

Corporate Social Responsibility Policy

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***Corporate Communication & Social
Responsibility Cell
Regd. & Central Office
Karur***



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1.INTRODUCTION

- a. Philanthropy through Corporate Social Responsibility (CSR) is not a novel concept for Indian companies. Many corporates in the country have been undertaking various activities in helping people even before such prescription under the law and have earned a distinction of social heart of the community in which they operate.
- b. The vision of the Founders of our Bank that apart from being a successful Bank in providing financial assistance to the people, the Bank also has an obligation to help in every respect to improve the economic conditions of the ordinary people has been our guiding principle from the beginning. The Bank has been taking up various activities in helping needy people which has earned it the reputation of social heart of the community in which the Bank operates.
- c. The Founders of the Bank had thought about CSR as can be seen from one of the Articles contained in Articles of Association in 1916 when the Bank was incorporated which lays down as under:

"Every year the bank has to appropriate a sum out of the net profits of the year at the rate of one rupee for every one hundred rupees for the purpose of Charity which shall be added to the charity fund.

The Board of Directors shall utilize the amounts which are lying in the Charity Fund account for charitable purpose."

So far the Bank has been carrying on its CSR activities through donations to various social activities like education, health care and other charitable activities.

- d. Every company is a corporate citizen, with resources at its command and benefits which it derives from operating in the society. Therefore, it owes a solemn duty to the less fortunate and under-privileged members of the same society.

- e. Through CSR the corporates can address a number of social issues such as poverty, hunger and social justice. It synergizes efforts of corporate and social sector agencies towards sustainable growth and development of social objectives at large.
- f. All words, terms and expressions shall, unless the context otherwise requires, have the same meaning assigned to them under the Rules.
- g. Since CSR comes within the ambit of Governance, all CSR activities will fall within the policy guidelines of ESG.

2. PURPOSE

- a. World over the Governments are increasingly mandating the corporate houses to shift from a purely bottom-line approach (i.e., profit orientation) to triple bottom line approach viz: *People, Planet and Profit*.
- b. While the corporate houses have been traditionally engaged in doing the CSR activities voluntarily, the new CSR provisions under the law has put formal and much larger responsibility on companies to set out clear framework and process to ensure strict compliance.
- c. The CSR Policy is intended to serve as a guiding document for the CSR Activities to be undertaken by the Bank.

3. VERSION:

This revised CSR Policy shall be known as Version 3.1 approved by the Board of Directors of the Bank.

4. POLICY STATEMENT

- a. The Bank's CSR mission is to contribute to the social and economic development of the community.

- b. The Mission shall be –

“To contribute to the social and economic development of the community and to establish itself as a responsible corporate citizen. KVB realizes that CSR of the Bank is not just compliance, but it is a strategic and wholesome approach towards the Planet, People and Profit. The Bank understands that well-meaning and well implemented CSR will bring about some relief to larger issues that are of social and environmental in nature.”

- c. The Bank’s strategy is to integrate its activities in community, social & environmental development and encourage each business unit or function to include these considerations into its operations.
- d. The policy shall apply to all CSR initiatives and activities to be undertaken by the Bank

5. CSR & ESG COMMITTEE

- a. The Bank has constituted a CSR & ESG Committee of the Board of Directors of which the Managing Director and CEO is the Chairman and consists of three Directors including one Independent Director as specified under the Act.
- b. The Committee shall:
 - i. Formulate and recommend to the Board of Directors a Corporate Social Responsibility Policy indicating the activities to be undertaken by the Bank
 - ii. Provide perspective and guidance to the Board of Directors on matters relating to CSR.
 - iii. Formulation of the Annual Action Plan
 - iv. Recommend the amount to be spent on the CSR activities
 - v. Ensure that CSR Activities are undertaken directly or through registered Implementation Agencies who meet the eligibility criteria prescribed under the CSR Policy Rules
 - vi. Monitor the Bank’s CSR policy from time to time

- vii. Ensure legal and regulatory compliance relating to CSR as provided under the Act and the Rules
- viii. Provide guiding principles for selection, implementation and monitoring of projects
- ix. Periodically review the effectiveness of CSR spends.

6. GOVERNANCE:

- a. Overall governance of CSR and approval of the CSR Policy will be the responsibility of the Board of Directors of the Bank.
- b. The CSR Cell (Corporate Social Responsibility Cell) will act as the CSR Support Group. The Department is presently vested with the implementation of the CSR activities and will be responsible for administering and executing the policy based on the recommendations of the CSR & ESG Committee in accordance with and in adherence to the terms of this Policy.

7. CORE FOCUS AREAS

The following broad areas forming part of Schedule VII of the Act shall be the core themes for undertaking CSR Activities.

