

Corporate Social Responsibility Policy

D623LMRD316

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Revision History

Version number	Date	Modified by	Modifications
1.0	2014 - 03 - 18	Office of the Company Secretary	Initial Version
2.0	2020 - 03 - 12	Thimmaiah, Ritichika (Legal)	Format updated to the standard template and reworded the Policy to align it further with local laws as well the Daimler group's global vision.
3.0	2021 - 12 - 23	Navaneeth Raghu	Amendments and additions made as per Section 135. Update in composition of the CSR Committee
4.0	2022 - 03 - 25	Navaneeth Raghu	Amendments and additions made as per provisions of Section 135 of CA Act, 2013 and rules made thereunder.

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1. Purpose

The purpose of this document is to lay down the Corporate Social Responsibility Policy (CSR Policy) of Mercedes-Benz Research and Development India Private Limited (MBRDI/Company).

2. Scope

The CSR Policy of the Company applies to all CSR initiatives and activities implemented at the Company for the benefit of the different segments of the society.

3. Terms and Definitions

The following definitions are for the ease of understanding:

- ❖ **“Act”** means the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014;
- ❖ **“Company”** - means Mercedes-Benz Research and Development India Private Limited;
- ❖ **“Corporate Social Responsibility (CSR)”** means and includes, but is not limited to:
 - Projects or programmes relating to activities specified in Schedule VII to the Act; or
 - Projects or programmes relating to activities undertaken by the Board of Directors of the Company (Board) in pursuance of recommendations of the CSR Committee (as defined hereunder) of the Board as per the CSR Policy of the Company;
- ❖ **“CSR Committee”** means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Act;
- ❖ **“CSR Expenditure”** shall include all expenditure or on projects or programmes relating to CSR activities approved by the Board on the recommendation of the 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;
- ❖ **“Administrative Overheads”** Administrative overheads are the expenses incurred by the Company for ‘general management and administration’ of CSR functions. However, the expenses, which are directly incurred for the designing, implementation, monitoring, and evaluation of a particular CSR project or programme, shall not be included in the Administrative Overheads. Administrative Overheads generally comprise of items such as employee costs, utilities, office supplies, legal expenses, etc. However, expenses which are attributed to the project implementation shall be included in project cost only.
- ❖ **“CSR Policy”** means a statement containing the approach and direction given by the Board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the Annual Action Plan.
- ❖ **“Net Profit”** means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:
 - Any profit arising from any overseas branch or branches of the Company, whether operated as a separate company or otherwise; and

- 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 the rules to the Act, 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.

4. Composition of the CSR Committee

1. Mr. Manu Saale, Chairman of the Committee
2. Mr. Mahesh Medhekar, Member of the Committee
3. Mr. Christian Klann, Member of the Committee

5. Description

5.1. Statement & Approach

Corporate Social Responsibility and Sustainability are firmly anchored in the business strategy of Mercedes-Benz Group AG (*Parent Company*) that includes Mercedes-Benz Research and Development India Private Limited (“MBRDI” or the “Company”) as Mercedes-Benz Group AG’s subsidiary.

Following the footprint of our Parent Company, we at MBRDI follow a well-defined path with core themes and fields of action that serve as guidelines for our various CSR initiatives.

MBRDI has aligned its CSR initiatives with its Parent Company’s sustainable corporate strategy for the entire group. The strategy encompasses all the group’s activities in the area of social responsibility, including donations, sponsorships and employee initiated projects. Following the motto of sustainable corporate strategy, “Think global, Act local” MBRDI implements extensive CSR projects in India.

The group believes that the concept of mobility can be applied outside of its business as well. While the group’s business objective is to be the leading vehicle manufacturer in the world, MBRDI’s CSR focus is to support social projects aligned with “Sustainable Mobility powered by Engineering”. This it intends doing while being conscious of the environment and the world’s natural resources.

5.2. Our Focus

The focus of the Company is aligned to the requirements of the Companies Act, 2013. The primary focus areas are:

- **Road Safety** – awareness programs and safety related traffic-engineering interventions.
- **Innovation** – support to incubators promoting social entrepreneurs.

- **Diversity & Inclusion** – promoting equal rights and opportunities for persons with disabilities.
- **Environment Sustainability** – awareness programs and activities for promotion, protection and preservation of the environment to help maintain the ecological balance and to help conserve the world’s fast depleting natural resources.
- **Disaster Management** – Support COVID-19 relief efforts across the country. Additionally support for rescue, relief, rehabilitation and reconstruction activities by contribution to Central and State Government funds.
- **Volunteer Driven Projects** – programs specifically focused on engaging employee volunteers at MBRDI.
- **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.

