

**POLICY**  
**ON**  
**CORPORATE SOCIAL RESPONSIBILITY**  
**OF**  
**MERCEDES-BENZ INDIA PRIVATE LIMITED**

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## PREAMBLE

- Corporate Social Responsibility (CSR) is the process by which an organization thinks about and evolves its relationships with stakeholders for the “common good” and demonstrates its “commitment” towards the society, by adoption of appropriate business processes and strategies i.e. Companies should do their business in such a way that produces overall positive impact on the society and the environment.
- CSR is not a charity or a mere donation. It is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that enhance their profits. They use CSR to integrate economic, environmental and social objectives with the Company’s operations and growth.

Further, Daimler AG, being a founder member of the UN Global Compact, always expects that its Subsidiaries and Group Companies follow the UN Global Compact Principles on human rights, labour, the environment and anti-corruption in conjunction with CSR.

We also share the overall sustainability objective of Daimler AG.

At Daimler, we define sustainability as responsible corporate behavior that leads to long-term business success and is in harmony with society and the environment.

We are moving toward our goals by making sustainability a firmly “integrated aspect” of our operations and by requiring and promoting a strong sense of responsibility for sustainable operations among all of our managers and employees throughout the Group. We include our business partners in this process and participate in continuous dialogue on these issues with our stakeholders.

Our management structures, processes, and systems are also designed in accordance with this concept of sustainability. All of our behavior is based on legality and integrity. As one of the world’s foremost automakers, Daimler strives to achieve a clear leading position in the area of sustainability.

## **NECESSITY FOR POLICY ON CSR**

- Business organizations do not operate in a vacuum. They depend wholly and solely on the society for its survival where, the latter provides the resources such as labour, material, infrastructure, etc. to the former. This holds every business enterprise responsible “socially”, “economically” and “ethically” towards the environment in which it operates.
- As per this principle, Business entities are expected to manage their operations in such a way as to enhance economic growth, increase competitiveness, at the same time, ensure environmental protection and promote social responsibility along with stakeholder interest.
- Being an Automotive Company, the nature of products manufactured by Mercedes-Benz India Private Limited (“the Company”) is such that it has a major impact on the “environment” and “utilization of natural resources” and as such, the Company – beside the responsibility for its employees – owes a particular social responsibility towards the society/country where it operates by producing environmental friendly products.
- To fulfil the above responsibilities, an attempt is hereby made to sustain financially, socially and environmentally by framing such a policy which will bring considerable “environmental benefits/protection” to the society and at the same time, ensure upliftment of the society on various fronts.
- Taking into consideration the above, the Company, in consonance with the Legal framework on “Corporate Social Responsibility”, hereby frames the policy to fulfil the larger social, economic, and ethical responsibilities of the Company while balancing the environmental sustainability.

### **I. Short Title & Applicability:**

This Policy encompasses the Company’s philosophy for delineating its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large.

This Policy shall apply to all CSR initiatives and activities taken up by the Company for the benefit of different segments of the society, specifically the deprived, underprivileged and differently abled persons.

## **II. CSR Objectives:**

The Company believes that “Corporate Social Responsibility” delivered in the context of its business operations makes it more effective, impactful, scalable and sustainable. It is a conscious effort and strategy on the part of the Company to design and implement CSR Projects/activities and thereby, enhance the overall competitiveness.

Under CSR, the Company will broadly focus on the following objectives:

- (1) Engage in regular dialogue with relevant stakeholder groups in order to learn from their knowledge, consider their interests and jointly evaluate and advance the sustainability performance of the Company.
- (2) Implementing CSR programmes in the economic vicinity of the Company’s operations with a view to ensure long-term sustainability;
- (3) Contributing towards sustainable development in urban as well as rural areas, thereby, precisely addressing the challenges faced with respect to quality education, infrastructure development, water conservation, poverty, extreme hunger, medical aids for improving maternal health thereby reducing child mortality etc., for the people residing therein;
- (4) Collaborating with governmental as well as non-governmental bodies to contribute towards activities relating to education, research and knowledge sharing, conservation and development of water resources, promoting gender equality and empowering women economically, capacity building programmes and such other similar initiatives;
- (5) Encouraging development of human capital by improving capabilities through organizing “Skill Development Programmes” and providing Vocational Trainings etc.;
- (6) Promoting environmental sustenance and conserving resources while promoting efficiency;

