

Corporate Social Responsibility Policy

April - 2017



***Shares Department
Central Office,
Karur***



CORPORATE SOCIAL RESPONSIBILITY POLICY

1. Introduction

Philanthropy and CSR is not a novel concept for Indian companies. Many corporates in the country have been undertaking various activities in helping people and have earned a distinction of social heart of the community in which they operate. The vision of the founders of our Bank is that apart from being a good Bank in providing financial assistance to the people where we operate, 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. KVB has been taking up various activities in helping needy people which has earned a reputation of social heart of the community in which the Bank operates.

The founders of the Bank thought about CSR as can be seen from one of the Articles contained in MOA and AOA incorporated in 1916 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.

The business house is a corporate citizen, with resources at its command and benefits which it derives from operating in society in general. It therefore owes a solemn duty to the less fortunate and under-privileged members of the same society.

CSR is an integration of business operations and values, whereby interests of all stakeholders including investors, customers, employees, the community and environment is reflected in company’s policies and actions. CSR is an

instrument through which the corporates addresses 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.

2. Purpose and Scope

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.

While the corporate houses have been traditionally engaged in doing the CSR activities voluntarily, the new CSR provisions mandated under the regulatory provisions put formal and much larger responsibility on companies to set out clear framework and process to ensure strict compliance.

The new Companies Act 2013 (herein after referred to as ‘the Act’) has brought in the idea of CSR to the forefront and through its ‘comply-or explain’ mandate. It has mandated qualifying companies to constitute Corporate Social Responsibility Committee to effectively monitor CSR activities of the company. Further the Companies (Corporate Social Responsibility Policy) Rules, 2014 lays down the framework and modalities of carrying out CSR activities which are specified in Schedule VII of the Act. This has necessitated the bank to come out with a policy in line with the expectations of the new Companies Act.

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 made there under. The policy would function as a self-regulating mechanism for the Bank’s CSR activities and enable adherence to laws, ethical standards, and best practices in this regard

3. Policy Statement

The Bank’s CSR mission is to contribute to the social and economic development of the community. Through a series of interventions the bank seeks to mainstream economically, physically and socially challenged groups and to draw them into the cycle of growth, development and empowerment. At the core of this



is its commitment to reach out to marginalized communities through its Sustainable Livelihood Initiatives.

The Bank's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations.

The policy shall apply to all CSR initiatives and activities to be undertaken by the Bank at various locations, within India, for the benefit of targeted segments of the society.

Mission:

KVB realizes that CSR of our Bank is not just compliance, but it is a strategic business initiative to achieve sustainable triple bottom line growth. We understand that well meaning and well implemented CSR will build corporate reputation, employee engagement and efforts of the bank in finding out innovative ways to serve the people. The Bank's CSR mission is to contribute to the social and economic development of the community.

4. CSR Committee

The Bank constituted a CSR Committee of the Board consisting of three or more directors including at least one Independent Director as specified under the provisions of the Companies Act, 2013.

Overall governance of CSR and approving of the CSR Policy will be the responsibility of the CSR Committee of the Board. The PBG which is presently doing the CSR activities will be responsible for administering and executing the policy. As the Bank's CSR activities evolve further, the policy may be revised with the approval of CSR Committee and the Board.

The Committee shall:

- Formulate and recommend to the Board a Corporate Social Responsibility Policy indicating the activities to be undertaken by the Bank.
- Recommend the amount of expenditure to be spent on the CSR activities
- Monitor the Bank's CSR policy from time to time
- Ensure legal and regulatory compliance from the CSR point of view

- Report to the shareholders about the various CSR activities undertaken by the Bank.
- Periodically review the effectiveness of CSR spend.

5. Core Focus Areas

The Karur Vysya Bank has adopted the following core areas for its CSR initiatives,

all of which are culled from the activities spelt out under Schedule VII of the Companies Act, 2013.

- (i) eradicating hunger, poverty and malnutrition, promoting 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 recognised 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 Caste, 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.

6. CSR Budget and expenditure

The overall amount to be committed to CSR project in each financial year in accordance with the provisions of the Companies Act, 2013 will be approved by the Board. 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 Committee of the Board.