Further, the Company shall undertake its CSR activities in the areas as identified under Schedule VII of the Companies Act, 2013 (including all such amendments as may be in force from time to time). The Company may undertake its CSR activities, either itself or through any other company or association or registered trust or registered society as prescribed under the provisions of Companies Act, 2013 read with Rules made thereto.

The above-mentioned focus areas and projects are subject to any amendment to the requirements under the Act.

5.3. Responsibilities of the Company’s Board of Directors

- a. to constitute the “Corporate Social Responsibility Committee” (the “**CSR Committee**”) of the Board as per requirements of the Act;
- b. to consider recommendations made by the CSR Committee;
- c. approve the Annual Action Plan recommended by the CSR Committee and amendment thereto during the financial year, if any, recommended;
- d. to approve the CSR Policy of the Company pursuant to the Act, as amended from time to time and to disclose its contents in the Board’s report and to also place it on the Company's website;
- e. to ensure that the various CSR activities undertaken/sought to be undertaken by MBRDI are included in the Policy;
- f. to ensure that the Company spends, in every financial year, at least 2% of the average net profits of the Company made during the 03 immediately preceding financial years in pursuance of its Policy, excluding activities undertaken in pursuance of the Company’s normal course of business;
- g. to give preference to the local area and areas around it where the Company operates, for spending the amount earmarked for the CSR activities;
- h. to ensure that no contribution of any amount directly or indirectly to any political party under Section 182 of the Act, is made or considered as the CSR activity of the Company;

- i. to ensure that only CSR projects or programs or activities undertaken in India amount towards the CSR spend of the Company;
- j. to ensure that the CSR projects or programs or activities that benefit only the employees of the Company and/or their families are not considered as CSR activities under the Policy;
- k. in case, the Company fails to spend earmarked amount, the Board shall, in its report specify the reasons for not spending the amount;
- l. to include an annual report on CSR containing particulars as specified under the Act.

5.4. Responsibilities of the CSR Committee

- a. to formulate and recommend to the Board, the Policy and any amendments thereto, which shall indicate the activities to be undertaken by MBRDI through the course of each financial year;
- b. Formulate and recommend to the Board, an Annual Action Plan in pursuance of its CSR policy, which shall include the items as mentioned in rule 5(2) of the Companies (CSR Policy) Rules, 2014;
- c. to recommend the amount of expenditure to be incurred on the various CSR activities annually;
- d. to monitor compliance with the Policy of the Company from time to time;
- e. to identify, select, plan, approve, execute, supervise, co-ordinate and monitor the various CSR activities undertaken during the course of each financial year;
- f. to institute a transparent monitoring mechanism for implementation of the various CSR projects/ programs/ activities undertaken or proposed to be undertaken by the Company;
- g. to provide “Responsibility Statement” in the Annual Report of the Board of Directors of the Company, stating that the implementation and monitoring of the Policy is in compliance with the Company’s CSR objectives and the Policy of the Company;
- h. to review the performance of the Company towards its CSR commitments and decide the priority of the activities to be undertaken;
- i. to ensure that the conduct of the Policy is in line with the overall “Sustainability Objective” of the Mercedes-Benz Group AG group.

5.5. Guiding Principles for Selection, Implementation and Monitoring of Projects

MBRDI follows an unbiased and transparent process in selection of projects aligning with the CSR Focus areas

- a. The Board of Directors of the Company may decide to undertake its CSR activities, through:
 - I. a self-implementation project or program, or
 - II. a company established under Section 8 of the Act or through a registered trust or a registered society, established by MBRDI, either singly or along with any other company, or
 - III. a company established under Section 8 of the Act or through a registered trust or a registered society, established by the Central Government or State Government or any entity established under an act of Parliament or a State legislature,

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If the Board decides to undertake CSR activities through a company established under Section 8 of the Act or through a registered trust or a registered society, then such company or trust or society shall have an established track record of 03 years in undertaking similar programs or projects; and MBRDI has specified the projects or programs to be undertaken, the modalities of utilization of funds of such projects and programs and their monitoring and reporting mechanism.

