SBM BANK (INDIA) LIMITED

Corporate Social Responsibility Policy

Document Version:

Policy ID: _IND

Document Review & Approval History:
(All revisions made to this document are listed in chronological order)

Version No.	Date	Changes	Reviewed by	Approved by
1.0	June 2019	New Policy	Corporate Social Responsibility Committee	Board of Directors
1.1	Mar 2020	Revised	Corporate Social Responsibility Committee	Board of Directors
1.2	Mar 2021	Updated Policy – Changes pursuant to MCA notification dated January 22, 2021	Corporate Social Responsibility Committee	Board of Directors
1.3	Mar 2022	Changes : Regarding periodicity of review of CSR activities	Corporate Social Responsibility Committee	Proposed for approval of Board of Directors,

Ownership:

S/N	Primary Owner	Secondary Owner
1	Legal & Corporate Affairs	CSR Steering Group

Contents

A. Introduction 4
B. Key Terms and Definitions 5
C. Purpose 7
D. Corporate Social Responsibility Committee 7
E. Corporate Social Responsibility Steering Group 8
F. Policy Objectives 8
G. Monitoring 9
H. Disclosure 9
I. Corporate Social Responsibility Activities 9
J. Review 10

A. Introduction

The Corporate Social Responsibility Policy ("CSR Policy") governs Corporate Social Responsibility Activities (herein referred to as "CSR activities") to be carried out by SBM Bank (India) Limited (herein referred to as 'the Bank") in India. The Policy also sets out the rules that need to be adhered to while taking up and implementing CSR activities.

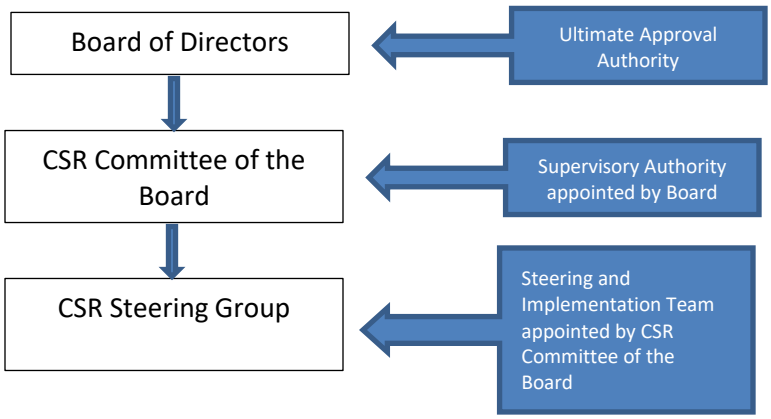
This policy should be read in line with Section 135 of the Companies Act 2013 and the rules regulations, circulars and notifications (collectively referred hereinafter as 'Regulations') made thereunder.

- Establishing a guideline for compliance with the provisions of Regulations to dedicate a percentage of the Bank's profits for social projects.
- Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting
- Creating opportunities for employees to participate in socially responsible initiatives.

Section 135 (1) of the Companies Act 2013 is applicable to every company having a net worth of INR 5 Billion or more, or a turnover of INR 10 Billion or more, or a net profit of INR 50 Million or more during ~~any of~~ the immediately preceding financial year~~s~~, including its holding entity or subsidiary, and foreign companies having their branches or project offices in India. Pursuant to the aforesaid section of the Companies Act 2013, in every financial year, such company, as eligible, must allocate at least 2% of its average net profits made during the three immediately preceding financial years. The Bank must also constitute a CSR Committee (of the Board) and a CSR Steering Group to:

- Formulate a CSR Policy;
- Recommend a CSR Budget;
- Identify and evaluate the proposed CSR Activities to ensure applicability to and alignment with the Bank's vision and extant CSR Policy;
- Recommend a CSR Activities' Implementation and Execution Plan to implement and execute CSR policies and activities;
- Stipulate monitoring processes for each of the identified CSR Activities and escalation and rectification structures for red flag events; and
- Report to the Board of Directors of the Bank ("the Board").