Companies Act provides that CSR expenditure shall include all expenditure including contribution to corpus for projects or programmes relating to CSR activities approved by Board, except the expenditure on an item not in conformity or not in line with activities under 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.

Funds released to our Trust including general corpus and specific grants during the financial year will be accounted as CSR expenditure for the year wherever the implementation has commenced and is in progress. Grants released as corpus or endowments to other implementing agencies will be treated as CSR expenditure for the year even in such cases where the implementing agencies utilize the income out of the endowment for their projects.

Based on the nature and requirements of the project, the fund will be released either in tranches or in lump sum.

The Bank may build CSR capabilities of its own personnel as well as of its implementing agencies and such expenditure shall not exceed 5% of the total CSR spend of the bank as stated in the Rules from time to time.

7. CSR Implementation

In accordance with the Rules, the actual implementation of various CSR activities will be undertaken by a Trust specifically set up by the Bank for the purpose. The Trust will administer the CSR activities.

Setting up of such a Trust would have the following advantages:

- (i) Exclusive focus on the CSR activities and the projects/programmes funder under CSR
- (ii) Implementation and monitoring of certain CSR activities calls for special exposure and expertise in social entrepreneurship. Flexibility of engaging those specialists will be available to the Trust.
- (iii) Projects/Programmes of long duration and high scalability can be initiated and monitored for long periods.
- (iv) Bank will get more recognition through activities carried out by the Trust rather than carrying on in partnership with other agencies.

The Bank may also contribute in providing assistance to like minded NGOs, Society, Associations for taking well-meaning projects and programmes, subject to the condition that they satisfy the eligibility criteria stipulated in the Act.

8. Monitoring, Assessment & Reporting Mechanism

The CSR Committee of the Board shall institute a transparent monitoring mechanism for implementation of CSR projects or programs or activities undertaken by the Bank. A time frame shall be fixed for all CSR projects/activities for their timely completion with suitable milestones. The Karur Vysya Bank shall monitor the project's progress (including impact assessment/evaluation) either directly or through professional institutions/ independent research institutions /other outside agencies.

The Policy will be reviewed as and when required to bring desired modifications/improvements.

The Bank will try to engage the employees in the CSR activities and to the extent possible provide managerial and administrative support in the form of deputation of staff, nominating staff as ex-officio members of the Trust etc and arrange for training to staff members to carryout CSR activities. Bank may also provide opportunities to employees to participate in the CSR activities on a voluntary basis and initiate necessary awards/recognitions to motivate the employees for such participation.

9. CSR Programs/Projects

The Bank is highly supportive of the involvement of its employees in its CSR initiatives and in community activities/charities of their choice, and will therefore proactively engage with employees and other key stakeholders to solicit their active involvement in the Bank's CSR programs.

To provide a focused and structured approach to the program, the Bank will focus its support and CSR spends on specific pre-determined causes and areas of intervention as deemed necessary. The CSR support Group (Department) would put up to the Committee appropriate details of proposed projects including implementation year, modalities of execution in the areas/sectors chosen, implementation schedules for the same etc. The CSR Committee will consider and approve (in line with the guidelines given below)

- a) The Bank will ensure that its CSR projects are non discriminatory in nature and do not have any restrictive political or religious affiliations.
- b) The programs/ projects will be within the areas recommended / listed by the CSR Committee and mentioned in the Policy.
- c) The programs/ projects will be beyond business as usual.
- d) The programs/projects will be implemented within the country and preferably in areas where the Bank has its presence.
- e) The Bank will actively consider Programs/Projects that have been identified by employees and also those where employees are directly involved through volunteering efforts
- f) Programs/Projects that integrate business models with social and environmental priorities and processes in order to create shared value will be encouraged.

- g) The Bank will consider Programs/Projects closely linked with the principles of sustainable development.
- h) Programs/Projects should not be exclusively for the benefit of employees of the company or their family members or those that are conducted/undertaken exclusively in pursuance of the normal course of business.
- i) Any surplus, generated out of the CSR activities of the Bank, will be ploughed back to the CSR Initiatives of the Bank.

10. CSR Reporting

CSR Committee of the Board will periodically consider the progress report on the various CSR initiatives taken up by the Bank. 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 companies (Corporate Social Responsibility Policy) Rules, 2014 and displayed on the website of the Bank.
