

CORPORATE SOCIAL RESPONSIBILITY POLICY

June 2015

**HEAD OFFICE
KOLKATA**

Approvals

Date	Name	Title	Signature

Version Control

Date	Version	Change Description

CONTENTS

1. PREAMBLE	4
2. INTRODUCTION	5
2.1. DEFINITION	5
2.2. PURPOSE	5
2.3. VISION	5
2.4. SCOPE	5
3. GOVERNANCE STRUCTURE	5
4. CSR IMPLEMENTATION	6
5. BROAD PRINCIPLES OF CSR ACTIVITIES	7
6. TARGET GROUP	7
7. PROGRAMS	7
8. DONATIONS	8
9. CSR BUDGET	8
10. DONATION BUDGET	9
11. CSR SPENDING MECHANISM	9
12. REPORTING	9
13. MONITORING & REVIEW OF CSR PROGRAMS	10

1. PREAMBLE

1.1. In India, the concept of Corporate Social Responsibility (CSR) is governed by clause 135 of the Companies Act, 2013, which was enacted in August 2013. The CSR provisions within the Act is applicable to companies with an

1.1.1. Annual turnover of INR 1,000 crore and more, or

1.1.2. A net worth of INR 500 crore and more, or

1.1.3. A net profit of INR 5 crore and more

1.1.3.1. The “net profit” shall mean the net profit of the company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:

1.1.3.1.1. Any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and

1.1.3.1.2. Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:

1.1.3.2. Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956 (1 of 1956), shall not be required to be re-calculated in accordance with the provisions of the Act.

1.2. The companies (Corporate social Responsibility Policy) Rules, 2014 require companies to set-up a CSR Committee consisting of at least 3 board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. The Act lists out a set of activities eligible under CSR. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act.

1.3. Some highlights of the CSR, 2014 are as follows:

1.3.1. Surplus arising out of CSR activities will have to be reinvested into CSR initiatives, and this will be over and above the 2% figure

1.3.2. The Company can implement its CSR activities through the following methods:

1.3.2.1. Directly on its own

1.3.2.2. Through its own non-profit foundation set-up so as to facilitate this initiative

1.3.2.3. By making donation through independently registered non-profit organisations that have a record of at least three years in similar or related activities

1.3.2.4. Collaborating or pooling their resources with other companies

- 1.3.3. Only CSR activities undertaken in India shall be taken into consideration
- 1.3.4. Activities meant exclusively for employees and their families shall not qualify

2. INTRODUCTION

2.1. Definition

- 2.1.1. Bandhan Bank is well aware of its corporate and social responsibility and recognizes that good corporate governance and corporate social responsibility leads to growing the trust of all stakeholders. The CSR is not only charity or donations but is a strong commitment to contribute to social and environmental growth and prosperity. The Bank's CSR Policy has been framed in accordance with Section 135 of the Companies Act 2013 and the Rules framed thereunder and the applicable circulars issued by Reserve Bank of India. The Policy shall apply to all CSR activities undertaken or sponsored by the Bank.

2.2. Purpose

- 2.2.1. The chief purpose of the Bank's CSR philosophy is to develop the community in which the Bank operates and make a sustainable improvement in the lives of economically, physically and socially challenged people living at the lower end of the society and initiate or support programs that is aimed at creating conditions for better livelihood in these communities. The Bank shall also support measures that are aimed at preserving and enhancing the environment, health care and medical assistance and natural resources. The CSR policy shall act as a mechanism for regulating the CSR activities of the Bank and adhere to laws and regulation in force and adopt best practices.

2.3. Vision

- 2.3.1. Aligned with the vision of Bandhan Bank, the CSR initiatives shall continue to enhance value creation, improve the quality of life and inclusion of those who are not adequately and effectively serviced by the formal financial sector into the mainstream of the society and draw them in to the cycle of growth by providing products and services and forming partnerships and alliances for the fulfillment of its role in the society as a responsible corporate.

2.4. Scope

- 2.4.1. This policy shall apply to all projects, programs, donations and activities undertaken by the Bank in fulfillment of its corporate social responsibility and shall be reviewed and updated from time to time with changes in the CSR rules and applicable laws regulations as and when required.

