



CORPORATE SOCIAL RESPONSIBILITY POLICY

OF

KRISHNA BHIMA SAMRUDDHI

LOCAL AREA BANK LTD.

Corporate Social Responsibility Policy of KBS Bank

1. Preamble:

The corporates are required to repay to the society from which it draws its resources for its efficient business operations in line with the principle of sustainable living. Section 135 of the Companies Act, 2013 reposes a statutory obligation on the companies covered under the scope of the section to carry out/undertake prescribed activities by spending certain portion of its profit.

This statutory obligation is otherwise known as Corporate Social Responsibility (CSR) means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Companies Act, 2013 and in accordance with the provisions contained in the rules.

2. Short title and Applicability:

This policy is known as “CSR Policy of KBS Bank”.

The Policy is applicable to all activities undertaken by the Bank under the CSR obligation not only in the Area of operation of the bank but also in any other part of the country.

3. Objective:

To lay down the guiding principles and mechanism for selection, implementation and monitoring of activities for the welfare & sustainable development of the community at large, as well as formulation of the annual action plan based on the recommendations of its CSR Committee or the direction given by the board of directors.

4. Definitions:

For any other Definition the Companies (Corporate Social Responsibility Policy) Rules, 2014 may be referred:

- 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. "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; and
 - (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 covered under these rules, 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;
- d. “Ongoing Project” means a multi-year project undertaken by a Company in fulfilment 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;

e. "Rule" means Companies (Corporate Social Responsibility Policy) Rules, 2014 for the time being in force.

5. Scope of the CSR Activities:

The Board of Directors/ CSR committee of the Board shall select and approve any of the activities mentioned in the Schedule VII of the Companies Act, 2013 (given in annexure) and rules made thereof for the time being in force to be undertaken by the Bank as CSR Activity;. Preference shall be given to the local areas of operation of the Bank. The CSR activities undertaken should be environment friendly and socially acceptable to the local people.

6. Funding & Allocation

For achieving its CSR objectives through implementation of meaningful & sustainable CSR programmes, Bank shall allocate 2% of its average Net Profits made during the three immediately preceding financial years calculated as per Sec-198 of the Companies Act, 2013, as its Annual CSR Budget in each Financial Year.

Allocation and funding of the Annual Budget for CSR activities in any given year shall be as per the provisions of the Companies Act, 2013 and rules made thereof as amended from time to time. Any unspent/unutilized CSR allocation of a particular year, will be carried forward to the succeeding financial years in such manner, as may be prescribed in the Companies Act, 2013 and rules made thereof, as amended from time to time.

From the annual CSR Budget allocation, a provision will be made towards the expenditure to be incurred on identified Areas, for undertaking CSR activities on a year on year basis. The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.

7. Corporate Social Responsibility Committee

The Board shall form a separate committee known as CSR committee comprising of at least three directors out 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 for the CSR activity to be under taken during the year.

The CSR Committee shall:

- a. review and recommend to the Board, the activities/projects/programmes to be undertaken;
- b. recommend the amount of expenditure to be incurred on the activity/project/programme;
- c. the modalities of execution and implementation schedule from time to time;
- d. institute a monitoring mechanism to track the progress of each project.

The Committee reports into the Company's Board of Directors. The Board shall be the final authority to approve the CSR Projects, its implementation and funding.

The CSR committee need not be formed if the amount required to be spent under section 135 in a financial year does not exceed fifty lakh rupees. In that case the functions of the committee shall be discharged by the Board.

8. CSR Implementation

(1) The Board shall ensure that the CSR activities are undertaken by the Bank itself or through -

(a) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 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, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

(2) Every entity above mentioned must be registered and should have CSR Registration Number

(3) Bank may also collaborate with other companies for undertaking projects or programmes or CSR activities.

(4) The Board of Directors shall satisfy itself that 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.

(5) In case of ongoing project, the Board of Directors shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

9. CSR Expenditure

Administrative overheads: The administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

Unspent amount: if the bank fails to spend the amount required to be spent in a year, the Board shall specify in the Directors Report the reason for not spending the amount and the amount unspent unless related to an ongoing project shall be transferred to a fund specified in schedule VII within six months of the expiry of the financial year.

Excess Spent: any amount spent in CSR activity in excess of the required amount may be set off against the said obligation up to immediate succeeding three 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;

(ii) the Board of the company shall pass a resolution to that effect.

Surplus: Any surplus arising out of the CSR activities shall not form part of the business profit of a company 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 amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Unspent CSR Account: Bank shall maintain an Unspent CSR Account with a scheduled Bank and the account shall be separate account i.e. shall not be used for any other business activities. Any unspent amount relating to an ongoing project shall be transferred to the Unspent CSR Account within thirty days from the close of the financial year. Surplus amount arising out of the CSR activities shall also be transferred to Unspent CSR Account. The amount(s) credited to the unspent CSR account shall be utilized for CSR activities by the company during next three financial years, falling which the amount shall be transferred to a Fund specified in Schedule VII, within a period of 30 days from the date of completion of third financial year

Treatment of Capital Asset: The CSR amount may be spent 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.

10. CSR Reporting: The Board's Report pertaining to any financial year shall include an annual report on CSR containing particulars specified in the rules.

11. Display of CSR activities on its website: The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.