(a) HYGIENE AND HEALTHCARE:

- i. Promotion of sanitation through construction of toilets in educational institutions with particular focus on institutions for girls and in public spaces, providing sanitary napkin dispensers and incinerators in educational institutions;
- ii. Providing clean drinking water by way of setting up RO plants, especially in rural centres;
- iii. Promoting healthcare projects especially in rural and slum areas.

(b) EDUCATION:

- i. Support to education through construction of classrooms, providing classroom equipment like benches, computers,

laboratory equipment, sports facilities & equipment and the like;

- ii. Providing scholarships to deserving students;
- iii. Undertaken projects for skill development in various fields.
- iv. Promoting financial & cyber literacy through various media options

(c) ARTS AND CULTURE:

Protect and promote 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 art and handicrafts

(d) ENVIRONMENT:

Protection of environment and its sustainability.

- (e) Any other Sustainable activity forming part of Schedule VII whether existing or newly included by MCA that can be taken up by the Bank, if needed.

8. CSR BUDGET, CSR IMPLEMENTATION AGENCIES, ANNUAL PLAN FOR CSR EXPENDITURE

- a. The overall amount to be committed to CSR projects in each financial year in accordance with the provisions of the Act as approved by the Board of Directors.
- b. Within the overall budget, specific CSR initiative /project will be identified by the CSR support group in line with the process approved by the CSR & ESG Committee of the Board of Directors.
- c. The Bank can also allocate a sum higher than the statutory minimum in terms of the Act and the Rules as regards the CSR budget.
- d. The Act provides that CSR expenditure shall include all expenditure including contribution to corpus for projects or programmes relating to CSR activities approved by the CSR &

ESG Committee, except the expenditure on an item not in conformity or not in line with activities under the purview of Schedule VII. Hence, all the expenditure including the establishment expenses of the manpower that are engaged full time in CSR activities has to be reported under CSR.

9. FORMULATION OF ACTION PLAN:

- a. The CSR & ESG Committee shall advise the CSR Support Group to formulate and recommend an Action Plan for carrying out CSR Activity inter alia the following:
 - a. Provide the list of CSR projects or programmes that are approved to be undertaken in areas or subjects as specified in Schedule VII of the Act and with specific focus on the core areas specified in this Policy;
 - b. Provide the manner of execution of CSR projects or programmes and the timelines for their execution;
 - c. Provide the modalities of utilisation of funds and implementation schedules for the projects or programmes;
 - d. Provide the mechanism for monitoring and reporting on the projects or programmes earmarked for a financial year; and
 - e. Provide details of need and impact assessment for the projects undertaken by the Bank, if applicable.
- b. The Board may alter the Action Plan at any time during a financial year, as per the recommendation of the CSR & ESG Committee.

10. CSR PROGRAMMES/PROJECTS PROPOSALS

- a. The CSR support group shall present the Committee with appropriate details of proposed projects including implementation year, modalities of execution in the areas/sectors chosen, implementation schedules for the same etc.

- b. The CSR & ESG Committee will consider and approve based on the following guidelines:
 - a) The Projects and Programmes relate to the core themes specified in this Policy.
 - b) The Implementation Agencies meet the eligibility criteria and are capable of carrying out the projects proposed to be assigned to them.
 - c) The programmes/projects will be implemented within the country and preferably in areas where the Bank has its presence.
 - d) Programmes/Projects should not be exclusively for the benefit of employees of the company or their family members.
 - e) Projects or Programmes shall not be anything done by the bank in its normal course of business.
 - f) Projects or Programmes shall not involve any direct or indirect objectives for business development.

11. CSR IMPLEMENTATION

- a. Bank may undertake CSR Activities directly or through registered Implementation Agencies.
- b. Bank must identify the CSR Projects or Programmes and categorise them whether the projects or programmes fall within the meaning of "Ongoing Projects" and if so assign an identification number for such projects and programmes so as to keep a record of such projects, facilitate proper accounting, compliances, disclosures, audits, and assessments.
- c. Bank may collaborate with other companies for undertaking projects or programmes or CSR activities provided the CSR & ESG Committee is in a position to report separately on such projects or programmes. Further, the Board of Directors shall ensure that the funds disbursed for CSR Projects or Programmes in general and for such projects or programmes undertaken in collaborative model are properly accounted for, and utilised for the purposes and in the manner as approved by the CSR & ESG Committee. The Chief Financial Officer or the person responsible for financial management shall certify to the effect and present such certificates for all the CSR Projects or Programmes of a size

not less than Rs.50 Lakhs and irrespective of its size for all Projects or Programmes undertaken under the collaborative model.

