

CSR POLICY



Corporate Social Responsibility Department

TP78/FY 23

Policy on Corporate Social Responsibility 2022-23.

Introduction.

Corporate Social Responsibility (CSR) has always been a key component of the operating philosophy of the Federal Bank. Federal Bank Hormis Memorial Foundation, a charitable trust set up by the Bank in 1996, in the fond memory of its Founder Shri. KP Hormis is the Special Purpose Vehicle to undertake CSR activities of the Bank.

The Bank has a Corporate Social Responsibility (CSR) Policy which is approved by the Board of Directors of the Bank, as mandated by Companies Act, 2013. The Policy elucidates in detail on the CSR Vision of the Bank through the focus areas as notified under Section 135 of the Companies Act 2013, read with Companies (Corporate Social Responsibility Policy) Rules 2014 and the objectives of the Federal Bank Hormis Memorial Foundation.

As mandated by the amendments in CSR Rules, 4(2)(a), 2014 Federal Bank Hormis Memorial Foundation has been registered for undertaking CSR activities and the Registration number is CSR00006299.

Legal Framework of CSR Policy.

Section 135 of the Companies Act 2013 (hereinafter referred to as the Act), effective from 01.04.2014, read with the Companies (Corporate Social Responsibility Policy) Rules 2014, as amended from time to time, lays down the legal framework for the Bank's CSR policy, guided by the core values of quality, reliability and trust, and passion for excellence pursued by the Bank at all levels.

Corporate Vision and objective of the Policy.

The Bank desires to make a meaningful contribution for the improvement of those people who are at the bottom of the social pyramid, and thereby act as socially conscious, well governed and successful corporate citizen of the country, maintaining highest standards of corporate governance with the cooperation and involvement of its employees, constituents, society, shareholders and other stakeholders including the Government.

The Bank would be ensuring that the activities are undertaken in a manner that every rupee spent for this purpose will ultimately bring maximum relief to the intended beneficiaries, and thereby contribute to the long term development of the society. The Bank aims to do this by engaging in activities that provide socially and environmentally sustainable benefits for the beneficiaries, measurable in economic terms. This would demonstrate the social commitment of the Bank, in the same manner as it services the interest of the customers, employees and shareholders, integrating the social and business goals.

CSR through Employee Volunteering.

Bank ensures employee engagement and encourages employee involvement in the social responsibility activities of the Bank through various programs every year. Bank budgets a specific amount under Employee Volunteering and the same would be reached out to the needy through well planned team activities. The CSR Committee would take required decisions and give necessary guidance and also would monitor the Employee volunteering activities.

The efforts put in by employees shall be documented and to be made available publicly so as to improve the morale of the employees in CSR activities.

The activities will be carried out only in India, particularly in areas of operation of the Bank.

Scope.

This policy will apply to all projects/programs undertaken as part of the Bank's Corporate Social Responsibility activities and will be developed, reviewed and updated and is also in line with Section 135 of Companies Act,2013 and Companies (Corporate Social Responsibility) Rules,2014, as amended from time to time ('the Act).

Governance.

Overall governance of CSR and approving of the CSR Policy will be the responsibility of the Board.

- The CSR & ESG Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR Policy.
- The Board shall ensure proper implementation of the CSR Policy along with monitoring and reviewing CSR Activities undertaken by the Bank and provide inputs as and when required.
- The Board shall satisfy itself that the CSR funds so disbursed are in alignment to the CSR Policy of the Bank and have been utilized for the purposes and in the manner approved by it. The CFO or appropriate authority shall certify the same to the effect.
- The Board shall also ensure appropriate disclosures pursuant to the Act and amendments thereof in the Annual Reports and Banks website in prescribed formats.
- In case of on-going project, as defined under Rule 2(1) (i) of the Companies (CSR Policy) Rules 2014, the board of a company shall monitor the implementation of the project with reference to the approved timelines and year wise allocation and shall be competent to make modification, if any, for smooth implementation of the project within the overall permissible time period.

The CSR Department of the Bank 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 the Board as per the recommendations of CSR & ESG Committee.

Functions of the Corporate Social Responsibility & ESG Committee.

The Bank has constituted a CSR & ESG Committee of the Board consisting of three or more directors including at least one Independent Director. The following functions are assigned to the Committee.

