditure of the subsequent year.
  - 5) Tax treatment of CSR spent will be in accordance with the Income Tax Act as may be notified by CBDT.

#### 10. Failure to spend the CSR Money

In case the Bank fails to spend the targeted amount as specified in Para No. 7 of the policy in any particular financial year, the Committee shall submit a report in writing to the Board of Directors specifying the reasons for not spending the amount which in turn shall be reported by the Board of Directors in their Directors' Report for that particular Financial Year.

Surplus arising out of the CSR initiatives shall not form part of the business profits of the Bank.

#### 11. Disqualifying Activities for CSR

1. The CSR projects or programs or activities that benefit only the employees of the bank and their families
2. Expenses incurred for the fulfillment of any other Act, Statute or Regulations.
3. Projects, programs or activities implemented outside India.
4. Any amount directly or indirectly contributed towards any political party under Section 182 of the Act.
5. Activities that are undertaken by the bank in pursuance of its normal course of business.
6. Monetization of pro bono services of employees towards CSR activities
7. One-off events such as marathons / awards / charitable contribution / advertisement / sponsorship of TV programs etc.,

#### 12. Implementation

CSR activities as specified in the policy may be undertaken or carried out through

1. a company established under section 8 of the Act or a registered trust or a registered society, established by the Bank , either singly or along with any other company, .

2. a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government or any entity established under an Act of Parliament or a State legislature.

Provided that- if, the Board of a company decides to undertake its CSR activities through a company established under section 8 of the Act or a registered trust or a registered society, other than those specified in this sub-rule, such company or trust or society shall have an established track record of three years in undertaking similar programs or projects; and the company has specified the projects or programs to be undertaken, the modalities of utilisation of funds of such projects and programs and the monitoring and reporting mechanism”.

3. in any other manner as may be permitted by the Act/Rule.

Alternatively, the Bank may undertake CSR projects/activities which are closely linked with the principles of sustainable development and shared value, with the involvement of local institutions and the community at large and ensure that the projects/activities as are included in the policy only be undertaken by the Bank.

In such case, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism shall be in the manner as permitted.

### 13. Monitoring

The CSR Committee will ensure a transparent monitoring mechanism for ensuring effective implementation of the projects / programs/ activities proposed to be undertaken by the Bank, is put in place. The Committee will determine the modalities of execution of each projects/ programs/ activities and the implementation schedule and further monitor process of such projects / programs/ activities. CSR activities will also be reviewed by the Committee. A system will be put in place to maintain a transparent monitoring and reporting mechanism across all the stakeholders involved in the CSR activities of the Bank.

### 14. CSR Reporting

The Board’s report shall include an annual report on CSR containing particulars specified in the **Annexure-II** to the policy.

### 15. Disclosure about CSR Policy

The disclosure of contents of the policy in the Board’s Report and on the Bank’s website shall be as per the rules.

### 16. Policy review & future amendment

The Committee shall annually review the CSR Policy and make suitable changes as may be required subject to the Act and the Rules, and submit the same for the approval of the Board.

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**The Companies Act, 2013**  
**SCHEDULE VII**

**Activities which may be undertaken by the company in the following areas or subjects.**

Activities relating to:-

- (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care, and sanitation including contribution to the Swachh Bharat Kosh set up by the Central Government for the promotion of 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;
- (iii) 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 including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga.;
- (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 for the benefit of armed forces veterans, war widows and their dependents;
- (vii) Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
- (viii) 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;
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- (x) Rural development projects.
- (xi) Slum area development.  
Explanation- For the purpose of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

**ANNEXURE II**

**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 for the financial year;
  - (b) Amount unspent, if any;
  - (c) Manner in which the amount spent during the financial year is detailed below.

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

\*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 Committee 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 CSR Committee)

**Sd/-**  
Person specified under clause (d) of sub-section (1) of section 380 of the Act  
(wherever applicable)