- d. Bank may, in consultation with CSR Support Group, build internal capacity for identifying, recommending, undertaking, supervising, monitoring, assessing the impact of CSR Projects or Programmes undertaken / being undertaken by the Bank. Bank may engage experts for designing, monitoring and evaluation of CSR Projects or Programmes or for guiding the capacity building initiatives of the Bank.
- e. In case of Ongoing Project, the CSR & ESG Committee may review every such project mandatorily at every meeting and members of the CSR & ESG Committee may even undertake a physical visit to the project site to review of progress, functioning, impact and any other aspect the Committee may deem fit.
- f. The Board of Directors shall monitor and review the implementation of every Ongoing Project with reference to the approved timelines and year-wise allocation and if so deemed fit, the Board may require any modifications to be made to any such project for the purpose of smooth implementation of the project within the overall permissible time period.

12. **IMPLEMENTATION AGENCIES**

- a. The implementation agencies, whether established by the bank itself or those which have an established track record and have proper registrations under Section 12A, 10(23C) and 80G of the Income tax Act, 1961 as well as duly registered with the Ministry of Corporate Affairs as prescribed under the Rules and entity established under an Act of Parliament or a State Legislature.
- b. Every Implementation Agency, unless it is established by the Bank itself, shall have not less than three years of established track record in undertaking activities similar to the CSR Projects or Programmes for the undertaking of which an agency is being short-listed by the CSR Support Group.
- c. The CSR Support Group shall carry out requisite due diligence and ensure that such agencies have not only sufficient track record in undertaking similar activities but also the said track record shows that they are capable of undertaking such activities of the size proposed to be entrusted to them by the Bank.

- d. The CSR Support group while choosing the implementing agency shall verify with the aspects as stated in the Annexure -1 of this Policy.
- e. The CSR Support Group may engage legal and other advisors for such due diligence so as to ensure that such agencies have well established systems and processes with sufficient resources at their disposal in order to be able to carry out such activities in the State / District where such CSR activities are proposed to be undertaken.
- f. The CSR Support Group shall ensure that the Bank enters into proper contracts with clearly specified scope of work, definition and description of the specific projects and programmes, time lines, schedule of release of payments, reporting systems, supervision and monitoring aspects and proper scope for audits and impact assessment, consequences of breach of terms and dispute resolution.
- g. Such implementing agencies shall be mandatorily required to provide reports on the progress of the project at the end of every quarter.
- h. No CSR Project or Programme shall be undertaken directly by the Bank if the outlay for a chosen CSR Project or Programme is not less than Rs. 50 lakhs or if it is an "On-going Project", provided however that specific approval in this regard is obtained from the respective delegated authorities, viz., CSR & ESG Committee, Management Committee of the Board (MCB) or the Board.

13. CSR EXPENDITURE:

- a. The Board shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years.
- b. The Board may approve CSR Projects or Programmes that involves an outlay of more than the amount mandatorily required to be spent in a financial year and such excess may be carried forward towards the amounts required to be spent in succeeding three financial years, provided such amounts shall not include any surplus generated out of the project and further such carrying forward and setting off shall be approved by the Board of Directors.
- c. Any surplus generated on account of or from any CSR Activity shall be ploughed back and spent on CSR Projects or

Programmes. Any such surplus shall not form part of the business profits of the Bank.

- d. The administrative overheads shall not exceed 5% of the total CSR expenditure of the Bank as stated in the Rules from time to time. All expenditure towards the programs to be diligently documented

14. SURPLUS AND UNSPENT CSR OBLIGATIONS

- a. If in a financial year there remains unspent CSR amount due to non-commencement of the project or for any other operational reason and if the CSR project is such that the implementation of which will be a multi-year project, then the Bank has to deposit such unspent amount in a separate account titled Unspent CSR Account of the Bank before the expiry of thirty days from the date of close of a financial year.
- b. The CSR & ESG Committee shall ensure that any project which has been classified as an "Ongoing Project" is a multi-year project undertaken or proposed to be undertaken by the Bank and it does not have timelines exceeding three years excluding the financial year in which the project has commenced or is scheduled to be commenced.
- c. Amount lying in the Unspent CSR Account should be utilized and spent for the multi-year project earmarked for that purpose by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company 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
- d. If the Board of Directors upon recommendation of the CSR & ESG Committee is of the opinion that there being no identifiable projects for CSR spend or due to such justifiable reason that the Annual Action Plan and the budget set forth could not be implemented then the amount which are unspent have to be transferred to the specific fund notified by the Government or until then to a fund included in Schedule VII within a period of 6months of the expiry of the financial year.
- e. If any surplus generated on account of or from any CSR Activity could not be ploughed back into the same project, it shall be transferred to the Unspent CSR Account and spent in pursuance of CSR objectives of the Bank as per the Annual action Plan of

the Bank or transfer it to the fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