- b. The Company before considering any third party for the implementation of any of its projects, shall conduct a comprehensive due diligence of such an organization to ensure its expertise or record of accomplishment in social projects and to ensure its political neutrality. The Company may also engage an agency to undertake the due diligence of the proposed implementing partner.
- c. MBRDI may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committee of such respective companies are in a position to report separately on such projects or programs.
- d. For undertaking CSR activities, MBRDI may build CSR capacities of its own personnel through external agencies but such expenditure including expenditure on administrative overheads shall not exceed 5% of the total CSR expenditure of the Company in any one financial year.
- e. The CSR Team monitors all projects and reports to the CSR Committee on a quarterly basis. The CSR Team suggests course correction wherever needed during this time.
- f. MBRDI may engage with a third party for conducting need assessment, impact assessments and social audits on projects
- g. 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, 1961 and rules framed thereunder, as notified by the Tax authorities.
- h. All expenditure towards the CSR projects/ programs must be documented for audit purposes and for future reference.
- i. In case at least 2% of the average net profit of the last 03 financial years is not spent in a given financial year, the unspent amount shall be treated as per the requirement of the Act.
- j. Any surplus generated out of the CSR projects/ programs shall not be added to the normal business profits of the Company and shall be redeployed for CSR activities.

CSR expenditure shall include all expenditure including on projects or programs relating to CSR activities approved by the Board on the recommendation of the CSR Committee, but does not include any expenditure on an item not in conformity with the activities, which fall within the areas or subjects, specified in Schedule VII of the Act.

5.6. Annual Action Plan

S No.	Approved Projects	Schedule VII Area	Manner of Implementation	Modalities of Funding	Implementation Schedule	Monitoring Mechanism
1.	Oxygen Concentrators – COVID 19 Relief	Disaster Management	Implementing Partners	Monetary	Project Start – May 2021 Project End – March 2022	Internal – Half Yearly
2.	Vaccination Drives	Disaster Management	Implementing Partners	Monetary	Project Start – July 2021	Internal – Half Yearly

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S No.	Approved Projects	Schedule VII Area	Manner of Implementation	Modalities of Funding	Implementation Schedule	Monitoring Mechanism
					Project End – March 2022	
3.	Education Support	Education	Implementing Partners	Monetary	Project Start – July 2021 Project End – March 2022	Internal – Half Yearly
4.	Skilling of People with Disabilities	Education	Implementing Partners	Monetary	Project Start – July 2021 Project End – March 2022	Internal – Half Yearly
5.	Hospital ICU Enhancement	Disaster Management	Implementing Partners	Monetary	Project Start – July 2021 Project End – March 2022	Internal – Half Yearly
6.	Step Down ICU Beds	Disaster Management	Implementing Partners	Monetary	Project Start – July 2021 Project End – March 2022	Internal – Half Yearly

The Board may alter Annual Action plan at any time during the financial year, as per the recommendation of CSR Committee, based on the reasonable justification to that effect. The surplus arising out of the CSR activities, projects or programs shall not form part of the business profit of the Company. The Company shall continue to focus on group projects, new & ongoing projects and give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.

5.7. CSR Committee Meetings

During each financial year, the CSR Committee will meet at least TWO times for reviewing the various CSR activities and Minutes of all such Meetings shall be maintained per the requirement of the Act.

5.8. Ongoing Projects

“Ongoing Project” means a multi-year project undertaken by a Company 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. The CSR Committee may identify and recommend to the Board “Ongoing Project(s)” and may designate some of the existing CSR projects as an Ongoing Project and such Ongoing Projects shall be selected, implemented, monitored and reported in accordance with the applicable CSR Provisions.

5.9. Treatment of unspent amount

If the Company fails to spend the required amount in a particular financial year, the treatment of unspent CSR amount shall be as under:

- a. In case unspent amount not relating to ongoing Project:

- The Board of Directors in their Annual Report pertaining to that particular Financial Year shall specify the reasons for not spending the amount; and
 - The Company shall transfer such unspent amount to a Fund specified in Schedule VII, within a period of 06 (Six) months of the expiry of the said financial year.
- b.** In case unspent amount relating to any ongoing Project:
- The Company shall open a special account in any scheduled bank to be called “Unspent Corporate Social Responsibility Account” and transfer such unspent amount, within a period of 30 (Thirty) days, from the end of that financial year to above mentioned account; and
 - Such amount shall be spent by the Company in pursuance of its obligation towards the CSR Policy within a period of 03 (Three) financial years from the date of such transfer.
 - If the after completion of third year also the amount remains unspent, the company shall transfer the same to a Fund specified in Schedule VII, within a period of (30) Thirty days from the date of completion of the third financial year.

5.10. Amendment of the Policy

The CSR Committee, with the prior approval of the Board of Directors of MBRDI, shall carry out any modification / amendment of/to the CSR Policy.

Notwithstanding anything contained in this Policy, the contents of the Policy shall be read in conjunction with all applicable laws and other relevant policies of the Company such as the Company’s Integrity Code and the like.