



Corporate Social Responsibility Policy

Version 12.0

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4.	Reviewed by	CSR Committee of the Board
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CSR Policy

Corporate Social Responsibility Policy (CSR) of Tamilnad Mercantile Bank Limited

Preamble

CSR is an institutionalised effort to contribute to social wellbeing. It covers all activities through which an organisation brings about overall enhancement in the quality of living in the society and also contributes to environmental good. CSR does not merely mean undertaking charitable activities or giving donation but is aimed at aligning the business processes with the overall social goals.

Purpose of the Policy

The Policy outlines the type and scope of activities to be undertaken as part of the Bank's commitment to contributing to the overall progress of the society, people and the environment while aligning the same with the general policy prescriptions of the Government of India in the matter of growth and development. It also aims at complying with the requirements of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 and allied notifications issued by the Government of India.

The Governing Authority

The overall administration of CSR Policy of the Bank shall vest in the Board of Directors with the Board having powers to make amendments in the Policy from time to time on the recommendation of the CSR Committee of the Board. However, for taking decisions with regard to the scope, manner of implementation, quantum of expenditure within the limits approved by the Board, timeframe etc., with regard to activities specified in the Policy or those generally approved by the Board, the CSR Committee would be the competent authority.

CSR Committee

The Board of Directors of the Bank has constituted a Board level CSR Committee in compliance with Section 135 of Companies Act, 2013, which comprises Independent Directors also. At present, there are seven members in the Committee. The present committee comprises of following directors:

1. Shri.A.Niranjan Sankar (Director) - Chairman
2. Shri.Salee S Nair, MD & CEO
3. Shri.S.R.Aravind Kumar (Director)
4. Shri.R.Kodeeswaran (Director)
5. Shri.C.Chiranjeeviraj (Independent Director)
6. Shri.R.Deepak Shankar (Independent Director)
7. Shri.A.Shidambaranathan (Independent Director)

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
- (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 bank:

Provided that 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.

Scope of Activities

The activities to be undertaken by the Bank are broadly covered in the activities specified in Schedule VII of the Companies Act, 2013 viz.

- i. eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swachh Bharat Kosh set up by the Central Government for the promotion of sanitation and making available safe drinking water;
- ii. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- iii. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga;
- v. 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;
- vi. measures for the benefit of armed forces veterans, war widows and their dependents; Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) Veterans and other dependents including widows

- vii. training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports
- viii. contribution to the Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund 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;
- ix. (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and
(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defence Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).]
- x. Rural development projects
- xi. Slum area development.
Explanation - For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.
- xii. Disaster management including relief, rehabilitation, and reconstruction activities

The specific activities that may be undertaken by the Bank within the above parameters are as follows:

- i. Financial inclusion – to cover under clause (ii) of Schedule VII,
- ii. Provision of solar powered street lights – to cover under clauses (iv) and (x)
- iii. Provision of food to orphanages/old age homes - clause (i)
- iv. Planting of trees/saplings – clause (iv)
- v. Donations to schools, vocational training institutions etc. – clauses (ii) and (iii)
- vi. Organising blood donation camps, eye testing camps etc. – clause (i)
- vii. Donating bicycles, sewing machines etc. – clause (ii)
- viii. Setting up a library for the public – clause (v)
- ix. Providing RO plants to schools, old age homes etc. – clause (i)
- x. Construction of toilets etc. – clause (i)
- xi. Training centre for promotion of nationally recognised sports – clause (vii)
- xii. A vocational training/empowerment/skill building institute in the line of RSETI (Rural Self Employment Training Institute) or so could be started by the Bank for

imparting training to various sections of people in the society especially rural youth and women. Providing financial assistance to ITIs also could be considered – clause (ii)

- xiii. Setting up bore-wells, water treatment plants, fresh water disposal plants including RO plants etc. in villages, schools etc. – clause (i).
- xiv. Developing rural market places– clause (iii), (x) and (xi)
- xv. Provision of infrastructure and aiding machinery for differently abled people, like wheel chairs, cycles, ramps etc.– clause (ii) & (iii)
- xvi. Electrification of villages, especially through solar energy – clause (x)
- xvii. Healthcare and sanitation facilities for villagers especially womenfolk– clause (i)
- xviii. Provision of free medical camps, medical consultancy, clinics etc.– clause (i)
- xix. Setting up of crèches and day care centres– clause (iii)
- xx. Providing ambulances– clause (i)
- xxi. Providing financial assistance for fees, maintenance expenses and provision of various amenities to the schools and charitable trusts meant for the specially abled/differently abled/mentally unsound children– clause (ii).
- xxii. Any other activities as may be decided by the Board/Committee from time to time

The Bank will ensure that:

- The projects/activities undertaken are not discriminatory in nature and do not have any political or religious affiliations.
- The programmes will be confined to the areas prescribed in the Policy or as decided by the CSR Committee.
- The Bank will also give due consideration to the suggestions given by employees and employee associations with regard to the type of activities to be undertaken and the areas of operation.

The activities not to be considered as CSR expenditure:

- **Activities undertaken in pursuance of normal course of business of the company.**
- **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.**
- **Contribution of any amount directly or indirectly to any political party under section 182 of the Act.**
- **Activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019).**
- **Activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services.**
- **Activities carried out for fulfilment of any other statutory obligations under any law in force in India.**

Area of operation

The Bank has a near Pan-India presence with its head office at Thoothukudi, Tamil Nadu and more than 614 branches, 12 regional offices and other functional departments situated across India. However, the maximum number of branches is located in the State of Tamil Nadu. The areas of operation shall be confined to the territory of India only. The CSR Committee shall decide the geographical areas to which CSR activities shall be extended to.

