

1. VISION

Vision of our founder Sri Ammembal Subba Rao Pai that a good Bank is not only the financial heart of the community, but has also an obligation of helping in every manner to improve the economic conditions of the common people has been the guiding principles of the Bank's CSR activities from the beginning. Bank has been taking up various activities in helping people and has earned a distinction of social heart of the community in which it operates.

Major initiatives of the Bank under CSR have been setting up of Trusts and Institutions which have created an impact in serving the people and society.

1. Canara Centenary Rural Development Trust
2. Canara Financial Advisory Trust

Bank continues to actively fund and also involve in the activities of these Trusts under its CSR.

In addition Bank has facilitated setting up of below mentioned Trusts as their founder member.

1. Canara Golden Jubilee Education Fund
2. Canara Relief & Welfare Society

Bank has also been partnering with like minded organizations for CSR activities in the area of livelihood creation, education, health and environment and participated in meaningful activities. The contribution of the Bank has received wide recognition and the Bank has been bestowed with various awards and accolades for its efforts under CSR arena.

Bank documented its CSR policy in the year 2011-12. This policy was reviewed and updated basing on the Department of Public Enterprises (DPE) guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector enterprises as Sustainable Development and Corporate Social Responsibility (SD&CSR) Policy of Canara Bank 2013-14.

The new Companies Act 2013 (enacted on 29.08.2013) brought in important provisions giving a direction to the CSR activities in the country, which has necessitated the bank to review and update the policy in line with the expectations of the new Companies Act. Hence, this policy for the year 2014 - 15. Bank intends to review and update the CSR policy on an annual basis basing on the inputs received from implementation of the policy and guidelines received from time to time. Bank will also display the policy in the corporate website of the Bank.

2. CORPORATE SOCIAL RESPONSIBILITY

CSR is an integration of business operations and values, whereby interests of all stakeholders including investors, customers, employees, the community and environment is reflected in company's policies and actions. It is a concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders on a voluntary basis. CSR is a tool that invokes the participation of corporate citizens for addressing larger societal issues such as poverty, hunger and social justice. It synergises efforts of corporate and social sector agencies towards sustainable growth and development of social objectives at large.

CSR was initially a voluntary effort of the corporate organization to contribute to welfare of the society, to which it owes its existence and derives its strength. Governments around the world are increasingly establishing mandates for Corporates to shift from a purely bottom line approach (profit orientation) to triple bottom line approach (people, planet and profit). Companies Act 2013 is a step in that direction mandating companies to spend a minimum of 2% of their net profit on developmental activities. As per provisions of Section 135, a company with turnover of Rs.1000 crores or more **OR** a net worth of Rs.500 crores or more **OR** net profit of Rs.5 crore or more in any financial year shall

- i) Constitute a CSR Committee of the Board with 3 or more Directors of which at least one Director will be an independent Director

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- ii) Adopt a corporate social responsibility policy formulated and recommended by the CSR Committee
- iii) Ensure that the company spends in every financial year at least 2% of the average net profits of 3 immediately preceding financial years under the CSR policy.

The above provisions of the Companies Act relating to CSR and CSR rules notified on 27.02.2014 come into force from 1.4.2014. CSR rules specifies CSR activities and gives directions regarding CSR Policy, CSR Committee, CSR expenses and CSR reporting.

This CSR policy of the Bank takes into account the expectations of the Govt. of India conveyed through Companies Act and rules and other interactions through Finance Ministry, RBI and all other stakeholders. The policy also draws from the Bank's experience in the past in the field of rural development, social banking and the experience in working with other organizations under CSR activity.

3. MISSION

We realize that CSR for our Bank is not just compliance, but it is a strategic business initiative to achieve sustainable triple bottom line growth. We understand that well meaning and well implemented CSR will build corporate reputation and trust. Such CSR will be an investment in building corporate reputation, employee engagement and efforts of the bank in finding out innovative ways to serve the people. We define our CSR objective as “to create a measurable positive impact on economic, social and environmental success and brand image of our Bank and group, through well designed, directed and sustainable interventions either own or in partnership with other reputed like minded organizations in thematic areas of livelihood, education, health and environment aimed at improving the quality of life of weaker and vulnerable sections of people”.

4. FOCUS & TARGET GROUP

While development and welfare programmes in India address all the citizens focus is on the disadvantaged, marginalized and excluded. Marginalization in India is primarily on the basis of gender, disability, ethnicity and location. This leads to social, physical and financial exclusion of such groups. Engaging the marginalized in India is further complicated due to language and literacy variances, information asymmetry, infrastructure constraints and geographical challenges. CSR should ideally propose to target these excluded and marginalized groups. Accordingly, following weaker and vulnerable sections of the people will be the broad focus of all our CSR activities.

