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CORPORATE SOCIAL RESPONSIBILITY (CSR)



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1. CORPORATE SOCIAL RESPONSIBILITY

a) GENERAL

- ✚ CSR stands for Corporate Social Responsibility.
- ✚ The concept is used to describe how companies work towards contributing to a better society and long-term, sustainable development.
- ✚ The three cornerstones of CSR are Environmental, Social and Economic responsibilities.
- ✚ CSR minimises risks, reduces costs and creates new business opportunities.
- ✚ Research shows that consumers prefer to buy from responsible manufacturers.
- ✚ The UN's Global Compact – essential guidance for corporate responsibility.
- ✚ For the Purposes of this Policy, Volvo is referred as 'Volvo CE India Private Limited.

b) DEFINITIONS:

- (i) Act means the Companies Act, 2013;
- (ii) Corporate Social Responsibility (CSR) means and includes but is not limited to :-
 - Projects or programs relating to activities specified in schedule VII to the Act; or
 - Projects or programs relating to activities undertaken by the board of directors of a company (Board) in pursuance of the 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.
- (iii) CSR Committee means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act.
- (iv) CSR Policy relates to the activities to be undertaken by the Company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of a company.

CSR RESPONSIBILITY	
	Social
	Economic
	Environmental

c) WHY COMPANIES WORK WITH CSR?

Corporate Social Responsibility (CSR) is one of the concepts used to describe how companies work towards contributing to a better society and long-term, sustainable development. Environment, employer's responsibility and welfare are just some of the issues which can be addressed under CSR.

Environmental, Social and Economic Responsibilities:

An accepted starting point for working with CSR are the three cornerstones Environmental, Social and Economic responsibilities, also called "the triple bottom line". The meaning being that a business should give a reasonable financial return to its shareholders whilst creating value for other Stakeholders such as customers, employees, neighbours and society in general.

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d) **BENEFITS OF CSR PROGRAMME:**

As the business environment gets increasingly complex and stakeholders become vocal about their expectations, good CSR practices can only bring in greater benefits, some of which are as follows:

- i. **Communities provide the licence to operate:** Apart from internal drivers such as values and ethos, some of the key stakeholders that influence corporate behaviour include governments (through laws and regulations), investors and customers. In India, a fourth and increasingly important stakeholder is the community, and many companies have started realising that the 'licence to operate' is no longer given by governments alone, but communities that are impacted by a Company's business operations. Thus, a robust CSR programme that meets the aspirations of these communities not only provides them with the licence to operate, but also to maintain the licence, thereby precluding the 'trust deficit'.
- ii. **Attracting and retaining employees:** Several human resource studies have linked a Company's ability to attract, retain and motivate employees with their CSR commitments. Interventions that encourage and enable employees to participate are shown to increase employee morale and a sense of belonging to the Company.
- iii. **Communities as suppliers:** There are certain innovative CSR initiatives emerging, wherein companies have invested in enhancing community livelihood by incorporating them into their supply chain. This has benefitted communities and increased their income levels, while providing these companies with an additional and secure supply chain.
- iv. **Enhancing corporate reputation:** The traditional benefit of generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programmes. This allows companies to position themselves as responsible corporate citizens.
- v. **Creates value and profit:** A Company should create value for its customers, suppliers, employees and owners. A fundamental prerequisite for a Company to survive and develop is that it generates profits. However, how a Company's profit is generated and distributed is an issue that is increasingly coming under the spotlight. A Company which wants to be regarded as a beneficial member of society must act responsibly in all respects.
- vi. **Reduces risks:** Disregarding laws and regulations, such as those related to emissions into the environment or shortcomings in working environment can have significant economic consequences. Furthermore, a Company which is not acting responsibly runs a considerable risk of tarnishing its reputation. This affects the confidence of customers, current and potential employees and investors, which in turn can lead to reduced sales, difficulties in recruiting the right staff and the ability to access investment capital. In today's globalised world information spreads instantly, and any Company which mismanages its affairs can quickly find its products boycotted and its reputation ruined.
- vii. **Creates opportunities:** A farsighted CSR policy can help both reduce costs (for example through reduced energy consumption) and generate new business. If the work is communicated in an open and credible manner it creates confidence and loyalty amongst customers and employees and helps to build strong and attractive brands.









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2) VOLVO ROLE IN SOCIETY:

As one of the world’s largest construction equipment manufacturers, with a global presence and thousands of employees, Volvo has a great responsibility and an important role as a member of society.

