

POLICY ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

1. Preamble

Business organizations operate as part of society but not in isolation. Every decision taken while doing the business involves financial implications and social and environmental consequences. We, in Karnataka Bank strongly believe that usefulness of existence of an entity is best judged not from the financial numbers it reports over a period of time but its relevance to the society as judged by the Stakeholders. We believe in the principle of sharing the earnings.

CSR is a form of corporate self regulation integrated into business model. It is the process aimed at embracing the responsibility for the actions of the Bank and encourage a positive impact through our activities on the environment, consumers, employees, communities, stakeholders and all other members of the public who may also be considered to be the stakeholders in general.

2. Purpose

Karnataka Bank is committed to identify and support the projects and programmes aimed at improving the well beings of the socially and economically disadvantaged sections of the society. This Policy will serve as a guiding document to help identify, execute and monitor CSR projects/programmes keeping in mind the spirit of the provision of Section 135 of the Companies Act, 2013 and the rules framed thereunder. The Policy attempts to adhere to law and best practices in implementing society oriented programmes/projects.

3. Scope

This Policy will apply to all projects/programmes undertaken as part of Bank`s CSR activities and will be developed, reviewed and revised having regard to the relevant codes of Corporate Governance or best practices in this regard. This Policy is also in alignment with the CSR Rules framed under Section 135 of the Companies Act, 2013.

4. CSR Committee

The Board shall constitute a CSR Committee consisting of three or more directors of which at least one director shall be an independent director. The CSR Committee shall:

formulate and recommend to the Board, an annual action plan in pursuance of its policy, which shall include the following namely:- the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act; the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4, the modalities of utilization of funds and implementation schedules for the projects or programmes, monitoring and reporting mechanism for the projects or programmes and details of impact assessment, if applicable, for the projects undertaken by the Bank.

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

5. Governance

CSR Committee of the Board shall recommend to the Board : (i) the changes required to be incorporated in the CSR Policy and (ii) CSR annual budget. Besides, the CSR Committee shall ensure overall governance of the CSR activities of the Bank. CSR Support Group will be responsible for administering the Policy.

6. CSR Budget

The overall amount to be committed to CSR project in each financial year in accordance with the provisions of Companies Act, 2013 will be approved by the Board on the basis of the CSR Committee recommendations. Within the overall CSR budget, specific CSR initiative/project will be identified by the CSR Support Group. Any excess amount spent by the Bank may be set-off against the future CSR obligations in immediately succeeding three financial years subject to the conditions that:

- a. the excess amount available for set-off does not include the surplus arising out of the CSR activities, if any; and
- b. the Board of the Bank shall pass a resolution to that effect.

7. CSR programmes/projects

The Bank will endeavour to undertake and implement CSR programmes/projects and focus CSR spends on specific pre-determined causes and areas of intervention as disclosed in the Annexure-I to the Policy. CSR project/programmes to be identified during the year will be in line with the following guidelines:

- 1) It will be ensured that CSR projects are non –discriminatory in nature and do not have any restrictive political or religious affiliations.
- 2) The programmes/projects will be within the areas recommended by the CSR Committee and mentioned in the CSR Policy.
- 3) The programmes/projects will be implemented in India and preferably in the areas where the Bank has its presence.
- 4) Programmes/projects that integrate business models with social and environmental priorities and processes in order to create shared value will be encouraged.
- 5) Programmes/projects should not be exclusively for the benefits of employees or their family members or those that are conducted/undertaken exclusively in pursuance of normal business of the Bank.
- 6) Bank will consider programmes/projects closely linked with the principle of sustainable development.

7) Acquisition of capital assets:

The CSR amount may be spent by the Bank for creation or acquisition of a capital asset, which shall be held by-

- a. a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or
- b. beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
- c. a public authority.

8. Projects/programmes selection Process.

CSR Projects/Programmes will be identified by CSR Support Group duly considering the factors such as target area/group, likely impact on the well being of the people concerned, project cost/time for implementation, involvement of the stakeholders including local bodies/associations etc in the projects/programmes implementation.

9. Sanctions

The amount to be sanctioned to eligible CSR activities/projects shall be as per the delegated powers approved by the Board from time to time.