- To formulate the Bank's CSR policy and goals and revision thereof, as may be required and recommend to the Board.
- To formulate an Annual Action Plan pursuant to CSR Policy.
- Overseeing Environmental, Social and Governance (ESG),Reporting and review of various activities of the Bank under the prescribed ESG Framework.

- To identify the areas of CSR activities as prescribed in Schedule VII of the Companies Act, 2013 and amendments thereof to the Act, and recommend the amount of expenditure to be incurred on such CSR activities/projects within the board approved budget plan.
- To monitor the Bank's CSR policy and performance from time to time to ensure that the Bank meets the mandatory CSR compliance requirement.
- To review the CSR projects /initiatives from time to time and recommend any alteration in annual action plan, if any, to the Board.
- To ensure impact assessment, if any, for the projects with outlay of ₹1.00Cr or more.
- To ensure legal and regulatory compliance from a CSR viewpoint.
- To ensure reporting, communication and appropriate disclosures to stakeholders on the Bank's CSR projects/initiatives.
- To ensure that the surplus arising of the CSR projects or programs or activities do not form part of the business profit of the Bank.

Consistent with the above, the CSR & ESG Committee was constituted by the Board of Directors on 24/03/2022 with the following members.

1. Mr C Balagopal(Chairman)
2. Mr Sankarshan Basu
3. Mr Shyam Srinivasan
4. Mr Ashutosh Khajuria
5. Ms Shalini Warriar

Constitution of CSR & ESG Committee of the Board & CSR Committee of Executives is given as Annexure I.

CSR Budget.

The Board shall ensure that the 2% of average profit before tax from the immediately three preceding years is spent on CSR initiatives undertaken by the Bank. The overall amount to be committed to CSR will be approved by the Board as recommended by the CSR & ESG Committee through its Annual Action Plan carrying list of CSR projects or programs.

The following guiding principles to be adhered to in terms of CSR Budget outlay & Expenditure:

- The administrative overheads shall not exceed five percentage (5%) of the total CSR expenditure of the Bank for the financial year.
- Any surplus generated from CSR activities shall not form part of the business profit of the Bank and shall be treated as follows:
 - a. Ploughed back into the same project.
 - b. Transferred to a designated Unspent CSR Account and spent in pursuance of CSR Policy and Annual Action Plan of the Bank.
 - c. Transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year .

- Any unspent amount shall be reported by the Board under clause(o) of subsection (3) of section 134 in its report specifying the reasons for not spending the amount and transfer the unspent CSR amount as per provisions of section 135(5) and 135(6) of the Act.
- As per Clause 7(4) of CSR Policy Rules 2014, CSR amount may be spent for creation/acquisition of a capital asset which shall be held by the beneficiaries of the said CSR project or a trust or a public authority for the benefits of all. The company shall take appropriate measure to ensure that such assets are utilized for the purpose it was meant for and shall not be transferred or disposed of without prior permission of the company.

Excess CSR Spending if any, during any financial year.

If the Bank spends an amount in excess of the requirements provided under section 135(5), bank may set off such excess amount against the requirement to spend under section 135(5) for a period of three succeeding financial years subject to the conditions that –

- i. the excess amount available for set off shall not include the surplus arising out of the CSR activities, surplus being the income generated from the spend on CSR activities such as interest income earned on CSR funds, revenue received from CSR projects, disposals/sale of materials used in CSR projects, other similar income sources.
- ii. the Board of the Bank shall pass a resolution to that effect.
- iii. the surplus arising out of CSR activities shall be utilised only for CSR purposes.

Supervision.

The Bank's CSR activities will be driven by a dedicated CSR team under the guidance and support of senior functionaries. The CSR & ESG Committee and CSR Department under the direction of the Board would play a significant role in ensuring that the CSR policy is embedded in Bank's operations and the CSR initiatives are in line with the policy.

Roles & Responsibilities.

The roles and responsibilities related to CSR projects and Policy have been represented in the form of a RACI Chart (R- Responsible, A-Accountable, C- Consulted, & I –Informed). The same is given in the Annexure II.

Disbursement.

The disbursal of funds will be either in tranches/stages or as onetime payment depending on the nature and requirement of the project. The terms, conditions and timing of disbursement will be discussed and agreed upon in the memorandum of understanding with the entity before implementing the project.

Reporting.