- i. **Common values:** We create value not only for our customers and shareholders, but also for society in general. Our products and services contribute to efficient, safe transport operations with a low environmental impact and are an important driver for social development and economic growth. We create jobs, both at our own Company and with our suppliers and contractors, and through this contribute to local and regional development.
- ii. **Dialogue and cooperation:** Our stakeholders’ requirements and expectations are a central starting point for the priorities we set in our CSR work and our other business planning. Continuous dialogue and performance monitoring help us to focus and streamline work even further. Utilising the term CSR in our communications also facilitates dialogue with customers, investors, potential employees and other stakeholders.
- iii. **A common ground – a common goal:** “Corporate Social Responsibility to Volvo is a commitment to conduct business in a responsible manner, to take stakeholders perspective into account, and to create value for our shareholders and society. The overall objective is to contribute to sustainable development by taking the global lead towards sustainable transport solutions.

2(a) VOLVO CSR PRINCIPLES:

-  Strong and visible leadership in CSR related issues
-  Accountability and responsibility within our sphere of influence
-  CSR and sustainability are integral parts of our business, strategy and processes
-  Performance is measured and followed up
-  Resource efficiency Transparency, reporting shall be conducted transparently based on the international standard Global Reporting Initiative (GRI)
-  To engage stakeholders and take their expectations into account
-  Work proactively and focus on potential risks
-  Partnerships and cooperation

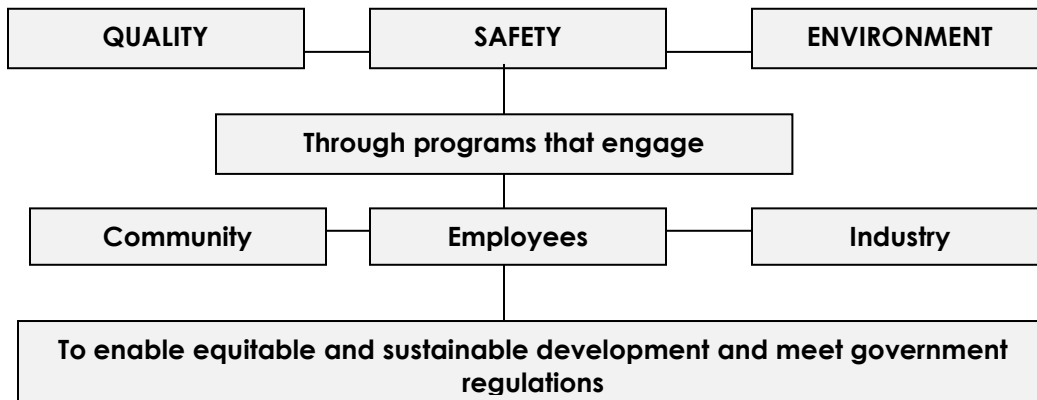


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The basis for Volvo’s CSR work is partly healthy profitability and partly our values and our Company culture. Volvo has a high credibility rating which will be maintained and strengthened by following our code of conduct, managing risks appropriately and maintaining an active dialogue with our stakeholders. We can create value by contributing to social innovations, exploiting opportunities for profitable growth and being a beneficial member of society. We can contribute to long-term, sustainable development by taking the lead in the dialogue on future sustainable transport, sharing our expertise, working with other players and demonstrating that we are committed through our products and services.

2 (b): VOLVO CSR OBJECTIVES:

Act as a responsible corporate citizen and reaffirm our core values of:



2@: CSR – VOLVO CE INDIA PRIVATE LIMITED:

Approach	Aligned to Volvo's CSR commitment. Work with employees, industry and local community
Focus Areas	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; border-radius: 50%; padding: 10px; text-align: center;">Social</div> <div style="border: 1px solid black; border-radius: 50%; padding: 10px; text-align: center;">Economic</div> <div style="border: 1px solid black; border-radius: 50%; padding: 10px; text-align: center;">Environment</div> </div>
Goals & Outcomes	<ul style="list-style-type: none"> + Strong corporate brand and reputation + Engage employees, empower with team management & leadership skills + Create value for stakeholders and society at large + Meet the India government requirements of 2% of net profits into CSR or as amended from time to time.

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OUR ECONOMIC RESPONSIBILITY:

Like all business-oriented players, Volvo should create value for its shareholders. In order to accomplish that we have to create value for our customers. We achieve this by delivering productive and cost-effective products of high quality and high safety with a low environmental impact. With the help of our products we can offer our customers efficient and competitive goods transport, which in turn is a prerequisite for economic growth and social development.

We create value for customers: Our customers operate in a tough industry. Our goal is to constantly strive to improve their competitiveness and profitability through developing new, efficient products and services.

Investing for the future: By continuously investing in the expertise and technologies needed to develop long term, sustainable transport solutions, we ensure that Volvo products and services in India can continue to drive development in our industry.

