



Annexure to Directors' Report

ANNEXURE-I

Annual Report on Corporate Social Responsibility Activities

[Pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014]

1. A brief outline of the company's CSR policy, including overview of projects or programs undertaken and a reference to the web-link to the CSR Policy and Projects or Programs.

Corporate Social responsibility (CSR) has always been a key component of the operating philosophy of The Federal Bank Limited (hereinafter referred to as "the Bank"), as evidenced by the activities of the public charitable trust "Federal Bank Hormis Memorial Foundation", set up by the Bank in 1996, in the fond memory of its Founder, Shri. K.P.Hormis.

The Bank has a Corporate Social Responsibility (CSR) Policy which is approved by the Board of Directors of the Bank, as mandated by Companies Act, 2013. The Policy elucidates in detail on the CSR Vision, the Committee and the CSR projects & activities of the Bank through the focus areas as notified under Section 135 of the Companies Act 2013 read with Companies (Corporate Social Responsibility Policy) Rules 2014 and objectives of the Federal Bank Hormis Memorial Foundation as mentioned in the trust deed. The "Federal Bank Hormis Memorial Foundation" is the principal arm in implementing various CSR programs / projects of the Bank.

The projects undertaken are within the broad framework of Schedule VII of the Companies Act, 2013. Details of the CSR policy and projects or programs undertaken by the Bank are available on links given below:

<https://www.federalbank.co.in/documents/10180/45777/Corporate+Social+Responsibility++Policy.pdf/2d979fe6-8723-4210-a2ff-136784690413?t=1619168140250>

<https://www.federalbank.co.in/corporate-social-responsibility>

2. Composition of the CSR Committee

The constitution of CSR Committee is as follows:

Sr. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. K Balakrishnan (Chairman)	Independent Director	3	3
2	Mr. A P Hota	Independent Director	3	3
3	Mr. Shyam Srinivasan	Managing Director & Chief Executive Officer	3	3
4	Mr. Ashutosh Khajuria	Executive Director	3	3
5	Ms. Shalini Warriar	Executive Director	3	3

3. Provide the web-link where composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the company

Composition of the CSR committee shared above and is disclosed in the Policy on Corporate Social Responsibility 2020-21. The web-link to access the CSR committee, CSR Policy and CSR projects is given below.

CSR Policy: <https://www.federalbank.co.in/documents/10180/45777/Corporate+Social+Responsibility++Policy.pdf/2d979fe6-8723-4210-a2ff-136784690413?t=1619168140250>

CSR Projects: <https://www.federalbank.co.in/corporate-social-responsibility>

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach Report)

There are no projects undertaken or completed after January 22, 2021, for which the impact assessment report is applicable in FY 2021.

Annexure to Directors' Report (Contd...)

5. Details of amount available for set off in pursuance of sub rule(3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules 2014 and amount required for set off for the financial year, if any

Sr. No.	Financial Year	Amount available for set off from preceding financial years (in ₹)	Amount required to be setoff for the financial year, if any (in ₹)
	-	Nil	Nil

6. Average Net profit of the Company for the last three financial years

Financial Year	Profit Before Tax (₹ in Lakhs)
2017-18	134386.00
2018-19	190725.00
2019-20	203253.00
Average net profit of the Company as per Section 135(5)	176121.00
CSR Allocation (2% of average net profit of the Bank)	3522.42

7. (a) Two percent of average net profit of the company as per section 135(5) - ₹ 3522.42 lakhs
 (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial year - Nil
 (c) Amount required to be set off for the financial year, if any - Nil
 (d) Total CSR obligation for the financial year (7a+7b+7c) = ₹ 3522.42 Lakhs

8. a. CSR amount spent or unspent for the financial year

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
35,22,41,603	Nil	-	-	Nil	-

- b. Details of CSR amount spent against on-going projects for the financial year

1	2	3	4	5		6	7	8	9	10	11	
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/ No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
-	Nil							NA				





Annexure to Directors' Report (Contd...)

c. Details of CSR amount spent against other than on-going projects for the financial year