- (7) Providing assistance to organizations engaged in combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (8) Providing monetary aid to the organizations and institutions working for “Special Category People” like physically and mentally challenged and people suffering from diseases like Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities, Obsessive Compulsive Disorder or such other pervasive developmental disorder etc;
- (9) Contributing towards the Prime Minister's National Relief Fund (PMNRF) or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- (10) Any other project or activity which is in line with the above objectives of the Company in relation to CSR, UN Global Compact, human rights, compliance, integrity, green issue etc.

### **III. Constitution of CSR Committee:**

For effectively carrying out the above-mentioned objectives, the Company shall constitute the “**Corporate Social Responsibility Committee**” (the “CSR Committee”) of the Board as per the provisions mentioned under the Companies Act, 2013 read together with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time, to ensure that the purpose of this Policy is being effectively served (**Annexure B and C**).

### **IV. Composition of CSR Committee of the Board:**

For the relevant financial year, the Board’s report shall disclose the composition of the CSR Committee which is as follows:

#### **(1) Chairman of the CSR Committee:**

The Director overseeing the function of Finance and Controlling shall be the Chairman of the CSR Committee.

**(2) Number of Member Directors:**

The CSR Committee shall consist of at least 3 (three) directors, amongst whom, one director shall be an “Independent Director”, provided that, the provisions relating to appointment of Independent Director on the CSR Committee in the rules framed there under are applicable to the Company.

**(3) Members of the CSR Committee:**

The members of the CSR Committee shall be:

- (a) Director – overseeing the function of Finance and Controlling
- (b) Managing Director & CEO
- (c) Director/Independent Director, as the case may be.

**V. Role and Responsibilities of the Committee:**

In accordance with the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time, following are the key responsibilities of the CSR Committee. It shall:

- (1) formulate the CSR policy and recommend the same to the Board for its approval;
- (2) be responsible for identification, selection, approval, planning, execution, supervision, co-ordination and monitoring of various programmes/projects and activities under CSR;
- (3) recommend the CSR activities/projects and the amount to be expended on such activities/projects, to the Board that the Company will undertake during the relevant financial year;
- (4) monitor the implementation of the CSR activities/projects from time to time;
- (5) institute a transparent monitoring mechanism for implementation of the projects/programmes/activities undertaken or proposed to be undertaken by the Company;
- (6) provide “Responsibility Statement” in the Annual Report, stating that the implementation and monitoring of the CSR policy is in compliance with the CSR objectives and Policy of the Company;

- (7) interact with the Governmental and Non – Governmental Bodies as and when required in relation to implementation of CSR activities/projects under this Policy;
- (8) ensure receipt of Utilization Certificates along with Statement of Expenditure, duly certified by the Chartered Accountant of repute, by the organizations/institutions to whom CSR Fund is allocated/by whom CSR Fund is spent;
- (9) review performance of the Company in the area of “Corporate Social Responsibility” and decide the priority of the activities to be undertaken;
- (10) ensure that the conduct of the CSR Policy is in line with the overall “Sustainability Objective” of the Daimler Group

A detailed report will be submitted to Daimler HQ/CSB once a year.

The Company shall frame the specific Guidelines in order to monitor the process of CSR projects or programmes undertaken by the Company.

#### **VI. Meetings of the CSR Committee:**

During every financial year, the CSR Committee will meet at least twice in a year for the purpose of undertaking overview of the CSR activities.

The overview shall be taken to determine and discuss the nature and the scope of the activities or programmes or projects those were undertaken during the financial year as a part of the Company’s CSR activities/projects.

#### **VII. Ratification of CSR activity not being a part of approved CSR program:**

In the eventuality, where the Company realizes that in a particular year, an amount kept as CSR spend remains unutilized and if any proposal for “sponsorship” or “donation” has been received, not forming a part of the annual “approved CSR Programme” and if it is not possible to convene the Committee meeting, in that case, such new proposal may be passed by way of “Circular Resolution” by the Committee and later on, the same may be ratified by the Board of Directors.