10. Disbursement

Based on the nature and requirements of the project, the fund will be released either in tranches or in lump sum. The terms and conditions and timing of disbursement will be documented in the form of Memorandum of understanding to be entered into with the project implementing partner, wherever found necessary. The administrative overheads shall not exceed five percent of total CSR expenditure for the financial year. Any surplus arising out of the CSR activities shall not form part of the business profit of the Bank and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus fund to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Transfer of unspent CSR amount. -

a. Other than the ongoing projects:

- If the Bank fails to spend the stipulated CSR expenditure, the Board shall specify the reasons for not spending the amount and transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

b. Ongoing projects:

- Any amount remaining unspent pursuant to any ongoing project shall be transferred by the Bank within a period of thirty days from the end of the financial year to a special account to be opened by the Bank in that behalf for that financial year.
- This account will be known as “Unspent Corporate Social Responsibility Account”, and;
- Such amount shall be spent by the Bank in pursuance of its obligation towards the CSR Policy within a period of three financial years from the date of such transfer.
- Failing which, the Bank shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

11. Implementation & Monitoring

In the implementation of CSR initiatives, the Bank will try to adopt participative principle by involving local institutions and community at large based on shared value principle. Bank may engage International Organizations for designing, monitoring and evaluation of the CSR projects or programmes as well as for capacity building of CSR personnel.

The CSR Support Group would assist in implementation and monitoring the CSR activities of the Bank. The actual implementation of various CSR activities will be undertaken with the involvement of employees or implementing agencies or through collaborative projects with other corporates. The implementing agencies shall be:

a) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or

(b) 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

(c) any entity established under an Act of Parliament or a State legislature; or

(d) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities,

Provided they shall register themselves with Central Government by filing the form CSR-1 electronically with the Registrar with effect from 01st day of April 2021.

Based on the Bank`s internal screening criteria, the implementation partner/s will also be screened to ascertain its/their credibility and ability to execute proposed projects.

The CSR Support Group shall meet periodically to monitor the progress of the various initiatives that the Bank has sanctioned and report the same to CSR Committee of the Board and Board of Directors on a half yearly basis i.e. position as on March 31st and September 30th each year.

12. Supervision

CSR activities of the Bank will be driven by exclusive CSR Support Group under the guidance and support of Managing Director & CEO of the Bank. It is the endeavour of the CSR Support Group to ensure that CSR culture is embedded in all the operations of the Bank and the CSR activities are in line with the CSR Policy. The CSR Support Group shall ensure that the disbursed funds are utilized for approved purpose and in manner as approved by it and Chief Financial Officer shall certify to this effect; monitor smooth implementation of ongoing projects within the approved timelines/year wise allocations. The CSR Support Group shall report to CSR Committee of the Board on a quarterly basis. The Board of Directors, through CSR Committee of the Board will review such reports on a half yearly basis i.e. position as on March 31st and September 30th each year and shall ensure that the CSR activities are undertaken by the Bank itself or through an implementing agency; make modifications if necessary in the on-going projects to ensure implementation within the permissible time limit; ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the Bank for the financial year; Permit, by passing a resolution to this effect, set - off of excess CSR expenditure as mentioned in Para 6., alter the Annual Action plan at any time during the financial year, as per the recommendation of the CSR committee, based on the reasonable justification to that effect.

13. Reporting

Major CSR activities and achievements will form part of Director`s Report in the Annual Report of the Bank and also in any other statutory or other regulatory requirements. Format for the annual report on CSR activities to be included in the Board`s report will be as per Annexure-II.

14. Impact Assessment

If the average CSR obligation in the three immediately preceding FYs is Rs.10 crore or more, Bank will undertake impact assessment through an independent agency for CSR projects for Rs one crore or more and which have been completed not less than one year before undertaking the impact study. The impact assessment reports will be placed before the Board and annexed to the annual CSR report. Expenditure on impact assessment may be accounted for towards CSR spending of that financial year, which shall not exceed two percent of the total CSR expenditure in the relevant financial year or Rs. 50 lakhs, whichever is higher.

Areas of CSR initiatives

The following are the line of activities/initiatives to be undertaken under Bank's CSR project. This is not an exhaustive list but only an indicative list of areas for CSR intervention which will be reviewed and revised from time to time by the CSR Committee and specific initiative under these will be undertaken in line with the CSR policy to achieve the overall objectives of these interventions.