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/ No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
1	Federal Skill Academy	(ii)	Yes	Kerala Tamil Nadu Maharashtra Haryana	Ernakulam Coimbatore Kolhapur Karnal	1,39,32,722	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
2	Swayam Shakthi	(ii)	Yes	Haryana	Panchkula (nearest Branch Kalka)	3,61,419	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
3	Education Support to Various organizations/ Schools	(ii)	Yes	Kerala	Ernakulam	10,99,102	Yes	NA	-
4	Education Support to various schools/ organizations	(ii)	Yes		Pan India	27,02,270	Yes	NA	-
5	Scholarships	(ii)	Yes	Kerala , Tamil Nadu, Maharashtra, Gujarat	Students belonging to different Districts in the States – TamilNadu, Kerala, Maharashtra, Gujarat	1,41,83,329	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress -
6	Support to Sree Chithra Tirunal Institute for Medical Sciences& Technology	(i)	Yes	Kerala	Trivandrum	18,59,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
7	Support to Sansad Mobile Swasthya Seva	(i)	Yes	Himachal Pradesh	Hamirpur	176,40,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
8	Support to We care Centre Kanjirappally	(ii)	Yes	Kerala	Kottayam	9,75,860	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress

Annexure to Directors' Report (Contd...)

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
9	Support to St Antonys Special School	(ii)	Yes	Kerala	Ernakulam	10,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
10	Support to Kerala Blind School Society	(ii)	Yes	Kerala	Ernakulam	5,80,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
11	Support to St Gregorious Hospital	(i)	Yes	Kerala	Pathanamthitta	15,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
12	Support to CMC Ludhiana	(i)	Yes	Punjab	Ludhiana	5,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
13	Support to KEM Hospital, Pune	(i)	Yes	Maharashtra	Pune	15,96,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
14	Support to Holy Family Hospital, Mumbai	(i)	Yes	Maharashtra	Mumbai	8,40,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
15	Support to Bangalore Baptist Hospital	(ii)	Yes	Karnataka	Bangalore	7,60,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
16	Support to Medical Trust Hospital, Mundakkayam	(i)	Yes	Kerala	Idukki	6,00,000	Yes	NA	-
17	Support to various healthcare activities	(i)&(ii)	Yes	Pan India		43,10,127	Yes	NA	-
18	Support to Thangamanassu Thittam	(iii)	Yes	Tamil Nadu	Tuticorin	9,90,000	Direct	NA	-





Annexure to Directors' Report (Contd...)

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
19	Support to SOS Childrens Village	(iii)	Yes	Kerala	Ernakulam	1,77,300	Direct	NA	-
20	Support to Good Karma Foundation	(ii)	Yes	Kerala	Ernakulam	1,00,000	Direct	NA	-
21	Support to Community Development Society, Mookkannur,	(ii)	Yes	Kerala	Ernakulam	5,74,000	Yes	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
22	Support to Sree Gokulam Kerala Football Club-Womens Wing	(iii)	Yes	Kerala	Kozhikode	9,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
23	Other Livelihood Enhancement projects/ Support to Senior Citizens	(iii)	Yes		Pan India	28,08,789	Yes	NA	-
24	Support to the Greater Chennai Corporation	(iv)	Yes	Tamil Nadu	Chennai	18,00,000	Yes	NA	-
25	Support to DRDA, Dharmapuri	(iv)	Yes	Tamil Nadu	Dharmapuri	4,20,000	Yes	NA	-
26	Support to Tirunelveli Municipality	(iv)	Yes	Tamil Nadu	Tirunelveli	5,18,000	Yes	NA	-
27	Support to TVM Municipal Corporation	(iv)	Yes	Kerala	Trivandrum	18,96,673	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
28	Other projects Environmental sustainability, swatch bhara	(iv)	Yes		Pan India	9,15,416	Yes	NA	-

Annexure to Directors' Report (Contd...)