The overall organization structure of the CSR function within the Bank shall be as follows:



B. Key Terms and Definitions

a. "Act" means the Companies Act, 2013;

b. “Administrative overheads” means the expenses incurred by the company for ‘general management and administration’ of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme;

c. “Approved Budget” shall mean the total budget as approved by the Board of the Company upon the recommendation of the CSR Committee, which is to be utilized for CSR Projects ;

d. “Board” shall mean the Board of Directors of the Company;

e. “Company” or “Bank” means SBM Bank (India) Limited;

f. Corporate Social responsibility (CSR) can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. “Corporate Social Responsibility (CSR)” means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in **Companies (Corporate Social Responsibility Policy) Rules, 2014 (“hereinafter referred to as** rules), but shall not include the following, namely:-

(i) activities undertaken in pursuance of normal course of business of the company;

(ii) any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;

(iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act;

(iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);

(v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;

(vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India;

The term generally applies to companies’ efforts that go beyond what may be required by regulators or environmental protection groups. CSR may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

g. “CSR Activities” shall mean all Corporate Social Responsibility projects/activities/ programs/ initiatives, instituted in India, either new or ongoing, and includes, but is not limited to those undertaken by the Board in pursuance to recommendations of the CSR Committee as per the declared CSR Policy or CSR Activities’ Implementation and Execution Plan.

h. "CSR Activities' Implementation and Execution Plan" shall mean the implementation and execution plan including details of how the same shall align with the phasing of CSR Budget approved expenditure (and phasing of the same) and specified monitoring procedures to ensure timely deployment and appropriate end use of funds, and alignment with the CSR Budget, CSR Policy, extant risk and compliance framework (including management of conflicts of interest and independence concerns), as well as resonance with the Bank's values and mission.

i. "CSR Budget" shall mean the annual budget detailing CSR expenditure for the year, focus areas of deployment of such funds as allocated towards the CSR expenditure, allocation of funds towards identified categories of CSR Activities as detailed in Section G, specific potential CSR Activities identified thereunder of the CSR Policy and phasing of such expenditure in the course of the year;

j. "CSR Committee" shall mean the Corporate Social Responsibility Committee constituted by the Board of the Company in accordance with the Act;

k. "CSR Policy" means a statement containing the approach and direction given by the Board of the Company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan and shall mean the present Corporate Social Responsibility Policy of the Company, which covers the activities to be undertaken by the Company and the CSR Budget thereon and further relates to the activities to be undertaken by the company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of a company;

l. "CSR Steering Group" shall mean the steering group as constituted by the CSR Committee and the Board of Directors jointly to action the CSR Activities' Implementation and Execution Plan;

m. "Director" shall mean a member of the Bank's Board of Directors. "Financial Year" shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.

n. "Independent Director" shall mean an independent member of the Bank's Board of Directors

o. "Net profit" means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, 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;

(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 in case of a foreign Company, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381, read with section 198 of the Act.

Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

C. Purpose

The Bank recognizes the importance of good corporate governance and corporate social responsibility in promoting and strengthening the Bank's vision to establish itself as a trusted, proactive and contributing participant in the socio-economic fabric of the ecosystem it operates in. As part of its dedicated approach to create valuable economic opportunities in the communities within which it operates, the Bank recognises the need in making available in a focused and effective manner, its time, expertise and resources to facilitate access for variegated communities to a series of initiatives that are locally relevant and are capable of creating meaningful and measurable impact.

D. Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee ("CSR Committee") of the Board will be constituted with three or more Directors of the Bank, one of whom shall be an Independent Director. The CSR Committee shall be in charge of screening all proposals for partnerships with third parties such as Trusts, Societies or any other implementation partner or any other fund set up by the Government, as prepared by a Steering Group appointed by the Committee. Such screened proposals will thereby be presented to the Board for final approval.

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:-

(a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;

(b) the manner of execution of such projects or programmes as specified in the rules;

(c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;

(d) monitoring and reporting mechanism for the projects or programmes; and

(e) details of need and impact assessment, if any, for the projects undertaken by the company:

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

In the case of such CSR Activities as proposed to be undertaken by the Bank directly, the CSR Steering Group shall be in charge of screening all proposals for such CSR Activities as proposed to be undertaken by the Bank directly.

The CSR Committee shall also act as the reporting authority for the CSR Steering Group whereby progress on all ongoing CSR Activities (in terms of expenditure, fund-use & impact monitoring and scalability potential) shall be reported monthly, irrespective of whether the same is implemented by the Bank directly or indirectly.

The CSR Committee shall also act as the supervisory authority in guiding the preparation of the CSR Budget and CSR Activities' Implementation and Execution Plan by the CSR Steering Group.