### **VIII. Quorum of the meeting:**

The quorum of the meeting shall be 2 (two) directors present in person at the meeting, out of whom, one shall be an Independent Director.

### **IX. Rules Governing the CSR Policy:**

In view of the provisions of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time, the Company is obliged to observe the below-mentioned provisions with respect to CSR Policy:

- (1) As per the CSR Policy, the Company shall undertake such CSR activities as projects or programmes (either new or ongoing) not comprising the activities undertaken in pursuance of its normal course of business.
- (2) The Company shall undertake its CSR activities only within India.
- (3) The Board of the Company may undertake its CSR activities through registered trust or registered society, or a company established by the Company or its holding or subsidiary or associate company under Section 8, operating in India, provided that, if such entities are not set up by the Company or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar projects and programmes.

Provided that, before considering any such Trusts, Societies, or Section 8 Companies for the purpose of allocating funds, the Company should conduct a comprehensive “due diligence” of such organizations to ensure its expertise or track record in social projects and also, to ensure its political neutrality.

Provided also that, the Company has specified the projects or programmes to be undertaken through these entities, as well as specified modalities of utilization of funds and the monitoring and reporting mechanism on such projects and programmes.

- (4) The Company shall ensure that necessary details of its CSR initiatives are mentioned in the Board Report of the relevant financial year and on the Company's website in the prescribed format. **(As per Annexure A)**
- (5) The Company shall not consider the CSR activities as CSR projects or programmes or activities that benefit only the employees of the Company and their families. This may also encourage its employees to actively and voluntarily participate in the CSR initiatives undertaken by the Company.
- (6) Only the CSR projects or programmes or activities undertaken by the Company in India shall amount to CSR expenditure.
- (7) The corpus of the CSR activities would include the following:
- a) 2% of the average net profits for the three preceding financial years:
  - b) surplus arising out of CSR activities:
- (8) In no case, the surplus arising out of the CSR activities shall form a part of "business profits" of the Company.
- (9) Contribution made by the Company of any amount directly or indirectly to any political party shall not be considered as "CSR activity".
- (10) The Company may build CSR capacities of its own personnel as well as those of their Implementing agencies through Institutions with established records of at least three financial years, however, such expenditure shall not exceed five percent of total CSR expenditure of the Company in one financial year.
- (11) **CSR Reporting:** The Board's report pertaining to the relevant financial year commencing on or after 1<sup>st</sup> day of April 2014, shall include an annual report on CSR containing particulars specified in **Annexure A**.

(12) The Company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR Committees of the respective companies are in a position to report separately on such projects or programmes.

**X. Implementation Schedules of the CSR Activities, Funding, Allocation and Tax Treatment of CSR spend:**

(1) For achieving its CSR objectives through implementation of meaningful and sustainable CSR programmes, the Company will allocate 2% of average of its net profits of the three preceding financial years made by the Company during “every block of three years” as its “Annual CSR Budget”.

(2) Tax treatment of the CSR spend of the Company during every financial year, shall be in accordance with the provisions of the Income Tax Act, 1963 and rules framed thereunder, as notified by the Central Board of Direct Taxes (CBDT) and as amended from time to time.

(3) In any financial year, if the Company fails to spend the required amount as mentioned above, it shall specify the reasons for not spending the same in its Board Report. **(As per Annexure A)**

**XI. Role of the Board of Directors:**

The Board shall perform the following duties so far as the CSR Policy of the Company and the activities relating thereto are concerned. It shall:

(1) approve the “Corporate Social Responsibility Policy” for the Company after considering the recommendations made by the CSR Committee;

(2) disclose the contents of the Company’s CSR Policy in the Board Report and shall display the same on the Company's website as per the particulars specified in **Annexure A**;

(3) ensure that the activities included in the CSR Policy of the Company are undertaken by the Company;

- (4) ensure that the Company spends at least two per cent (2%) of the average net profits of the Company made during the three immediately preceding financial years in every financial year;
- (5) ensure that preference is given to the local area and areas around it where it operates, for spending the amount allocated for CSR activities;
- (6) ensure that activities covered by the Company in its CSR Policy as CSR projects or programmes are within the scope of Schedule VII of the Companies Act, 2013 **(Annexure C)**.