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/ No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
29	Support to Guruvayur Sports Academy	(vii)	Yes	Kerala	Thrissur	5,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
30	Support to Kovalam FC	(vii)	Yes	Kerala	Trivandrum	22,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
31	Support to Uliyannur Kunjunnikkara Premier League	(vii)	Yes	Kerala	Ernakulam	40,000	Yes	NA	-
30	Support to Asst Director, Pappireddipatti	(x)	Yes	Tamil Nadu	Dharmapuri	10,500	Direct	NA	-
31	Covid Initiatives Support to IIT, Palakkad	(xii)	Yes	Kerala	Palakkad	34,56,025	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
32	Covid 19-Support to CMC, Vellore	(xii)	Yes	Tamil Nadu	Vellore	10,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
33	Covid Warden initiative	(xii)	Yes	Kerala	All Districts	9,08,99,386	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
34	Covid 19 Community Kitchen initiatives –EKM	(xii)	Yes	Kerala	Ernakulam	16,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
35	Covid 19 Community Kitchen initiatives –NDL	(xii)	yes	New Delhi	New Delhi	6,87,500	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
36	Covid 19- Food packets& Grocery	(xii)	Yes		Pan India	49,25,293	Direct	NA	-





Annexure to Directors' Report (Contd...)

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/ No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
37	Covid 19- Protection Gears to Covid warriors	(xii)	Yes	Pan India		13,95,136	Direct	NA	-
38	Covid 19- Rapid Test kits	(xii)	Yes	Maharashtra	Pune	6,72,000	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
39	Covid 19- Rapid Test Kits	(xii)	Yes	Kerala	Kannur	6,72,000	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
40	Covid 19- Support to NHM	(xii)	Yes	Kerala	Ernakulam	17,02,128	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
41	Covid 19- Transporting migrant workers	(xii)	Yes	Tamil Nadu	Chennai	5,35,220	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
42	Covid 19- Covid Containment Activities	(xii)	Yes	All Kerala		7,05,055	Yes	NA	-
43	Covid 19- Containment Activities	(xii)	Yes	Pan India		7,08,551	Yes	NA	-
44	Covid 19- vaccine Carriers- NHM	(xii)	Yes	All Kerala		92,04,000	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
45	Covid 19 Vaccination Awareness Campaign Sanjeevani	(xii)	Yes	Pan India		15,35,18,000	No	Network 18	-
46	Covid 19- vaccination Drive	(xii)	Yes	Pan India		12,80,000	Yes	NA	-
TOTAL				35,12,49,801					

Annexure to Directors' Report (Contd...)

- d. Amount spent in Administrative Overheads - ₹ 9,91,802/-
- e. Amount spent on impact assessment, if applicable NIL
- f. Total amount spent for the financial year ₹ 35,22,41,603/-
- g. **Excess amount for set off, if any**

Sr. No.	Particular	Amount in ₹
(i)	Two percent of average net profit of the company as per section 135(5)	35,22,42,346.00 (3522.42 Lakhs)
(ii)	Total amount spent for the Financial Year	35,22,41,603.00 (3522.42 lakhs)
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

9. **a. Details of Unspent CSR amount for the preceding three financial years**

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any	Amount remaining to be spent in succeeding financial years. (in ₹)
				Name of the Fund Amount (in ₹) Date of transfer	

*Refer below note

* Rs. 16.93 crores of unspent amounts pertaining to FY 2020, FY 2019 and FY 2018 is not transferred to Unspent CSR account under Section 135(6) or any fund specified under Schedule VII as per section 135(6) as it was not mandatory to transfer the funds at that time.

b. Details of CSR amount spent in the financial year for on-going project of the preceding financial years

1	2	3	4	5	6	7	8	9
Sr. No.	Project ID	Name of the project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year. (in ₹)	Status of the project - Completed / Ongoing.
	Nil	NA						

10. **In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year**

(asset-wise details)

- a. Date of creation or acquisition of the capital asset(s): None
- b. Amount of CSR spent for creation or acquisition of capital asset: Nil
- c. Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.: Not Applicable
- d. Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): Not Applicable

11. **Specified the reasons, if the company has failed to spend two percent of the average net profit as per section 135(5)**

Not Applicable

Sd/-

Shri. Shyam Srinivasan

(Managing Director & Chief Executive Officer)

Sd/-

Shri.K Balakrishnan

(Chairman CSR Committee)





Annexure to Directors' Report (Contd...)

ANNEXURE-II

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2021

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
The Federal Bank Limited
Federal Towers, P.B No.103
Alwaye, Kerala - 683101

We, SEP & Associates, Company Secretaries, have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **The Federal Bank Limited (CIN: L65191KL1931PLC000368)** (hereinafter called the "Bank"). Secretarial Audit was conducted for the financial year ended on March 31, 2021 in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on March 31, 2021, complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance- mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on March 31, 2021, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992:-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (h) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;

Annexure to Directors' Report (Contd...)

