

Guidelines_ Corporate Social Responsibility

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1. Purpose

The purpose of this policy is to define the overall framework of the Corporate Social Responsibility (CSR) at Volkswagen Finance Private Limited (VWFPL) India.

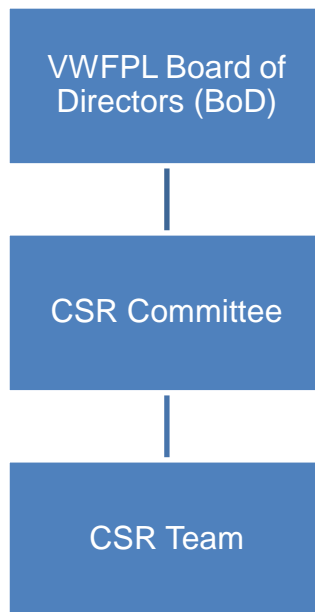
2. Applicability

VWFPL CSR policy has been developed in consonance to Section 135 of the Companies Act 2013 (Act) and in accordance with the rules made thereunder (Rules) including any statutory modifications made thereon.

This policy shall apply to all CSR projects/ programs undertaken by VWFPL.

3. Governance Structure of CSR at VWFPL

The CSR Team (as explained elsewhere in this policy document), will assist the CSR Committee and the Board in identifying, monitoring and executing the CSR projects and spending.



4. Roles and Responsibilities

4.1 VWFPL Board of Directors

Responsibilities of Board of Directors (BoD) include:

- To constitute the CSR Committee, from amongst itself and fill vacancy in case of resignation by any director/ member of the CSR Committee.
- To approve the CSR policy for the Company formulated by the CSR Committee.
- To ensure that only the activities that are in line with the CSR Policy of VWFPL are undertaken.
- To approve the CSR Budget in line with regulations.
- To ensure that funds committed by the company for CSR activities are utilized effectively and monitored regularly.

- To ensure that the reasons for any under spending and / or not spending of the allocated CSR budget are explained in the Directors Report.

4.2 VWFPL CSR Committee

Based on the regulations laid out by the Companies Act 2013 and the rules framed thereunder the CSR Committee would facilitate:

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII of the Act or such activities as may be prescribed from time to time;
- Eradicating extreme hunger and poverty and malnutrition, (promoting healthcare including preventive health care) and sanitation (including contribution to Swachh Bharat Kosh set-up by Central Government for the promotion of sanitation) and making available safe drinking water;
- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- 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;
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air, water (including contribution to the Clean Ganga Fund setup by Central Government for rejuvenation of river Ganga);
- 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;
- Measure for benefit of armed force, veterans, war widows and their dependants;
- Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympics Sports;
- Contribution to the Prime Minister's National Relief Fund or Prime Ministers Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) any other fund set up by the Central Government for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- Contribution to incubators funded by central government or state government or any agency or Public Sector Undertaking of central government or state government, and contributions to public funded universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian council of Agricultural research (ICAR), Indian Council of Medical Research (ICMR) , Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO) Department of Biotechnology (DBT), Department of Science Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)
- rural development projects;
- slum area development (slum area shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.)

4.3 VWFPL CSR Team

The VWFPL CSR Team will consist of a minimum of three members and maximum of seven members. Two departments namely – Human Resources (Front Office) and a Back Office Department Head having Accounts and Controlling experience will have permanent representation in the team. CSR Team members (except permanent members) will function for two continuous fiscal years.

The Human Resource department will initiate new appointment process basis requirement so that the term of new team will start at the beginning of the new fiscal year. The existing members can re-nominate themselves for selection.

The nomination of the the new team will be recommended by the existing team and then ratified by the CSR Committee.

The CSR team will be responsible:

- To execute and monitor the CSR activities approved by the VWFPL BoD
- To ensure systematic development of a set of processes, procedures and guidelines for CSR activities
- To submit an annual comprehensive report of all the activities and projects to the CSR Committee
- To monitor the budget and spends
- To seek guidance from the CSR Committee whenever needed.

5. Detailed Terms of Reference for the CSR Committee

Reference to “the Committee” shall mean the Corporate Social Responsibility Committee.

Reference to “the Board” shall mean the Board of Directors of the Company.

5.1 Membership

- Members of the Committee shall be appointed by the Board. The Committee shall be made up of three or more members of which at least one member should be an Independent Director.
- All members of the Committee shall be Board of Directors or other senior managers from the Company.
- Only members of the Committee have the right to attend Committee meetings.
- However, all Directors may be invited to attend all or part of any meeting as and when appropriate. In addition, other individuals such as Company employees or external advisors may be invited to attend all or part of any meeting as and when appropriate.
- Appointments to the Committee shall be for a period of up to five years, which may be extended for further period of five years.
- The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

5.2 Secretary

The Company Secretary or his/ her nominee shall act as the Secretary of the Committee.

5.3 Quorum

The quorum necessary for the transaction of business by the Committee shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5.4 Frequency of meetings

The Committee shall meet at least twice a year and otherwise as required. Ad-hoc meetings may be held from time to time.

5.5 Notice of meetings

- Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.
- Meetings may be held in person or by video conference or by teleconference.

- Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Directors, before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- Ad-hoc meetings of the CSR Committee may be held at the instigation of the Board or any one member of the CSR Committee, and shall be held at such time and at such place as may be fixed by the person or persons calling such meeting.
- An agenda of items to be discussed together with supporting information shall be sent to the members of the CSR Committee and to other attendees as appropriate, in sufficient time prior to each meeting to allow consideration of the items.