- Small and marginal farmers
- Artisans
- Women and girl children
- Unemployed youth and school drop outs
- Differently abled people
- Scheduled Caste/Tribes
- Minority Community
- Prisoners and ex-convicts
- Victims of heinous crimes
- Victims of natural and manmade calamities

5. STRATEGY

Provisions of Companies Act relating to CSR are both an opportunity and a challenge. It provides an opportunity for regular funding substantially larger than the past annual CSR spending which, when well spent and good impact created, will enhance further the brand image and reputation of our Bank, which will in turn lead to increased business opportunities and growth. Increase in business and profit will in turn lead to increase in CSR allocation and in this way, bank will be on a sustainable high growth trajectory. The challenge is in putting the CSR money to its best use and creating a sustainable impact.

Spending by way of grants and donations for different requests received without a meaningful strategy will result in very little sustainable impact. Hence, the following will be the strategic principles of the Bank under CSR.

- 5.1 Bank will engage directly in CSR through Trusts and institutions already set up by it and also explore setting up of new Trusts/institutions as may be required for pursuing its CSR objectives.
- 5.2 Bank will also partner with like minded reputed organizations like Government and non-Government organizations, voluntary agencies, civil society organizations, social entrepreneurs, companies, community based organizations, trusts/missions, self help groups, institutes/academic organizations. In case of such partnerships, bank will document a mutual expectations and impact matrix in the form of Memorandum of Understanding (MOU).
- 5.3 There shall be an annual review of the activities of our own Trusts and partnerships as well as the entire CSR portfolio to derive lessons and decide on course corrections during implementation.
- 5.4 Bank will also follow an approach of documenting the impact created under its CSR activities which may include a system of third party assessment and evaluation.
- 5.5 Bank will try to engage the employees in the CSR activities and to the extent possible provide managerial and administrative support in the form of deputation of staff, nominating staff as ex-officio members of the Committee/Trusts, etc. and arrange for training to staff members to carry out CSR activities. Banks may also provide opportunities to employees to participate in the CSR activities on a voluntary basis and initiate necessary awards/recognitions to motivate the employees for such participation.
- 5.6 Bank at its sole discretion, may allow its and/or jointly sponsored centres to accept grants, subsidies, donations, aids in any form of assets that will assist the centres to carry out the defined objectives.
- 5.7 Bank shall adopt a policy to safeguard the assets and properties of Trust and Centres established by it solo and/or jointly with others and shall not allow its alienation, sale or transfer of any of its properties. The bank

also reserves the right to take over the ownership/physical possession of assets in the interest of protecting the property from misuse. The Trusts/Centres shall generally be barred from raising loans and advances without the specific consent of the bank. This condition will not be applicable in case of projects initiated by other agencies and funded by the Bank under CSR.

6. ACTIVITIES

Schedule VII of the Companies Act, duly amended by notification of 27.02.2014 has listed out the activities that can be taken under CSR by the companies. Activities specified in Schedule VII and illustrative list of projects and programmes that can be taken under each activity is listed below:

1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water.
2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
3. 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;
4. 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.
5. 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 developmental of traditional arts and handicrafts.
6. Measures for the benefit of armed forces veterans, war widows and their dependents.
7. Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports.

8. Contribution to the Prime Minister's National Relief 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.
9. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
10. Rural development projects.

CSR Rules specify that the CSR projects, programmes or activities undertaken in India shall amount to CSR expenditure. Rules also prescribe the activities that benefit only the employees and the families of the company shall not be considered as CSR. DPE Guidelines permit creation of infrastructure facilities like schools, hospitals, training institutes, primarily created for benefit of underprivileged communities and society at large, but facilities are also availed by employees of the company and their families, to be classified under CSR provided they do not exceed 25% of the total number of beneficiaries of such facilities.

7. CSR EXPENDITURE

- 7.1 Companies Act provides that CSR expenditure shall include all expenditure including contribution to corpus for projects or programmes relating to CSR activities approved by Board, except the expenditure on an item not in conformity or not in line with activities under purview of Schedule VII. Hence, all the expenditure including the establishment expenses of the manpower that are engaged full time in CSR activities has to be reported under CSR.
- 7.2 In case of projects and programmes funded by us through grants or contributions, such manpower costs will be restricted to maximum of 20% of the total project cost. This is not applicable to the Trusts set up by the Bank.
- 7.3 CSR rules also permits companies to build CSR capacities of their own personnel as well as the staff of implementing agencies through training institutions with established track records of atleast 3 years. The expenditure for capacity building shall not exceed 5% of the total CSR

expenditure of the company in a year. This expenditure for capacity building will be included under CSR.