- (i) The Securities and Exchange Board of India (Bankers to the Issue) Regulations, 1994;
- (j) The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014;
- (vi) As informed to us, the following other laws are specifically applicable to the Bank:
 1. Reserve Bank of India Act, 1934 and Master Directions Issued by the RBI to Commercial Banks;
 2. The Banking Regulations Act, 1949 and Rules, Notifications and Circulars issued by Reserve Bank of India from time to time;
 3. The Banking Ombudsman Scheme, 2006;
 4. The Bankers' Books Evidence Act, 1891;
 5. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 read with The Security Interest (Enforcement) Rules, 2002;
 6. The Deposit Insurance and Credit Guarantee Corporation Act, 1961;
 7. Credit information Companies (Regulation) Act, 2005.
 8. Recovery of Debts due to Banks and Financial Institutions Act, 1993
 9. Negotiable Instruments Act, 2002
 10. The Micro, Small and Medium Enterprises Development Act, 2006
 11. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
 12. Payment of Gratuity Act, 1972 read with Rules made thereunder
 13. Maternity Benefit Act, 1961
 14. Payment of Bonus Act, 1965 read with Rules made thereunder
 15. The Factoring Regulation Act, 2011
 16. Industrial Disputes Act, 1947 read with Industrial Disputes (Banking and Insurance Companies) Act, 1949

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreements entered into by the Bank with Bombay Stock Exchange and National Stock Exchange of India Limited;

During the period under review the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

During the period under review, provisions of the following regulations were not applicable to the Bank:

- (i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009
- (ii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

We further report that the Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings in compliance with the provisions of Section 173(3) of the Companies Act, 2013, agenda and detailed notes on agenda were sent at least seven days in advance and where the same were given





Annexure to Directors' Report (Contd...)

at Shorter Notice than 7 (seven) days, proper consent thereof were obtained and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the meetings of the Board of Directors of the Bank were carried through on the basis of majority and the dissenting views, if any, were captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Bank commensurate with its size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no instances of:

- i. Issuance of securities including Public/Right/Preferential issue of shares other than Equity shares issued under Employee Stock Option Scheme(s) of the Bank;
- ii. Redemption/Buy-back of securities
- iii. Merger/amalgamation/reconstruction;
- iv. Foreign technical collaborations.

This report is to be read with Annexure A of even date and the same forms an integral part of this report.

For **SEP & Associates**

Company Secretaries

(ICSI Unique Code: P2019KE075600)

UDIN: F010085C000471876

CS EP Madhusudhanan

Partner

COP No. 21874, FCS: F10085

Place: Kochi

Date: June 16, 2021

Annexure to Directors' Report (Contd...)

ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To
The Members
The Federal Bank Limited
Federal Towers, P B No. 103
Alwaye, Ernakulam KL-683101

Our Secretarial Audit Report of even date is to be read along with this letter.

1. The compliance of the provisions of all laws, rules, regulations, standards applicable to The Federal Bank Limited (hereinafter called the "Bank") is the responsibility of management of the Bank. Our examination was limited to the verification of the records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.
2. Maintenance of the Secretarial and records of applicable laws is the responsibility of the management of the Bank. Our responsibility as Secretarial Auditors is to issue Secretarial Audit Report, based on the audit of the relevant record maintained and furnished to us by the Bank, along with explanations where so required.
3. During the audit, we have followed the practices and process as were appropriate, to obtain reasonable assurance about the correctness of the contents of the Secretarial and other records, legal compliance mechanism and corporate conduct. We believe that the process and practices we followed provide a reasonable basis for our Secretarial Audit Report.
4. The correctness and appropriateness of financial records and Books of Accounts of the Bank have not been verified.
5. We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management as conducted the affairs of the Bank.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Bank after March 31, 2021 but before issue of the Report.
7. We have considered actions carried out by the Bank based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For **SEP & Associates**
Company Secretaries
(ICSI Unique Code: P2019KE075600)

UDIN: F010085C000471876

CS EP Madhusudhanan
Partner
COP No. 21874, FCS: F10085
Place: Kochi
Date: June 16, 2021





Annexure to Directors' Report (Contd...)