Appropriate disclosures and reporting on all CSR activities and assessments done by the Bank will be provided as part of the Director's Report in the Bank's Annual Report and Bank's Official website in the prescribed formats as per statutory and regulatory reporting requirements of the Act.

Connect with Local Community and Linking business with CSR.

Adequate thrust will be given to geographical areas where Bank has more presence, to get maximum leverage of connectivity with the local community.

Decriminalization of offences in case of breach.

As per Sec135 (7), if a bank is in default in complying with the provisions of sub-section (5) or sub-section (6),

- i. the bank shall be liable to a penalty of twice the unspent amount required to be transferred by the bank to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account or one crore rupees, whichever is less.
- ii. and every officer of the bank who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the bank to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.

Spending for ongoing projects and its utilization mechanism.

Any amount remaining unspent under section 135(5), pursuant to any on-going project undertaken by the Bank will be transferred by the Bank within a period of thirty days from the end of the financial year to a special account –Unspent CSR Account opened by the Bank in that behalf for that financial year.

This amount will be spent by the Bank within a period of three financial years from the date of such transfer, failing which, the Bank will 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.

“On-going Project” is defined as a multi-year project undertaken by the Bank in fulfillment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced and shall include such project that was initially not approved as a multi –year project but whose duration has been extended beyond one year by the board based on reasonable justification.

Officer in default in case of violation of regulatory provisions.

Head CSR-Corporate Social Responsibility Department will be the person responsible for ensuring regulatory compliance.

Guiding Principles on formulation of the Annual Action Plan to initiate CSR project.

- i The programs/projects will be within the areas recommended/listed in the schedule VII of the Act and mentioned in the Policy.
- ii. The programs/projects will be implemented within the country and preferably in areas where the Bank has its presence.
- iii. 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.
- iv. The programs/projects should exclude activities that are to be supported on sponsorship basis for deriving marketing benefits for its products or services.
- v. The programs/projects should exclude activities carried out for fulfillment of any statutory obligations under any law in force in India.

Guiding Principles on Selection, Implementation and Monitoring of CSR projects.

The CSR Department under the guidance of CSR & ESG Committee would assist in implementation, monitoring, and proper end use of the CSR projects/initiatives.

Guiding Principles for initiating CSR Programs/ Projects.

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 outlined in the policy.

The CSR & ESG Committee formulate annual action plan in pursuance of this CSR policy and recommend to the Board for its approval. It includes the following;

- i. the list of CSR projects or programs that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act.
- ii. the manner of execution of such projects or programs.
- iii. the modalities of utilization of funds and implementation schedules for the projects or programs.
- iv. monitoring and reporting mechanism for the projects or programs and
- v. details of need and impact assessment, if any, for the projects undertaken by the company.

Impact Assessment for projects above ₹1.00Crore.

Every entity having average CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 of the act, in the three immediately preceding financial years, shall undertake impact assessment through an independent agency, of their CSR projects having outlay of ₹1.00 Crore or more which have been completed not less than one year before undertaking the impact study.

Bank will undertake impact assessment of CSR projects having outlays of ₹1.00 Crore and above with the help of an independent agency.

The reports of impact assessment will be placed before the CSR & ESG Committee and will be annexed to the annual report on CSR.

CSR initiatives covered by the Policy.

In accordance with the corporate philosophy outlined above, and the framework of the Companies Act 2013, as amended from time to time, the thrust areas of CSR activities of the bank would be:

1. **Poverty Alleviation:** Eradicating hunger, poverty and malnutrition, Providing safe drinking water, Housing to economically backward sections of society, Healthcare including preventive healthcare and Trauma-care in high-ways, Improved sanitation and hygiene and other measures for reducing inequalities faced by socially and economically backward sections of society including contribution to funds set up by Central Government for promotion of sanitation, supporting Swatch Bharat Kosh by constructing toilets for the poor, e-toilets at public places, support for re-cycling of plastic, e-waste etc, awareness and public outreach on Covid 19 vaccination program under preventive health care.
2. **Education and skill development:** Promoting education including special education and vocational education including skill development for children, women and differently abled and livelihood enhancement projects, creating awareness against Child abuse and other activities within the overall objective of promoting education, awareness and public outreach on Covid 19 vaccination program under promoting education.
3. **Gender equality and welfare of Senior citizens:** Undertaking activities for gender equality including but not limited for empowerment of women, self-help groups and similar organizations, setting up homes and hostels for women and orphans, setting up old age homes, day care centres and such other facilities for Senior citizens.
4. **Ensuring environmental sustainability and ecological balance:** Undertaking activities with the overall objective of ensuring environmental sustainability and ecological balance, protection of flora and fauna, animal welfare, Agro-forestry, conservation of natural resources including maintaining quality of soil, air and water, renewable energy and other activities within this overall objective of environmental sustainability including contributions to funds set up by Central Government for rejuvenation of river Ganga.
5. **Protection of national heritage:** Providing 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.
6. **Benefit of armed forces veterans:** Taking up projects or activities intended for providing benefit of armed forces veterans, war widows and their dependents.
7. **Promote rural, nationally recognized, Paralympic and Olympic sports** by supporting training for attaining excellence in all areas of sports.
8. **Contribution to the Prime Ministers National Relief Fund or any other Funds** 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.
9. **Contribution to** a) technology incubators/research and development projects in the field of science, technology, engineering, and medicine funded by Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government.
b) **Contributions to** public funded universities, IITs, National Laboratories and Autonomous Bodies (established under Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research Development Organization (DRDO), Department

of Bio technology(DBT),Department of Science and Technology(DST),Ministry of Electronics and Information Technology conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals(SDGs).

10. **Development projects** for rural areas and areas declared by Government as slum areas.
11. **Disaster Management:** Disaster management including relief, rehabilitation, and reconstruction activities, awareness, and public outreach on Covid 19 vaccination program and Covid relief measures.
12. **Promotion of Digital Payments:** In line with Government of India's move towards promoting cash less economy providing seamless digital payment to all, focusing rural and semi urban areas.

The above objectives are broad based and will be construed in a liberal manner within the framework of the Act.

Proposed Core CSR activities for the Financial Year 2022-2023.

Promoting Education: -Youth engagement.
Promoting Education: - Promoting Vocational Skills/Skill development.
Healthcare.
Women empowerment.
Disaster management including relief, rehabilitation, and reconstruction activities.

Validity of this policy: This policy shall be effective from the beginning of financial year 2022-2023.

ANNEXURE I

Constitution of Corporate Social Responsibility & ESG Committee of the Board.

No	Name	Role
1	Mr C Balagopal	Chairman
2	Mr Sankarshan Basu	Member
3	Mr Shyam Srinivasan	Member
4	Mr Ashotosh Khajuria	Member
5	Ms Shalini Warriar	Member
6	Chairperson of the Bank & Managing Trustee, Federal Bank Hormis Memorial Foundation.	Invitee

Constitution of CSR Committee of Executives.

No	Members	Role
1	Group President & CFO	Chairman
2	Chief Human Resources Officer	Alternate Chairman
3	Chief Risk Officer	Member
4	Head- CSR Department	Member

ANNEXURE II

Roles & Responsibilities.

The roles and responsibilities related to CSR projects and Policy have been represented in the form of a RACI Chart (R- Responsible, A-Accountable, C- Consulted, & I –Informed).

R- Responsible	Refers to person(s) who actually carries out the task.
A-Accountable	Refers to person(s) who ultimately answers for the results of an activity and also delegates the work to the people responsible to execute it.
C-Consulted	Refers to person(s) who are required to be heard and provides inputs related to the task and with whom there is two-way communication.
I-Informed	Refers to person (s) who ought to be kept up to date on the progress of the activity and with whom there is one way communication.

Responsibility Assignment Matrix.

Activities		CSR Dept.	Secretarial Dept/Marketing Dept	Branches/ Departments	CSR Committee of Executives	MD&CEO	CSR &ESG Committee	Board
Annual Review of Policy		R	C-Secretarial Dept	I		R	A	A
Annual Action Plan		R				R	A	A
Approval of CSR projects	Upto 20 Lakhs	R		C		A	I	
	Above 20 Lakhs and upto 1 Crore	R		C	A	I	I	
	Above 1 Crore	R		C		I	A	
Ensuring compliance of various amendments to CSR Policy from time to time		R/A	C-Secretarial Dept			I	I	I
Monitoring of projects		R/A		A/C		I		
Payment of bills		R/A		C		I	I	
Publishing mandatory documents in the website		R/A	C-Marketing Dept					