15. MONITORING, ASSESSMENT & REPORTING MECHANISM

- a. The CSR & ESG Committee of the Board shall institute a transparent monitoring mechanism for implementation of CSR projects or programmes or activities undertaken by the Bank. A time frame shall be fixed for all CSR projects/ activities for their timely completion with suitable milestones.
- b. The CSR Support Group shall be responsible for submitting to the CSR & ESG Committee, at every meeting of the CSR & ESG Committee, a detailed report on every CSR Project or Programme undertaken by the Bank, whether directly or through any Implementation Agency, the date of commencement, duration, date of completion / stage of completion, amount actually earmarked / amount spent as on the date of such report, location of the project, agency engaged for undertaking the project, issues, hindrances, obstacles, delays, deficiencies encountered while carrying out the project and any other information that may be required to be furnished by the CSR & ESG Committee from time to time.
- c. Expenditure incurred on every CSR Project or Programme shall be verified and authenticated by the Chief Financial Officer (CFO) / Head of Finance of the Bank. The CFO / Head of Finance shall submit a certificate to the CSR & ESG Committee on the expenditure incurred on the CSR Activities undertaken by the Bank and any amount remaining unspent, and classify such unspent amounts between those pertaining to "Ongoing Projects" and those pertaining to other projects and ensure that statutory compliances with respect to such unspent amounts are properly carried out.

16. ASSET CREATION AND TRANSFER

If the CSR Project or Programme undertaken by the Bank requires creation of capital asset, it shall be ensured that such assets are created in the name of either the Trust established by the Bank as an Implementing Agency for carrying out CSR Activities or in the name of any public authority specified under the CSR Policy Rules.

17. CSR IMPACT ASSESSMENT

- a. For all CSR Projects or Programmes carried out or undertaken by the Bank involving a total outlay of not less than Rs.50 Lakhs, irrespective of whether the same is directly carried out or undertaken or through any registered Implementing Agency, the Bank shall undertake an impact assessment of every such CSR Project or Programme where not less than 12 months have elapsed after the completion of the execution of the Project or Programme but before the undertaking of the impact assessment.
- b. The impact assessment shall be carried out through an independent agency who have sufficient expertise, resources and track record for carrying out impact assessment of social and environmental projects and who have been approved by the CSR & ESG Committee. The report on impact assessment shall be approved by the Board and annexed to the Annual CSR Report forming as an Annexure to the Board's Report to the shareholders.
- c. The Bank shall ensure that any expenditure incurred on such impact assessment if booked as CSR expenditure in the year in which it is incurred does not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.

18. CSR REPORTING AND DISCLOSURE REQUIREMENTS

- a. The Board shall disclose the composition of CSR & ESG Committee in the Board's Report.
- b. CSR & ESG Committee of the Board will periodically consider the progress report on the various CSR initiatives taken up by the Bank.
- c. Details of the CSR activities undertaken by Bank and amounts spent along with reasons for spends below budgeted levels, if any, shall also be reported in Bank's Annual Report under Directors' Report as per the format specified in the Rules and displayed on the website of the Bank. If the Bank in any year fails to spend the budgeted amount, it shall be disclosed in the Board's report along with the reason.
- d. Further the composition of the CSR & ESG Committee and the CSR Policy shall also be displayed on the website of the Bank.

19. REVIEW OF POLICY

The Policy will be reviewed annually and if necessary, the Policy may be reviewed at any time to meet any particular need.

20. POLICY OWNERSHIP

The Policy shall be under the responsibility of the CSR & ESG Committee.

ANNEXURE-1

Indicative list of aspects to be considered while engaging with other entities.

1. Due diligence of the implementing agency would be conducted to check the credentials of the organization. The following information from the interested implementing agencies would be sought, as relevant:
 - i. Memorandum/Article of Association or Constitution;
 - ii. Registration Certificate;
 - iii. Registration Certificate under Section 12A;
 - iv. Audited Accounts of last three years;
 - v. IT Exemption Certificate under Section 80G; (Lifetime validity)
 - v. Registration with MCA as per Rules.
 - vi. Pan Card;
 - vii. IT Exemption Certificate under Section 35(i), if available;
 - viii. Acknowledgement of Income Tax Return along with IT Return filed (last three years);
 - ix. FCRA Certificate (if any) and latest copy of FCRA Return FC-3, if available;
 - x. Registration under Section 10 (23 C) of the Income Tax Act, 1961
 - xi. Details with respect to entity established under an Act of Parliament or a State Legislature
 - xii. Description of the project.
2. Ensure that the project/ programme is consistent with list of activities in Schedule VII.
3. The CSR Support group may visit and/or meet the representatives to assess the organization, if required).
4. Quarterly reporting on the progress in implementation of the projects/ programmes and utilization of the amounts.
5. Reserving the rights, to be exercised at its sole discretion, of stopping the funding at any stage of the project, if the programme is not being implemented as per programme objectives and goals.