5.6 Minutes of meeting

- The Secretary of the Company shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- The Secretary of the Company shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- Minutes of Committee meetings shall be circulated in accordance with Secretarial Standard 1 to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

5.7 Annual General Meeting

- Any one member of the Committee may attend the Annual General Meeting (AGM) of the Company to respond to any shareholder questions on the Committee's activities.

5.8 Duties

- The CSR Committee shall consider any matters relating to the social, charitable, community and educational activities, expenditures and related publications of the Company and its subsidiary companies that it determines to be desirable. In addition, the CSR Committee shall examine any other matters referred to it by the Board.
- The duties of the CSR Committee are as follows:
 - i. To maintain the Company's CSR policy framework as per the statute;
 - ii. To appoint a CSR Team from the VWFPL employees to help execute and monitor the CSR projects
 - iii. To receive reports and review activities executed by the CSR team;
 - iv. To consider and propose an Annual Budget for CSR activities to the Board or Audit Committee for approval as part of the overall budget process;
 - v. To prepare the Annual Corporate CSR Report and ensure that it is a fair reflection of the Company's CSR approach, policies, systems and performance, is coherent and published in a timely manner;
 - vi. To review the internal CSR programme of the Company, ensure co-ordination between internal and external activities and ensure that the internal CSR function is adequately resourced and has appropriate standing within the Company;
 - vii. To retain / hire outside consultants, if required; and
 - viii. To consider other matters as specified by the Board.
- The CSR Committee shall have the authority to investigate any matter within its terms of reference (and shall have the resources which it needs to do so) and to seek any information it requires from any officer or employee and such officers or employees shall be instructed by the Board of the Company employing them to respond to such enquiries in a timely manner and to co-operate with the CSR Committee. The CSR Committee is authorised to take such independent professional advice (including legal advice) and to secure the attendance of outsiders with relevant expertise or experience as it considers necessary.

6. Monitoring, Evaluating and Reporting Mechanism

To ensure funds spent on CSR programs are creating the desired impact on the ground, a comprehensive monitoring, evaluating and reporting mechanism is required. This mechanism is divided into four areas:

1. Progress Monitoring
2. Impact Measurement
3. Reporting Responsibility
4. Annual Audits

VWFPL CSR Committee via the VWFPL CSR Team will monitor the implementation of the CSR Policy through periodic reviews of the activities undertaken. The CSR Team will present its annual budgets and list of programs, projects, and activities to the CSR Committee for its approval. The Committee will in turn evaluate the projects based on the identified project selection criteria and recommend this to the VWFPL BoD for its approval.

6.1 Progress Monitoring

Monitoring will be a vital exercise for all CSR activities to determine corrective actions against clearly defined inputs, outputs and outcomes. The CSR Committee via the CSR Team will monitor the progress of execution of CSR projects and utilisation of CSR funds. Monitoring will include:

- Ensuring that all funds are released against verified utilizations as per the approved work plans.
- Obtaining all relevant progress reports from the project, studying them and making a note of the gaps.
- Holding discussions with the CSR Team on reasons for slippages (if any) and agreeing on a corrective action. This may be done either via field visits or remotely.
- Holding discussions with the CSR Team regarding what lessons are emerging and how they can be applied within the project as well as outside to improvise on the project impact.

6.2 Impact Measurement

Impact measurement is essential to understand the manifestation of our efforts. It provides a platform for further development planning and an opportunity for identifying spillages. Evaluation shall be done against clearly defined objectives. For this:

- CSR Committee will evaluate whether Impact measurement will be done internally or via a third party to ensure objective assessment against the agreed desired outcome.
- A clearly defined method for measuring impact will be decided by CSR Committee based on the size of the project and budgets available while approving the project.
- A comprehensive report will be prepared by the CSR Committee via the CSR Team for each project/ activity conducted to be presented to the Board.

6.3 Reporting responsibilities

- The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its jurisdiction where action or improvement is needed.
- The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.

- The Committee will produce, if requested to do so by the Board, an annual report of the Company's CSR strategy, policies, systems and performance.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its jurisdiction where action or improvement is needed.

6.4 Annual Audit

- An independent firm of chartered accountants will be appointed to conduct the audit of the CSR activity/ spends.
- The CSR team will identify the auditors and make recommendation to the CSR committee. The CSR committee will approve the final appointment.
- The auditors will be appointed for a maximum period of 3 years and new auditors appointed thereafter.
- The auditors will have direct reporting to the CSR Committee.
- The auditors in consultation with the CSR team will schedule the audits.
- The scope of the audits will include but not be limited to site visits, CSR related payments, controls, governance and impact analysis.
- The auditors will issue audit reports for each CSR partner.
- The final report will be presented to the CSR Committee.
- All the audits will be completed before the annual report on CSR activities is presented to the Board.
- CSR team should ensure closure of open audit points within given timelines upto the satisfaction of CSR Committee

7. Other Matters

The Committee shall:

- have access to sufficient resources in order to carry out its duties;
- give due consideration to the relevant laws and regulations as appropriate.

7.1 Review of Terms of Reference

The Committee shall review and reassess the adequacy of these mandates at least annually and otherwise as it deems appropriate and recommend changes to the Board. Such review shall include the evaluation of the performance of the Committee against criteria defined in the Committee and Board mandate.

7.2 Modification(s) in the Policy

Any voluntary modifications in this policy shall be made subject to prior approval of the Board of Directors of the Company. In the event of any conflict between the provisions of this Policy and of the Act or any other statutory enactments, rules, the provisions of such Act or statutory enactments, rules shall prevail over this Policy. Any modification in the Policy on account of regulatory amendment to be approved by both the Managing Directors of the Company and placed before the Committee and Board for Noting.