1. 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. *(Category: Companies Act 2013- Schedule VII (1))*
2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and differently abled and livelihood enhancement projects. *(Category: Companies Act 2013- Schedule VII (2))*
3. Promoting gender equality, empowering women, setting up of homes and hostels for women and orphans; setting up of 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. *(Category: Companies Act 2013- Schedule VII (3))*
4. 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 setup by the Central Government for rejuvenation of river Ganga. *(Category: Companies Act 2013- Schedule VII (4))*
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 *(Category: Companies Act 2013- Schedule VII (5))*
6. Measures for the benefit of armed force veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows; *(Category: Companies Act 2013- Schedule VII (6))*

7. Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports. *(Category: Companies Act 2013- Schedule VII (7))*
8. Contribution to the Prime Minister`s National Relief Fund or Prime Minister`s Central Assistance and Relief in Emergency Situations Fund (PM CARES 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. *(Category: Companies Act 2013- Schedule VII (8))*
9. a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and
b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).*(Category: Companies Act 2013- Schedule VII (9))*.
10. Rural development projects. *(Category: Companies Act 2013- Schedule VII (10))*.
11. Slum area development. *(Category: Companies Act 2013- Schedule VII (11))*.
12. Disaster management, including relief, rehabilitation and reconstruction activities. *(Category: Companies Act 2013- Schedule VII (12))*
13. Promoting awareness amongst customers and public at large inter-alia on safe banking, fictitious offers, fraudulent schemes etc. with special focus on cyber security.
14. To procure PoS machines specifically for Rural and North East region for promoting overall growth of Digital payments in these regions.

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT FOR FINANCIAL YEAR COMMENCING ON OR AFTER 1ST DAY OF APRIL, 2020

1. Brief outline on CSR Policy of the Company.

2. Composition of CSR Committee:

| Sl. No. | Name of Director | Designation / Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---------|------------------|--------------------------------------|--|--|
| | | | | |
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| | | | | |

3. Provide the web-link(s) where Composition of CSR Committee, CSR Policy and CSR Projects approved by the board are disclosed on the website of the company.

4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable.

5. (a) Average net profit of the company as per sub-section (5) of section 135.

(b) Two percent of average net profit of the company as per sub-section (5) of section 135.

(c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years.

(d) Amount required to be set-off for the financial year, if any.

(e) Total CSR obligation for the financial year [(b)+(c)-(d)].

6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project).

(b) Amount spent in Administrative Overheads.

(c) Amount spent on Impact Assessment, if applicable.

(d) Total amount spent for the Financial Year [(a)+(b)+(c)].

(e) CSR amount spent or unspent for the Financial Year:

| Total Amount Spent for the Financial Year. (in Rs.) | Amount Unspent (in Rs.) | | | | |
|---|--|-------------------|--|---------|-------------------|
| | Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135. | | Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135. | | |
| | Amount. | Date of transfer. | Name of the Fund | Amount. | Date of transfer. |
| | | | | | |

(f) Excess amount for set-off, if any:

| Sl. No | Particular | Amount (in Rs.) |
|--------|---|-----------------|
| (1) | (2) | (3) |
| (i) | Two percent of average net profit of the company as per sub-section (5) of section 135 | |
| (ii) | Total amount spent for the Financial Year | |
| (ii) | Excess amount spent for the Financial Year [(ii)-(i)] | |
| (i) | Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any | |
| (v) | Amount available for set off in succeeding Financial Years [(iii)-(iv)] | |

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

| 1 | 2 | 3 | 4 | 5 | 6 | | 7 | 8 |
|---------|-----------------------------|---|---|--|--|------------------|--|--------------------|
| Sl. No. | Preceding Financial Year(s) | Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in Rs.) | Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in Rs.) | Amount Spent in the Financial Year (in Rs) | Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub-section (5) of section 135, if any | | Amount remaining to be spent in succeeding Financial Years (in Rs) | Deficiency, if any |
| | | | | | Amount (in Rs) | Date of Transfer | | |
| 1 | FY-1 | | | | | | | |
| 2 | FY-2 | | | | | | | |
| 3 | FY-3 | | | | | | | |
| | | | | | | | | |

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amounts spent in the Financial Year:

Yes No

If Yes, enter the number of Capital assets created/ acquired

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

| Sl. No. | Short particulars of the property or asset(s) [including complete address and location of the property] | Pincode of the property or asset(s) | Date of creation | Amount of CSR amount spent | Details of entity/ Authority/ beneficiary of the registered owner | | |
|---------|---|-------------------------------------|------------------|----------------------------|---|------|--------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | | |
| | | | | | CSR Registration Number, if applicable | Name | Registered address |
| | | | | | | | |

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub- section (5) of section 135.

| | | |
|---|-----------------------------------|---|
| 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] (Wherever applicable)." |
|---|-----------------------------------|---|