7.4 Funds released to our Trust including general corpus and specific grants during the financial year will be accounted as CSR expenditure for the year wherever the implementation has commenced and is in progress.

7.5 Grants released as corpus or endowments to implementing agencies will be treated as CSR expenditure for the year even in such cases where the implementing agencies utilize the income out of the endowment for their projects.

8. GEOGRAPHIC AREAS

Companies Act provides that the company should give preference to local area and area around it where it operates. Ours being a Bank with a PAN INDIA presence, CSR activities can be taken up anywhere in the country, Service Area/command area of our branches, economically backward Districts (identified by the Planning Commission for Backward Regions Grant Fund), Districts with concentration of minorities, Scheduled Castes and Tribes and other vulnerable sectors.

9. CSR IMPLEMENTATION

Provisions of the Act permit implementation of CSR through the following methods.

- a) Directly on its own
- b) Through its own non profit Trust or Foundation set up for CSR initiatives
- c) Through Companies/organizations having a satisfactory track record of not less than 3 years
- d) Collaborating or pooling resources with other companies.

9.1 Companies Act provides that CSR activities can be undertaken through a Registered Trust or a Registered Society or a company established by us or our group companies.

Bank has set up:

- a) Centenary Rural Development Trust (Livelihood)
- b) Financial Literacy Centre (education about financial products).

All the activities of the Trust are falling under the activities approved under the Companies Act and not under normal business activities of Banking, hence eligible to be covered under CSR budget and expenditure of the Bank. Surplus if any earned by the Trusts and grants/reimbursements received by the Trusts is not part of Bank's earnings and are retained by the Trusts for furtherance of their activities, which will be continued.

Hence all monies released by the Bank to the above Trusts and the Trust to be set up exclusively for CSR activities are to be reported under CSR.

Bank will explore formation/setting up of another Trust/Society/company for CSR activities for other than the activities carried out by the existing two Trusts.

Setting up of such Trusts would have the following advantages:

- a) Exclusive focus on the CSR activities and the projects/programmes funded under CSR.
- b) Implementation and monitoring of certain CSR activities calls for special exposure and expertise in social entrepreneurship. Flexibility of engaging those specialists will be available to the Trust.
- c) Projects/programmes of long duration and high scalability can be initiated and monitored for long periods.
- d) Bank will get more recognition through activities carried out by the Trust rather than carrying on in partnership with other agencies.

9.2 Companies Act and rules also permit undertaking CSR activities through other organizations with the following conditions:

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- i) It should be a Registered Trust/society/company
- ii) Established track record of 3 years in undertaking CSR programmes/projects.
- iii) Projects and programmes to be undertaken to be specified.
- iv) Modalities for drawal and utilization of funds are fixed
- v) Monitoring and reporting mechanism is prescribed.

Bank has been undertaking CSR activities by providing assistance to like minded NGOs, Society, Associations for taking well meaning projects and programmes, such partnership would continue with agencies who satisfy the criteria stipulated in Companies Act.

Eligibility of Trust/Agencies for project Partnership

- i) Registered Society, Trust or a company
- ii) Satisfactory track record of 3 years
- iii) Either a non-profit organization or a charitable organization where profit is flowed back for charity purpose.

9.3 Projects and programmes that can be funded under CSR

9.3.1 As per the Companies Act, projects/programmes/activities that fall under the list of 10 activities prescribed under Schedule VII can be funded under CSR. Generally, the project would have the following salient features:

- a) Specific objective which is quantifiable, achievable and measurable (atleast evaluable)
- b) Specific time frame for implementation
- c) Scientific planning including financial planning (cost of project and means of finance)
- d) On-going monetary mechanism
- e) Evaluation on project closure

DPE Guidelines on CSR prefers implementation of CSR in project mode and recommends earmarking of 80% of the annual budget for activities in project mode. Accordingly, it is proposed to allocate 80% of the CSR budget for activities in project mode.

9.3.2 In addition to the projects, activities of short duration like organizing blood donation camps, sports for differently abled people, entrepreneur development programmes, awareness camps, etc. do serve the causes listed under the permitted activities. Similarly, requests for one time assistance for purchase of equipments and movables like vehicles by charitable organizations also contribute to the causes listed under the permitted activities. Hence such needs also to be considered. The balance 20% allocation can be utilized for such activities.