ANNEXURE-III

DIVIDEND DISTRIBUTION POLICY

I. OBJECTIVE:

Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called "SEBI LODR") issued by the Securities and Exchange Board of India (SEBI) has mandated the formulation of a Dividend Distribution Policy for the top 500 listed entities based on their market capitalization.

It is mandatory for the Bank to frame the Dividend Distribution Policy, as it falls within the top 500 listed entities as on March 31, 2020 in terms of market capitalization. Accordingly, the following 'Dividend Distribution Policy' has been framed, approved and adopted by the Board of Directors of the Bank.

II. POLICY:

1. The Policy will be called as "Federal Bank Dividend Distribution Policy".

2. General Principles of the Bank regarding distribution of dividend

The intent of the Bank is to reward the shareholders of the Bank by sharing a portion of the profits, whilst also ensuring that sufficient funds are retained for growth of the Bank. The dividend for each year would be recommended by the Board at its discretion within the set guidelines of Government and Reserve Bank of India and after taking into account the financial performance of the Bank, its future plans, internal and external factors, compliance with Companies Act 2013 and its rules, statutory restrictions, etc, for approval by the shareholders in General Meeting.

3. Eligibility criteria for declaration of dividend

As per the guidelines (DBOD.NO.BP.BC.88/ 21.02.067/2004-05 dated May 04, 2005), issued by Reserve Bank of India, Bank will be eligible to declare dividends only when it complies with the following minimum prudential requirements:

The bank should have:

- CRAR of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend.
- Net NPA less than 7%.

In case any bank does not meet the above CRAR norm, but is having a CRAR of at least 9% for the accounting year for which it proposes to declare dividend, would be eligible to declare dividend provided its Net NPA ratio is less than 5%.

- i) The bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act, 1949.
- ii) The bank should comply with the prevailing regulations/ guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to Statutory Reserves etc.
- iii) The proposed dividend should be payable out of the current year's profit.
- iv) The Reserve Bank has not placed any explicit restrictions on the bank for declaration of dividends.

4. Quantum of dividend payable:

The Bank, if it fulfils the eligibility criteria set out at paragraph No.3 above, may declare and pay dividends subject to the following:

- i) The dividend payout ratio shall not exceed 40% and shall be as per the matrix furnished in **Annexure**.

[Dividend payout ratio shall be calculated as a percentage of 'dividend payable in a year' (excluding dividend tax) to 'net profit during the year']

Annexure to Directors' Report (Contd...)

- ii) In case the profit for the relevant period includes any extra-ordinary profits/ income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio.
- iii) The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payout ratio.

5. Interim Dividend

Bank may also declare and pay interim dividends out of the relevant accounting period's profit without prior approval of RBI if the minimum criteria prescribed in paragraph 3 above and the other requirements prescribed in paragraph 4 above are satisfied, and the cumulative interim dividend(s) are within the prudential cap on dividend payout ratio prescribed by RBI, computed for the relevant accounting period. However, declaration and payment of interim dividends beyond this ceiling requires RBI's prior approval.

6. Board oversight

The interests of all stakeholders and the following aspects shall be taken into account while deciding on the proposals for declaring dividend:

- a) The interim dividend paid, if any;
- b) The Risk Based Supervision findings of Reserve Bank of India with regard to divergence in identification of NPAs, shortfall in provisioning;
- c) The auditors' qualification pertaining to the statement of accounts;
- d) The Basel III capital requirements; and
- e) The Bank's long term growth plans.