3. GOVERNANCE STRUCTURE

- 3.1. As per Clause 135 of the Companies Act, CSR Committee of the Board of Bandhan Bank shall have 3 directors of which one shall be an independent director. The committee shall be meet

as and when required and shall be responsible for preparing a detailed plan on CSR activities, including the expenditure, the type of activities, roles and responsibilities of various stakeholders and a monitoring mechanism for such activities. All committee meeting shall be attended by atleast two members and the Committee shall also ensure that all kinds of income accrued to the Bank by way of CSR activities shall be credited back to the community or CSR corpus. The CSR team of the Bank shall be responsible for execution of the CSR activities of the Bank

- 3.2. The CSR Committee of the Board shall be responsible for the following:
 - 3.2.1. To put in place the Bank's CSR strategy and goals
 - 3.2.2. To review the CSR project and activity and performance against the goals set
 - 3.2.3. To ensure regulatory compliance of the CSR initiatives of the Bank
 - 3.2.4. To arrange for reporting of the Bank's CSR activities

4. CSR IMPLEMENTATION

- 4.1. The CSR team of the Bank shall be responsible for implementing all CSR activities of the Bank. Depending on the nature, the size and the complexity of the project, the CSR team may implement projects in any of the following manner:
 - 4.1.1. Execute the entire project itself
 - 4.1.2. Involve other employees and/or other departments of the Bank
 - 4.1.3. Engage with such agencies as NGOs, Trusts, Societies, etc., as deemed fit
 - 4.1.4. Execute the initiatives in collaboration with other banks or corporates or government agencies
- 4.2. In cases where outside agencies are engaged, the selection of the partner entity shall be based on the entities track record of successful implementation, its credibility and reputation and the selection shall have to be approved by the CSR Committee of the Board
- 4.3. While the CSR Committee shall be empowered to select entities for receiving donations, the Bank encourages potential entities to submit their proposals based on which they may be considered for assistance. The proposals shall inter alia cover the following:
 - 4.3.1. Details about the project, including objectives, time frames and measures for evaluating project success
 - 4.3.2. Description of how community shall benefit, including long-term benefits.
 - 4.3.3. Details of any previous or current projects with similar mandates.
 - 4.3.4. The nature and amount of support being sought and overall target funding for project.

4.3.5. Current and anticipated contributors and partners to the project.

5. BROAD PRINCIPLES OF CSR ACTIVITIES

5.1. Bandhan Bank shall aim to serve the disadvantaged sections of the society through interventions which shall be multifaceted and shall help improving their quality of life. The Bank shall ensure that its CSR projects are non discriminatory in nature and do not have any restrictive political or religious affiliations. The programs/ projects shall be within the areas recommended / listed by the CSR Committee and mentioned in the Policy.

6. TARGET GROUP

- 6.1. Bandhan's target group cover all sections of the population who are vulnerable which shall include low income group people, those who are disadvantaged either due to very low asset base, physical or mental inadequacies, education, social status, or any other cause without any discrimination based on caste, creed, religion, gender etc.
- 6.2. The focus of the CSR activities would generally be Bandhan Bank clients and the geographical areas served by Bank

7. PROGRAMS

- 7.1. The focus of the Bank's CSR activities shall be healthcare, education, livelihood development, food security and physical living conditions. New areas would be added as and when required with the approval of the CSR Committee of the Board. The services provided under the programmes, could be free or subsidized as per the requirements of the beneficiaries, and the nature of the program.
- 7.2. The focused CSR activities shall be following:
- 7.2.1. Education: Education is the steady building blocks of any nation. The Bank shall make efforts to promote and spread education among the economically/socially/physically challenged categories. Within the scope of education, programs aimed at bridging the skill gap and enabling children to become job ready professionals shall be covered through the following initiatives:
- 7.2.1.1. Vocational educating and training
 - 7.2.1.2. Financial literacy
 - 7.2.1.3. Education for street children and the rural poor
 - 7.2.1.4. Special education for the physically challenged
- 7.2.2. Skills training and Livelihood development: A growing economy like India requires a large

and skilled workforce. The Bank's skill training initiatives will aim at training and capacity development of youth and women from economically weaker sections of society, and to empower them to gain access to opportunities for sustainable livelihood and growth. The Bank will support technical training courses, Skill Development Centers, non formal vocational programs aimed at creating livelihood opportunities, soft skill training aimed to facilitate integration into mainstream and soft loans for self- financing of training. Under the scope of this initiative, the Bank will also support upgrading skills and capacity building of farmers by introducing innovative methods of cultivation and creating market linkages.

