

SF3-IN Corporate Social Responsibility Policy

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1 Introduction

Corporate Social Responsibility (CSR) is the commitment of BMW India Financial Services Private Limited (“Company”) to its stakeholders to conduct business in an economically, socially, and environmentally sustainable manner that is transparent and ethical. The Company is committed to undertake CSR activities in accordance with the provisions of Section 135 of the Companies Act, 2013 (Act) and related Rules. The Company has framed the “Corporate Social Responsibility Policy” (the “Policy”) to provide a framework to undertake activities for sustainable development of the society at large. The Board of Directors in its meeting held on 10th November 2014 formed the CSR Committee and also approved the CSR Policy and its Terms of Reference.

2 CSR Vision and Mission of the Company

The Policy aims to contribute to the social and economic development of the community in which the Company operates. The Company endeavours to make (CSR) a key business process for sustainable development and growth.

To accomplish the above vision, a corporate strategy will be formulated that would integrate the management and shareholders expectation towards the core activities and translate them for the betterment of the society at large.

The Company constantly strives for the strong corporate culture which emphasizes on integrating CSR values with business objective. It also pursues initiatives related to ethical corporate behaviour, contribution for the social and economic development and awareness.

The Company acknowledges undertaking capacity building activities involving motivation and encouragement of the stakeholders, associates and various institutions associated with the Company to imbibe the core principles of sustainability and social welfare and to encourage them to implement and practice responsible policies and procedures within their respective organizations.

3 CSR Activities to be undertaken

The scope of CSR activities to be undertaken by the Company is aligned pursuant to the provisions of Schedule VII of the Act. The CSR Committee is empowered to undertake activities falling within the ambit of Schedule VII. The following are the activities which can be undertaken in accordance with the Schedule VII.

3.1 Entries in Schedule VII of the Companies Act 2013

- 3.1.1. Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to Swach Bharat Kosh set up by the Central Government for the promotion of sanitation and making available safe drinking water.
- 3.1.2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and differently abled and livelihood enhancement projects.

- 3.1.3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward group.
- 3.1.4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga.
- 3.1.5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts.
- 3.1.6. Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows.
- 3.1.7. Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports.
- 3.1.8. Contribution to the Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- 3.1.9. (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).]
- 3.1.10. Rural development projects.
- 3.1.11. Slum Area Development.

For the purposes of this item, the term '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.

3.1.12. Disaster management, including relief, rehabilitation, and reconstruction activities.

The scope of activities may be amended from time to time as per the guidelines provided in the Act.

It may be noted that the above activities are indicative and are activities that the Company may at any point of time engage but all such activities may not be taken up by the Company during the financial year. While the activities undertaken in pursuance of the CSR policy must be relatable to Schedule VII of the Act, the entries in the said Schedule VII must be interpreted liberally so as to capture the essence of the subjects enumerated in the said Schedule. The items enlisted in the amended Schedule VII of the Act, are broad-based and are intended to cover a wide range of activities.

3.2 Projects or program undertaken/ to be undertaken by the company

Contribution to the Relief Funds and other activities as may be recommended by the CSR Committee.

3.3 Modalities of execution

The assistance under CSR activities may be in the form of donation, contribution, and other social activities so as to create social impact and visibility.

3.3.1. Donation can be made in cash and through postal order, cheque or demand draft or any other mode as may be stipulated by the Central Government.

3.3.2. Such other activities as may be recommended by the CSR Committee.

3.4 Implementation schedule

In line with the Companies Act, 2013, donation based assistance/ grants, should not be less than the limits as may be prescribed by the Central Government/ Ministry of Corporate Affairs from time to time.

Such other implementation schedule as may be recommended by the CSR Committee.

3.5 Ancillary Activities

3.5.1 To publicize the CSR Policy and initiatives Org-wide through mailers, screensavers, Policy documentation and upload (s) on the websites.

3.5.2 To plan and carry out workshops to increase employee awareness if required on various projects and initiatives.

3.5.3 Such other activities as may be directed by the Board of Directors of the Company and/or as may be deemed appropriate and expedient by the Committee for the furtherance of CSR objectives of the Company, in pursuance with the Regulations.

3.6. CSR activities through registered Trust, Society or Company

The Company will undertake the CSR activities by itself or through -

- a) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or
- b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or
- c) any entity established under an Act of Parliament or a State legislature; or
- d) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

The Company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.