CSR Budget

The overall CSR budget for each year shall be fixed by the Board of Directors, subject to not being lower than 2% of the average annual net profit as determined under the provisions of Section 198 of the Companies Act and the Rules, of preceding three years. The Bank will strive to spend the entire CSR allocation during the relevant year itself subject to the supervision of the Board of Directors and the CSR Committee of the Board.

Transfer of fund to the specified Fund under Schedule VII of the amount of 2% of profits earmarked for CSR was not spent by the Bank

The Board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the bank for the financial year. 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 Bank 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 amount under CSR

The unspent amount under CSR has to be dealt in terms of provisions of the Companies Act, 2013, (amendment 2019) vide section 135(5) and section 135(6) as follows:

CSR Unspent

On-going Project [sec.135(6)]	Not on-going project [sec.135(5)]
Transfer to "Unspent CSR Account for relevant FY" within 30 days from the end of the Financial Year	Transfer to Fund Specified in Schedule VII – within 6 months from the end of the Financial Year

- a) Any amount remaining unspent, under section 135(6), pursuant to any on-going project undertaken by the Bank in pursuance of its Corporate Social Responsibility Policy, in the current financial year, 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 in pursuance of its obligation towards the Corporate Social Responsibility Policy 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 “means a multi-year project undertaken by the Bank 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.

- b) Unless the unspent amount relates to any on-going project referred in sub-section (6), the unspent amount shall be transferred to a fund specified in Schedule VII within a period of six months of the expiry of the financial year.

Funds specified in Schedule VII is as follows:

1. Contribution to the Prime Minister’s National Relief Fund or Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND) or any other fund set up by the Central Government, for social economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women.
2. Contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.
3. Contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation.

Penal provision in contravention of section 135 (5) and (6):

As per Section 135(7) if the Bank defaults in complying with the provisions of sub- section (5) or sub-section (6),

- a. the Bank shall be liable to a penalty of twice the amount required to be transferred by the Bank to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less and
- b. 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.

Excess CSR Spending, if any during any financial year

Where the Bank spends an amount in excess of requirement provided under sub-section (5) of section 135, such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 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, if any, in pursuance of sub-rule (2) of this rule.
- (ii) the Board of the Bank shall pass a resolution to that effect.

Route to be adopted

The Bank may either undertake its activities directly or in partnership with an outside NGO incorporated as a trust, society or Section 8 company engaged in CSR activities or by setting up a trust exclusively for this purpose, or partly through one mode and partly through other modes. In case the trust/society or company is not established by the Bank, such entity shall have an established track record of undertaking similar programs or projects. Further, the projects shall be specified by the Bank and the modalities of utilisation of funds and the monitoring and reporting mechanism shall be as prescribed by the Bank. The Bank may also undertake CSR projects in collaboration with other Companies provided that the Bank specific deployment and the extent of activities could be separately identified and reported.

The decision on the mode of engaging in CSR activities shall be taken by the Board of Directors based on recommendation by the CSR Committee, in due course.

Sanctioning Authority

The CSR Committee shall have power to take decisions with regard to the nature of activities, scope, manner of implementation, quantum of expenditure within the limits approved by the Board, timeframe etc. with regard to activities specified in the Policy or those generally approved by the Board. The Committee shall have independent financial powers to the tune of Rs.1.00 crore per project/activity. Further, the MD & CEO shall have independent financial powers to the tune of Rs.10.00 lakh per project/activity and the Executive Director shall have independent financial powers to the tune of Rs.5.00 lakh per project/activity.

Implementing Authority

The projects cleared by the CSR Committee or the Board as the case may be shall be implemented in the manner and within the time frame as prescribed by the approving authority. The overall responsibility of implementation shall vest with the MD & CEO of the Bank or such other executives whom he may authorise. No executive other than the MD & CEO / ED shall have financial power with respect to CSR activities. At present no separate CSR department is being envisaged. However in due course, if the scale of operations warrants setting up of a separate department with skilled employees, a decision shall be taken at that time.

Monitoring

The CSR Committee will institute a transparent monitoring mechanism for ensuring effective monitoring of the CSR activities to be undertaken by the Bank. The MD & CEO would depute such officers as he may deem fit, to undertake visits to the project site, conduct meetings, report progress etc. Periodical reporting about the progress as may be prescribed shall be given to the CSR Committee.

If the average CSR obligation of our Bank is ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, the Bank shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.

The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

Reporting/Disclosure

Necessary disclosure/reporting shall be made in the annual report/Board's report briefly about the CSR activities undertaken during the year including the particulars of the amount unspent and the reasons thereof. The Bank will submit the necessary e-form, i.e., CSR-2, to the Registrar of Companies (RoC) / Ministry of Corporate Affairs (MCA) in accordance with the due dates specified under the Act. The reporting format shall be as per the Annexure to the Companies (Corporate Social Responsibility Policy) Rules, 2021. The contents of this Policy and the details as per the above Annexure shall be placed on the website of the Bank www.tmb.bank.in.

The Board of Directors of the Bank shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, for public access.

Validity of this policy

The policy shall be reviewed every year and is valid for one year from the date of approval by the Board and is valid till next review. Any regulatory / other changes in the intervening period will be implemented as and when the timeframe fixed by the regulator(s) and the same will be updated in the policy during the next review.