

Corporate Social Responsibility (CSR) Policy

1. Preamble

CSR covers the entire process by which the organization approaches, defines and develops its relationship with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate strategies and projects. This CSR is not a charity or mere donations, but a way of going beyond business as well, creating shared value and contributing to social and environmental good.

2. Purpose

Capital Small Finance Bank is committed to identify and supporting programmes aimed at:-

- Developing and advancing the community and in particular, those at the bottom of the pyramid who are unequally endowed/enable and also
- Reducing negative, impact of its operations on the environment.

This policy will serve as a guiding document to help identify, execute and monitor CSR projects in keeping with the spirit of the policy.

This CSR policy would function as a self-regulation mechanism for the Bank's CSR activities and enable adherence to laws, ethical standards and international practices in this regards.

3. Policy Statement/Vision

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. 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.

4. 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 by reference to relevant codes of corporate governance and international standards or best practices. This policy is also in line with the SCR Rules (Sec. 135 of the Companies Act, 2013).

5. Governance

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

6. CSR Committee

The Bank will institute a CSR Committee of the Board consisting of three or more directors including at least one Independent Director. The committee will meet at least once in a year. The following shall be the terms of reference of the committee.

- Formulate and update CSR Policy
- Suggest areas of intervention to the Board of Bank
- Approve projects that are in line with the CSR policy
- Put monitoring mechanisms in place to track the progress of each project
- Recommend the CSR expenditure to the Board of Bank who will approve it
- Meet at least once a year to review the progress made
- Give directions for the disbursement of funds

Consistent with the above, the CSR Committee of the Board currently has the following members:-

1. Mr. Sarvjit Singh Samra
2. Mr. Bhagwant Singh Sangha
3. Mr. Ranbir Singh (Independent Director)

7. CSR Budget

The overall amount to be committed to CSR will be approved by the Board as part of the Bank's overall annual budget/plan. Within the budgeted amount, specific CSR initiatives/projects will be approved in line with the process approved by CSR Committee of the Board.

All projects undertaken by the Bank will be approved/ratified by the Bank's CSR Committee.

8. Supervision

The Bank's CSR activities will be driven by a dedicated CSR team under the guidance and support of senior functionaries, in particular the Managing Director. The CSR Committee and CSR Department would play a significant role in ensuring that the CSR policy is embedded across the Bank's operations and the CSR initiatives are in line with the Policy.

9. Implementation

The Bank will undertake CSR projects which are closely linked with the principles of sustainable development and shared value, with the involvement of local institutions and the community at large.

The CSR Department would assist in implementation and monitoring of the CSR projects/initiatives. The actual implementation of various initiatives will be broad based with the involvement of various Bank employees/units or through implementing agencies like NGOs, Trust, Societies, Section-8/ Section 25 Companies. In case of implementing agency being a 'not of profit' organization, the entity should typically have not less than 3 years' experience in implementing projects in the respective area. The implementation partner will also be screened based on the Bank's internal screening criteria to ascertain the entity's credibility and its ability to execute the proposed projects.

10. Disbursement

The disbursement of funds will be either in trenched drawdown from or one-time payment depending on the nature and requirement of

the project. The terms, conditions and timing of disbursement will be discussed and agreed to with CSR Department and project teams, and will typically form part of the Memorandum of Understanding with the entity implementing the project.

11. Monitoring

The CSR Committee will ensure a transparent monitoring mechanism for ensuring effective implementation of the projects / progress / activities proposed to be undertaken by the Bank.

The CSR Department would have the responsibility of monitoring approved projects and funds disbursement for such projects. Monitoring mechanisms will include visits, meetings and progress/status reporting by the teams. The Bank's CSR activities will be reviewed by the CSR committee. A system will be put in place to maintain a transparent monitoring and reporting mechanism across the stakeholders involved in the CSR activities of the Bank, as desired by the CSR Rules (section 135, Companies Act, 2013).

12. Reporting

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

13. CSR Programs/Projects

The Bank is highly supportive of the involvement of its employees in the 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 outlined in the Annexure to the Policy. The CSR Department would put up to the committee appropriate details of proposed projects including implementing year, modalities of execution in the area/sector chosen, implementation schedules for the same etc.

The CSR Committee will consider and approve (in line with the guidelines given below) CSR projects/programs to be undertaken during the year.

- 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 area as 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 process 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 activities of the Bank.

Area of CSR Intervention

Enumerated below are the areas under which the Bank will implement its CSR Projects. This will be reviewed from time to time by the CSR committee of the Board and specific initiatives under these will be undertaken in line with the CSR Policy to meet the overall objectives of these interventions.

1. Empowering through Sustainable Livelihood Initiatives

Category : Companies Act, 2013, Schedule VII (i) Eradicating hunger, Schedule VII (ii) Livelihood Enhancing Projects, Schedule VII (iii) Empowering women

Capital Bank's Sustainable Livelihood Initiatives are designed to empower thousands of people, particularly women in rural part of India. Through this initiative, the Bank reaches out to the un-banked and the under-banked segments of the society and in doing so, it seeks to help as many people as possible at the bottom of the pyramid by providing them with livelihood finance.

Under this project the Bank will continue to support people (primarily woman) who are financially excluded through a holistic approach that will also offer training for enhancing occupation skills, credit counselling, financial literacy and market linkages.

2. Financial Literacy and Inclusion

Category : Companies Act, 2013, Schedule VI (i) Promoting Education, Schedule VII (ii) Livelihood Enhancing Projects

The Bank believes that absence of financial knowledge are led to poor financial decisions that can have an adverse effect on the financial health of an individual. The Bank will endeavor to provide familiarity with and understanding of financial products, especially of rewards and risks, in order to better equip the financially excluded to make informed choice. These projects will endeavor to promote financial literacy amongst various segments such as students, senior citizens and others in the communities, directly or through implementing partners.

One of the main impediments to the increasing effective financial inclusion is the lack of credit in rural areas. The Bank will seek to address this through innovative approaches, one of which will be through its 'Grameen Mahotsavs' that will provide information on financial products and services in a particular to those in rural markets with limited access to financial serves.

3. Promoting Education

Category : Companies Act, 2013, Schedule VII (i) Promoting Education

Education is one of the building blocks of any nation with the aim of having every child in school and learning, the Bank interventions will aim at mainstreaming children and improving the quality of education they receive. A multitude of interventions such as educational sponsorships to students belonging to economically/ socially/physically challenged categories, supporting the infrastructure or running cost of reading programs, libraries, supportive classes computers, science laboratories, etc. will be undertaken to create a conducive learning environment and to promote learning.

Within the scope of education, programs aimed at bridging the skill gaps, in particular in the banking industry, and transferring candidates into job ready professionals will also be covered.

4. Skill Training and Livelihood Enhancement

Category : Companies Act, 2013, Schedule VII (i) Employment Enhancing Vocational Skills and Livelihood Enhancing Projects.

A growing economy like India requires a large and skilled workforce. The Bank's skill training initiatives will aim at raining and capacity development of youth and women from economically weaker section 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 centres, non-formal vocational programs aimed at creating livelihood opportunities, soft skill training aimed to facilitate integrations into mainstream and soft loans for self-financing of training. Under the scope of this initiative, the Bank will also support upgrade skills and capacity building of farmers by introducing innovative methods of cultivation and creating market linkages.