9.4 Each CSR proposal to contain following features:

- I) Organisation – Details of organization and people involved – constitution, category (profit/non-profit), nature (GO/NGO), standing, objectives of organization, promoters/Directors (name, address), activities for last 3 years, awards and recognitions.
- II) Financial background – Sources of funding, networth, last 3 years financial status, names of Auditors, etc.
- III) Nature of project/programme. The thematic area/sector (as per Companies Act), location, project period, cost of project, sources of funds, type of assistance (implementation + gestation + evaluation), implementation schedule, intended benefits to people and planet in measurable terms, monitoring mechanism of implementation, process of impact study, evaluation (methodology, valuation agency, period)
- IV) Accounting, Audit (mode of access if revenue generating – Treatment of surplus generated out of the asset/project)

9.5 TERMS AND CONDITIONS

9.5.1 Due diligence of the implementing agency has to be carried out with reference to their eligibility, track record and impact created. Due diligence can be carried out by site visits, interaction with the people behind the agency and financial analysis.

9.5.2 Evaluation of the project. Deciding on the measurable outcomes and process of evaluating the impact.

- 9.5.3 The agency should utilize the funds for the sanctioned project and purpose in case of programmes and provide documentary evidence of utilization with bills and vouchers. Auditors certificate should be submitted for projects above Rs.5 lacs.
- 9.5.4 Agency to submit periodical progress and monitoring reports (periodicity to be specified to the Bank)
- 9.5.5 Agency to undertake to keep separate records relating to the activities funded by us and make available whenever required.
- 9.5.6 Wherever an income generating asset is funded under CSR and agency generates revenue out of it, the details of such revenue should be maintained separately and not to be taken into the business profits of the organization.
- 9.5.7 Agency should agree for impact study and evaluation reports from third parties approved by the bank.

Agency should execute an MOU agreeing to the above and other terms and conditions specified in the sanction.

10 EMPLOYEE ENGAGEMENT UNDER CSR

Bank has been engaging employees and motivating the employees for participation in CSR activities.

1. Bank has deputed Scale II and III Managers as Directors of RUDSETIs and RSETIs under the Rural Development Trust. The performance at RUDSETIs and RSETIS of the deputed Officers is reckoned while assessing the performance of the Officers. Bank will consider such need based deputations for pursuing the CSR activities.
2. Bank has encouraged the employees to contribute to CSR activities under TRAM campaign. Bank is extending pay roll deduction for such voluntary contributions by the employees. The funds pooled are utilized by the employees committee constituted at HO/CO/Branches for social action programmes.
3. Bank has established a Department of Community Development Section under PC&FI Wing whose activities include organizing blood donation

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camps, health check up camps, career guidance and other socially relevant programmes involving the employees of the Bank.

4. Bank wishes to explore for further initiatives towards employee engagement under CSR by way of
 - a) Providing opportunities to employees to voluntarily participate in the Bank's CSR activities, utilizing their spare time.
 - b) Opportunity to employees to engage full time for short duration in CSR activities and considering that duration as one on Bank's duty.

11. MONITORING, REVIEW AND REPORTING

The Sustainable Development and CSR Policy will be made available to all employees, regulatory agencies, customers, business associates, general public and other stakeholders through the Bank's official website. The Policy shall be a part of the training for all new employees, and all employees are expected to adhere to and comply with the Policy and its individual elements.

Implementation and Monitoring of Sustainability and CSR activities will be overseen by a three member sub-committee of Board named "Sustainable Development & Corporate Social Responsibility (SD & CSR) committee" headed by the Chairman & Managing Director having Executive Director overseeing PC & FI Wing and an independent Director on rotation as members.

To exercise constant oversight over the implementation of the activities General Manager, PC & FI Wing is designated as "Nodal officer" of the Bank for Sustainable Development and Corporate Social Responsibility.

The SD & CSR Committee is responsible for reviewing and updating the Policy periodically, to reflect any changes in the regulatory and business environment. The Committee is also responsible for the overall monitoring and review of the Policy, allied management systems and sustainability initiatives undertaken by

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the Bank periodically to ensure their continuing applicability and relevance to the Bank's operations and evolving stakeholders' expectations.

Regional/Branch Heads are responsible for ensuring the implementation of the Policy in their respective jurisdictions.

Grievances related to this Policy would be brought to the notice of the SD & CSR Committee which would evaluate them and address them appropriately.

Reports on the SD & CSR activities, expenditure, Impact created, Innovations, lessons learnt, etc. will be placed to Board every year. An annual report will be brought out by the Bank. The report apart from covering SD & CSR initiatives of the Bank will also give details of Bank's performance under Priority Credit and its sub-segments, financial Inclusion, financial literacy and credit Counselling , ICT based solutions, etc.

The Expenditure and impact study of the activities undertaken will be audited every year. The audit findings will be placed before the sub-committee of Board on SD & CSR.

The Policy will be reviewed as and when required to bring desired modifications/improvements.