- 7.2.3. Food Security: The CSR activities of Bandhan Bank shall also focus on efforts to remove hunger and enhance food security of the poor. Specific programs to that effect shall be designed by the CSR team with the approval of the CSR Committee
- 7.2.4. Physical Living Condition: The Bank shall aim to improve the living conditions of the poorer segment of the population specially in the rural areas through better housing, improving/providing sanitation facilities, facilities for communities and schools, help in building roads etc.
- 7.2.5. Healthcare: Health care at its essential core is widely recognized to be a public good. Health care covers not merely medical care but also all aspects of pro preventive care too. The Bank shall contribute in the effort to make basic health care available to the rural poor.

8. DONATIONS

- 8.1. In addition to the Bank's participation/active engagement in projects mentioned above, the Bank may also make donations to funds or entities, which are engaged in activities related to the focus areas of CSR activities of the Bank. Donations may be made to the following categories of recipients:
 - 8.1.1. Funds sponsored / recognized by the Central or State governments like the Prime Minister's national relief fund, National Defence fund, Chief Minister's relief fund etc for relief during natural calamities
 - 8.1.2. Voluntary organizations, NGOs, charitable institutions registered as Societies or Public Charitable Trusts for implementing socially oriented projects. Such eligible institutions must have a long unblemished record of public service and should have income-tax exemption certificate
 - 8.1.3. Donations shall made to only those institutions that maintain an account with Bandhan Bank
 - 8.1.4. Institutions that have long-term goals and objectives and operate in a sustainable manner

9. CSR BUDGET

- 9.1. The Bank's budget on CSR activities shall be approved by the Board, based on recommendations of the CSR Committee, as part of the Bank's overall Annual Budgeting

exercise. The CSR budget to be approved shall be in line with the provisions of the Company Act and relevant guidelines issued by RBI from time to time. The CSR Budget shall include the allocation towards Donation Budget. All projects undertaken or donations proposed to be made by the Bank under shall need the approval of the Bank's CSR Committee

10. DONATION BUDGET

10.1. The Reserve Bank of India vide circular no. RBI. No./2005-06/237,DBOD. No. Dir. BC. 50/13.01.01/2005-06 dated December 21, 2005 has set the guiding principles for donations by banks in India. Accordingly, Bandhan Bank shall adopt the following criterion for the Bank's annual donation program:

- 10.1.1. Then Bank shall set aside donation fund only if the Bank has made a net profit in the previous year. The Donation Budget shall be part of the CSR Budget.
- 10.1.2. The donation fund amount shall be decided by the Board of Directors and shall not exceed 1% of the published profit of the Bank for the previous year. However, the contributions/ subscriptions made by the Bank to Prime Minister's Relief Fund and to professional bodies/ institutions like Indian Banks' Association, National Institute of Bank Management, Indian Institute of Banking and Finance, Institute of Banking Personnel Selection, Foreign Exchange Dealers Association of India, during a year shall be exempted from the above ceiling.
- 10.1.3. If the Bank has not made a profit in the previous year, the Board of Directors may still allocate a sum not exceeding INR 5 lacs for donation funding.
- 10.1.4. Unutilized portion of the limit of one percent should not be carried forward to the next year.

11. CSR SPENDING MECHANISM

11.1. The preferred project drawdown mode shall be mile-stone based and funds shall be released based on successful completion of planned activities. However, the Bank understands that one-time payment may be required for some activities and in such cases up-front disbursement shall be permitted. However, the terms and conditions and timing of disbursement shall be discussed and agreed between the CSR team and project teams and approved by the CSR Committee. In case the project is be implemented/ carried out in collaboration with an outside entity, the disbursement mode shall be part of the Memorandum of Understanding with the said entity.

12. REPORTING

12.1. 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.

13. MONITORING & REVIEW OF CSR PROGRAMS

- 13.1. The CSR Committee would exercise overall monitoring of the CSR programmes and activities and shall arrange to place a report to the Bandhan Board annually for review. The report shall include aspects such as nature of the activities, expenditure on CSR programmes, its cost effectiveness and impact.