## **XII. Amendment in CSR Policy:**

Any modification/amendment in the CSR Policy shall be carried out by the “CSR Committee” with the prior approval of the Board of Directors of the Company.

Notwithstanding anything contained in this Policy, the contents of the Policy shall be read in conjunction with all other relevant policies, presently applicable to the Company such as Integrity Code, Donation policy, Supplier Code etc. The consent/permission under this Policy shall not be considered/construed in derogation with or as an exemption from the requirement of getting consent under any other policy in force/applicable to the Company.

**ANNEXURE A**

**(a) FORMAT FOR THE ANNUAL REPORT ON CSR INITIATIVES TO BE INCLUDED IN THE BOARD'S REPORT :**

- (1) A brief outline of the Company's CSR Policy including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programmes:
- (2) The composition of the CSR Committee:
- (3) Average Net Profit of the Company for last three financial years:
- (4) Prescribed CSR Expenditure (two percent of the amount as in item 3 above):
- (5) Details of CSR spent during the financial year:
  - a) Total amount to be spent for the financial year:
  - b) Amount unspent, if any;
  - c) Manner in which the amount spent during the financial year is detailed below:

Sr. No.	CSR project/ activity identified	Sector in which the Project is covered	Projects/ Programmes 1.Local area/others 2.specify the state and District where projects or programmes were undertaken	Amount outlay (budget): Project or Programme wise	Amount spent on the project/ programme  Sub-heads: 1.Direct expenditure on projects or programmes  2.Overheads	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency*
1.							
2.							
3.							

	<b>TOTAL</b>						

\*Give details of Implementing Agency

(6) In case, the Company has failed to spend the two percent of the average net profit of the last 3 financial years or any part thereof, the Company shall provide the reasons for not spending the amount in it's Board report.

(7) A Responsibility statement of the CSR Committee that the implementation and monitoring of the CSR Policy is, in compliance with the CSR objectives and Policy of the Company.

**Signed**

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(Chairman - CSR Committee)

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(Chief Executive Officer or Managing Director or Director)

## ANNEXURE B

### CORPORATE SOCIAL RESPONSIBILITY

#### Section 135 [Companies Act, 2013]

- (1) Every company having “net worth” of rupees five hundred crore or more, or “turnover” of rupees one thousand crore or more or a “net profit” of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.
- (2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.
- (3) The Corporate Social Responsibility Committee shall—

  - (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
  - (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
  - (c) monitor the Corporate Social Responsibility Policy of the company from time to time
- (4) The Board of every company referred to in sub-section (1) shall—

  - (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and
  - (b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company
- (5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount;

Explanation— for the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.



## **ANNEXURE C**

### **Schedule VII**

#### **(Companies Act, 2013)**

Following are the activities that may be included by companies in their corporate social responsibility policies:

They are activities relating to:

- (i)** eradicating extreme hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- (ii)** promotion of 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 and 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;
- (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;
- (vii)** training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;
- (viii)** contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- (ix)** contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- (x)** rural development projects

## ANNEXURE D

### DEFINITIONS

- (1) **“Corporate Social Responsibility (CSR)”** means and includes but is not limited to:-
- (i) Projects or programmes relating to activities specified in Schedule VII to the Act; or
  - (ii) Projects or programmes relating to activities undertaken by the board of directors of a company (Board) in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the Company, subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.
- (2) **“CSR Committee”** means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Companies Act, 2013.
- (3) **“CSR Policy”** relates to the activities to be undertaken by the company as specified in Schedule VII of the Act and the expenditure thereon, excluding activities undertaken in pursuance of the normal course of business of a Company.
- (4) **“Net Profit”** means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:-
- (a) Any profit arising from any overseas branch or branches of the Company, whether operated as a separate company or otherwise; and
  - (b) Any dividend received from other companies in India, which are covered under and complying with the provisions of Section 135 of the Act:

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

Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of Section 381 read with Section 198 of the Act

**(5) CSR Expenditure:**

It shall include all expenditure including contribution to corpus or on projects or programmes relating to CSR activities approved by the Board on the recommendation of its CSR Committee but does not include any expenditure on an item not in conformity or not in line with activities falling within the purview of Schedule VII of the Act.