7. Other parameters in terms of Regulation 43A of SEBI (LODR) Regulations:

a) The circumstances under which the shareholders of the listed entities may or may not expect dividend

The Board of the Bank may not recommend any dividend in the event of inadequacy of profits or whenever the Bank has incurred losses or if the eligibility criteria for recommendation of dividend has not been met by the Bank, including any regulatory restriction placed on the Bank on declaration of dividend or if the Board strongly believes the need to conserve capital for growth or for other exigencies.

b) The financial parameters that shall be considered while declaring dividend

The Board of Directors of the Company would consider the following financial parameter before declaring or recommending dividend to shareholders:

- Any interim dividend paid
- Internal capital planning framework / policy
- Dividend payout trends (the dividend payout ratio will be calculated as a percentage of dividend (excluding dividend tax) recommended for the year to the net profit for that year)
- Tax implications if any, on distribution of dividends
- Cost of raising funds from alternate sources of capital
- Such other factors and/or material events which the Bank's Board may consider relevant.

c) Internal and external factors that shall be considered for declaration of dividend

Board will take into account various internal factors, such as business growth plans, future capital requirements etc. The decision of the Board regarding dividend shall be final.





Annexure to Directors' Report (Contd...)

The dividend payout decision of the Bank will also depend on certain external factors such as the state of the economy of the country, compliance with Companies Act 2013 and its rules, other statutory and regulatory provisions, shareholder expectations including individual shareholders, tax regulations including the treatment of deferred tax assets etc. as may be applicable at the time of declaration of the dividend.

d) **Policy as to how the retained earnings shall be utilized**

The retained earnings will mainly be utilized for the purpose of the Bank's growth plans, improvement in CRAR and such other purposes as per the guidelines issued by RBI and Government of India from time to time.

e) **Parameters that shall be adopted with regard to various classes of shares:**

Presently authorized share capital of the Bank comprises of Equity Shares only. As and when the Bank issues other kind of shares, the Board of Directors may suitably amend this Policy.

8. Review of Policy

The Board of Directors of the Bank will review the policy annually. If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same on the Bank's website and in the Annual Report.

9. Disclosure of Policy

The policy will be available on the Bank's website and will also be disclosed in the Bank's Annual Report.

Annexure

Matrix of Criteria as laid out by RBI for maximum permissible range of Dividend Payout Ratio

(As per RBI Circular No. RBI/2004-05/451; DBOD.NO.BP.BC. 88 /21.02.067/2004-05 dated May 04, 2005)

Category	CRAR	Net NPA Ratio			
		Zero	More than zero	From 3% to less	From 5% to less
			but less than 3%	than 5%	than 7%
Range of Dividend Payout Ratio					
A	11% or more for each of the last 3 years	Up to 40	Up to 35	Up to 25	Up to 15
B	10% or more for each of the last 3 years	Up to 35	Up to 30	Up to 20	Up to 10
C	9% or more for each of the last 3 years	Up to 30	Up to 25	Up to 15	Up to 5
D	9% or more in the Current year		Up to 10	Up to 5	Nil

Annexure to Directors' Report (Contd...)

ANNEXURE-IV

THE RATIO OF THE REMUNERATION OF EACH DIRECTOR TO THE MEDIAN EMPLOYEE'S REMUNERATION AND OTHER DETAILS IN TERMS OF SUB-SECTION 12 OF SECTION 197 OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Sr. No	Requirements	Disclosure
1	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year	Shyam Srinivasan, MD & CEO – 24.82 Ashutosh Khajuria, ED & CFO – 12.52 Shalini Warriar, ED – 11.67
2	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Shyam Srinivasan, MD & CEO - 1.99% Shalini Warriar, ED - 2.28% Samir Pravinbhai Rajdev, CS – 8.76%
3	The percentage increase in the median remuneration of employees in the financial year	16.72%
4	The number of permanent employees on the rolls of Company	12592 (As on March 31, 2021)
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	The average percentage increase made in the Salary of total employees for the financial year is around 16.72%, while the average increase in the remuneration of KMP's are as follows. Shyam Srinivasan, MD & CEO - 1.99% Shalini Warriar, ED - 2.28% Samir Pravinbhai Rajdev, CS – 8.76%
6	Affirmation that the remuneration is as per the remuneration policy of the company	Yes, it is confirmed.

RBI vide letter DoR.Appt.No 87/08.38.001/2020-21 dated July 16, 2020 approved the revised compensation in respect of Mr. Shyam Srinivasan, MD & CEO for the period from September 23, 2020 to September 22, 2021. However, MD & CEO has relinquished the revised benefits till December 31, 2020 on account of current stressful environment of the pandemic and the revised compensation was paid to him from January 01, 2021 only.

Note: All confirmed employees as on March 31, 2021 have been considered.