E. Corporate Social Responsibility Steering Group

The Corporate Social Responsibility Steering Group ("CSR Steering Group") shall comprise of such employees as identified by the CSR Committee of the Board to carry out the following activities:

- Identify and evaluate potential CSR Activities;
- Prepare proposals justifying the fit of such potential CSR Activities with the Bank's CSR Policy and detailing alignment with Banks' extant risk and compliance framework as well as tenets of independence and ethics;
- Prepare the CSR Budget;
- Prepare the CSR Activities' Implementation and Execution Plan *(to be carried out jointly with third party implementation partners if the Bank is not carrying out implementation directly);*
- Monitor progress (in terms of expenditure, fund-use & impact monitoring and scalability potential) on all ongoing CSR Activities;
- Prepare progress plan for each CSR Activity on the basis of specific milestones *(to be carried out jointly with third party implementation partners if the Bank is not carrying out implementation directly);*
- Prepare a plan on duration of monitoring on CSR Activities towards which funds have been deployed, on the basis of achievement of pre-defined milestones;
- Identify and evaluate potential partners for CSR Activities' implementation justifying the fit of such potential CSR Activities with the Bank's CSR Policy and detailing alignment with Banks' extant risk and compliance framework as well as tenets of independence and ethics;

F. Policy Objectives

The objective of the CSR Policy ("Policy") is to lay down the guiding principles in undertaking various Programs and projects by or on behalf of the Bank relating to Corporate Social Responsibility ("CSR"). The Policy shall apply to all CSR programs/activities undertaken/sponsored by the Bank or through any other Trust/Society or implementation partner or any other fund set up by the Government.

The CSR Committee and the CSR Steering Group shall be responsible to identify the Trust/Society or any other organisation (as per CSR rules) for conducting the CSR Activities of the Bank, if required.

G. Monitoring

CSR Steering Group of the Bank will be responsible for the regular monitoring of various CSR Activities undertaken by the Bank directly or indirectly. The committee shall ensure that;

i. Bank undertakes the CSR Activities as provided in the CSR Policy;

ii. The CSR Activities are implemented as per the CSR Policy and CSR Budget approved by the Board;

iii. The expenditure allocated for each of the project is utilized for those specific projects as per the approved CSR Policy and CSR Budget.;

iv. The objective of the CSR Activities under implementation is achieved as per the CSR Policy;

v. Bank shall provide necessary resources and human capital for implementation and the effective monitoring of the CSR Activities as may be directed by the CSR Steering Group and CSR Committee of the Board. Prepare a period report on the progress of CSR Activities under implementation for review of CSR Committee of the Board An annual report on the Bank's CSR Activities undertaken will be placed before the board and included in Bank's Annual Report The surplus arising out of the CSR Activities (undeployed out of CSR Budget estimated for the year) will not be part of business profits of the Bank;

vi. The CSR Committee shall review the progress of CSR activities at least ~~twice~~ once a year, including the annual review.

The Board of Directors shall review the progress of CSR activities at least annually viz the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.

H. Disclosure

On approval of the CSR Policy or any amendments thereof, the contents of the policy shall be included in the Boards' report. At the end of each financial year, the CSR Steering Group, under the supervision of the CSR Committee of the Board, shall prepare a report of the CSR program in the prescribed form relating to the financial year and submit to the Board for its inclusion in the Board's report.

- 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;

- The composition of the CSR Committee;

- Average net profit of the company for last three financial years;
- Prescribed CSR Expenditure (2% of the amount of the net profit for the last 3 financial years);
- Details of CSR Spent during the financial year;
- In case the company has failed to spend the 2% of the average net profit of the last three financial year, reasons thereof;

The above information shall also be displayed on the Bank's website.

Significant CSR activities and achievements will be reported as part of the Director's Report in the Bank's Annual Report and also as per any other statutory and regulatory reporting requirements.

I. Corporate Social Responsibility Activities

The CSR Committee of the Bank would consider and approve the projects or programmes that the Bank should undertake as CSR in India.

i. Promotion of Healthcare and Sanitation
ii. Old Age homes /Day Care facilities for senior Citizens
iii. Education and Skills Development
iv. Empowerment of women
v. Poverty alleviation and measures to reduce inequalities
vi. Environmental Sustainability and Rural Development
vii. Armed Forces Veterans

The CSR Committee may choose to select program areas which are included under Schedule VII of the Companies Act, 2013 in addition to those specified in the CSR Policy in the course of fulfilment of the Bank's CSR objectives as decided by the CSR Committee from time to time.

J. REVIEW

The Board of Directors on its own and/or on the recommendation of CSR committee can amend its policy as and when required deemed fit. Any or all provisions of CSR Policy would be subjected to revision/amendment in accordance with the regulations on the subject as may be issued from relevant statutory authorities, from time to time.