4 Budget for CSR activities

In accordance to the provisions of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 (the "Rules") the minimum amount that needs to be spent on the CSR activities is 2% of the average Net Profit of the Company calculated as per Section 198 of the Companies Act, 2013 made during the three immediately preceding financial years.

The CSR Budget shall comprise of all the expenditures incurred in order to undertake CSR activities, duly approved by the Board of Directors upon the recommendation of the CSR Committee but does not include any expenditure incurred on the activities which fall outside the purview of Schedule VII of the Act.

The CSR Committee shall ensure that the minimum statutory requirement is complied with and in case of any deviations, promptly notify the Board with the reasons for not spending the amount.

It is to be ensured that the administrative overheads shall not exceed 5% of total CSR expenditure of the Company for the financial year.

5 Annual Action Plan

The CSR activities can be undertaken either specific for one year or can be undertaken in multi-year projects. The CSR Committee, in every financial year, will formulate and recommend an annual action plan to the Board of Directors. Such Annual Action Plan will include the following details:

- a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- b) the manner of execution of such projects or programmes;

- c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- d) monitoring and reporting mechanism for the projects or programmes; and
- e) details of need and impact assessment, if any, for the projects undertaken by the Company.

The Board of Directors may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

6 Modus Operandi

The Company in consultation with CSR Committee, if deems appropriate may undertake CSR activities jointly in collaboration with the other group or associate companies. All the BMW entities functioning in India i.e.. BMW India Private Limited, BMW India Financial Services Private Limited and BMW India Leasing Private Limited may jointly undertake CSR activities. However, the CSR Committee and Internal monitoring committee of such group Companies or Associate Companies shall be formed and provide reports separately on such projects or programmes in accordance with the applicable laws.

The CSR Committee may approve the outside agencies with whom the collaborations or association may be established to undertake CSR activities.

7 Monitoring and Reporting

At the beginning of the financial year, the CSR Committee will prepare a list of CSR Projects/ Activities / Programmes proposed to be undertaken during such financial year, specifying the modalities of execution in the areas/ sectors chosen with implementation schedules for approval of the Board.

The CSR Committee will devise a mechanism for various CSR Projects/ Activities / Programmes undertaken by the Company including conduct of impact assessment, if any, on periodic basis.

The CSR Committee is responsible for undertaking the CSR activities and ensuring that the CSR Budget is utilized as per the statutory requirement.

The Board shall satisfy itself that the funds disbursed for CSR have been utilised for the purposes and in the manner as approved and the Chief Financial Officer shall certify to the effect. Further, the Board of Directors of the Company shall report in the Board's Report a detailed description as per the prescribed format of the CSR activities undertaken and status update thereof.

In case of ongoing project, the Board shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

The Committee to ensure that the estimates laid down or proposed for the CSR activities are undertaken, monitored and achieved.

The administration of the CSR policy and the execution of the identified CSR Projects, programs, and activities under it may be carried out under the overall superintendence and guidance of CSR Committee formed for this purpose.

In case of any doubt with regard to any provision of the policy and also in respect of matters not covered herein, a reference to be made to the CSR Committee. In all such matters, the decision of the CSR Committee shall be final.

8 Surplus from CSR Activities

- 8.1. Any surplus arising out of the CSR activities shall not form part of the business profit of the Company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the Company or shall be transferred to the Unspent CSR Account of the Company, maintained separately for such surplus within a period of six months of the expiry of the financial year.
- 8.2. If the company spent an amount in excess of the requirements, such excess amount may be set off against the CSR obligation to spend under section 135(5) up to immediate succeeding three financial years subject to the conditions that:
 - a) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any.
 - b) the Board of the company shall pass a resolution to that effect.

9 Unspent CSR Amount

Any amount remaining unspent shall be dealt with in compliance of section 135 of the Act and rules made thereunder.

If the Company fails to make CSR spend as per CSR obligation, the Board's report shall specify the reasons for not spending such amount.

10 Amendment

Any amendment or modification to the Act relating to CSR shall automatically be applicable to the Company. Any or all provisions of the CSR Policy would be subject to revision/amendment amendments by the Board of Directors of the Company based on the recommendations of the CSR committee in accordance with the Companies Act, 2013, rules and regulations as may be prescribed by the Central Government, from time to time.