Work and welfare: Volvo has thousands of employees around the world. In the communities where we operate, we are often a major employer and as such an important player in the local economy. Volvo contributes through taxes and social security contributions, encouraging healthy competition and fighting corruption and bribery. We manufacture complex products with components and materials from many different suppliers. This means we create jobs not only at our own Company but also amongst a great number of suppliers and contractors. Research shows that every job within the vehicle industry leads to four to five jobs in associated businesses.

Reduced social costs: To reduce the negative effects, Volvo not only develops safe commercial vehicle and construction equipment with low environmental impact, we also play an active role in the development of more efficient solutions which also reduces the burden on the national economy.

Challenges and opportunities ahead

- ✚ Systematically selecting and utilising the value of suitable community involvement projects.
- ✚ Continuing the development of long-term, sustainable products and services which create value for our customers. This allows us to also contribute to continued social development and growth.
- ✚ Getting public opinion to appreciate that a construction equipment manufacturer is of great benefit to society, environmental impact notwithstanding.
- ✚ Preventing bribery and corruption even though many employees work in countries where this is very common.
- ✚ Improving control of our extensive supply chain.





OUR ENVIRONMENTAL RESPONSIBILITY:

Environmental care is one of Volvo's core values. We have a long tradition of working to reduce the environmental impact of our products and our activities.

Collaboration for sustainable goods transport: Volvo acts directly or through Volvo Group of Companies in a number of partnerships with different players to reduce the impact on the environment,

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Challenges and opportunities ahead

-  Continuing development of climate neutral transports and transport operations.
-  Continuously improving fuel efficiency.
-  Find viable alternatives to fossil diesel.
-  Local markets may demand different alternative fuels solutions.

OUR SOCIAL RESPONSIBILITY

Volvo takes a broad and deep social responsibility – as an employer, as a buyer of products and services and as a committed member of society locally and globally. Above all, we contribute with products and knowledge which help make life safer for those who use and encounter our construction equipment. As well as concern for the environment, safety is one of our core values, and our work for safer vehicles, safer drivers and safer roads has given us a worldwide reputation in the field. Our vision is that no one who uses our products will come to harm.

WORLD LEADER ON SAFETY

Volvo safety work is based on a holistic approach to how people, vehicles and roads interact. Since the end of the 1960s we have built up solid knowledge of why road accidents occur, how they happen and what can be done to lessen the consequences, both for those who travel in trucks and for other road users. In addition to making our vehicles as safe as possible, we work to raise awareness of road safety knowledge and influence behaviour.

COMPANY CULTURE – THE VOLVO CORE VALUES

What largely separates Volvo from other companies is our Company culture, i.e. the values we stand for and how we work together. The Volvo Way describes how we work with energy, passion and respect for the individual in order to drive development forward. The Volvo Core Values read with Code of Conduct is an important guideline for all employees the world over and the implementation work is reviewed annually. Having employees with different backgrounds, experiences and perspectives helps us to build a dynamic and open company. We work for diversity, and against all kinds of discrimination.

COLLABORATION WITH SUPPLIERS AND CONTRACTORS:

Just as our customers and investors make demands on us, we require that our suppliers and contractors should run their business responsibly. Following Volvo Group's Code of Conduct is a minimum requirement, and special requirements are also set for areas such as environmental work and quality assurance. Suppliers' CSR work is monitored mainly through annual self-evaluations, for example with regard to social performance, working environment and conditions, employee rights, child- and forced labour, environmental care and business ethics. We are now focusing primarily on identifying how suppliers in high-risk Countries and regions manage their CSR work.

A GLOBAL AND LOCAL MEMBER OF SOCIETY

Volvo is an active member of society both globally and locally. By employing different methods of getting involved with the communities and markets we are established in, we can contribute to positive social

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development. At the same time, this will develop our relationship with the people who are directly affected by our operations or our products – customers, employees, neighbours and authorities.

Moving society forward: All over the world Volvo supports activities and projects which are in line with our values, e.g. in education, health, safety and many other areas.

3. GUIDELINES SETTING FOR CSR:

In order to make it easier for companies which want to engage in structured, responsible operations and at the same time make it simpler for different stakeholders to compare and evaluate how different businesses behave, various organisations have produced advice and guidelines for CSR. The UN Global Compact, OECD and the Global Reporting Initiative are the most prominent. In 2011, the EU Commission published a new CSR policy. It states that to fully meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders”. There is also an ISO standard for sustainability work, ISO 26000 (Guidance for social responsibility), although it is not currently possible to be third-party certified in the same manner as you can with ISO 9001 and ISO 14001. More and more businesses are choosing to account for their CSR work in the form of separate reports or as an integrated part of their annual report.

3(a) The Companies Act, 2013

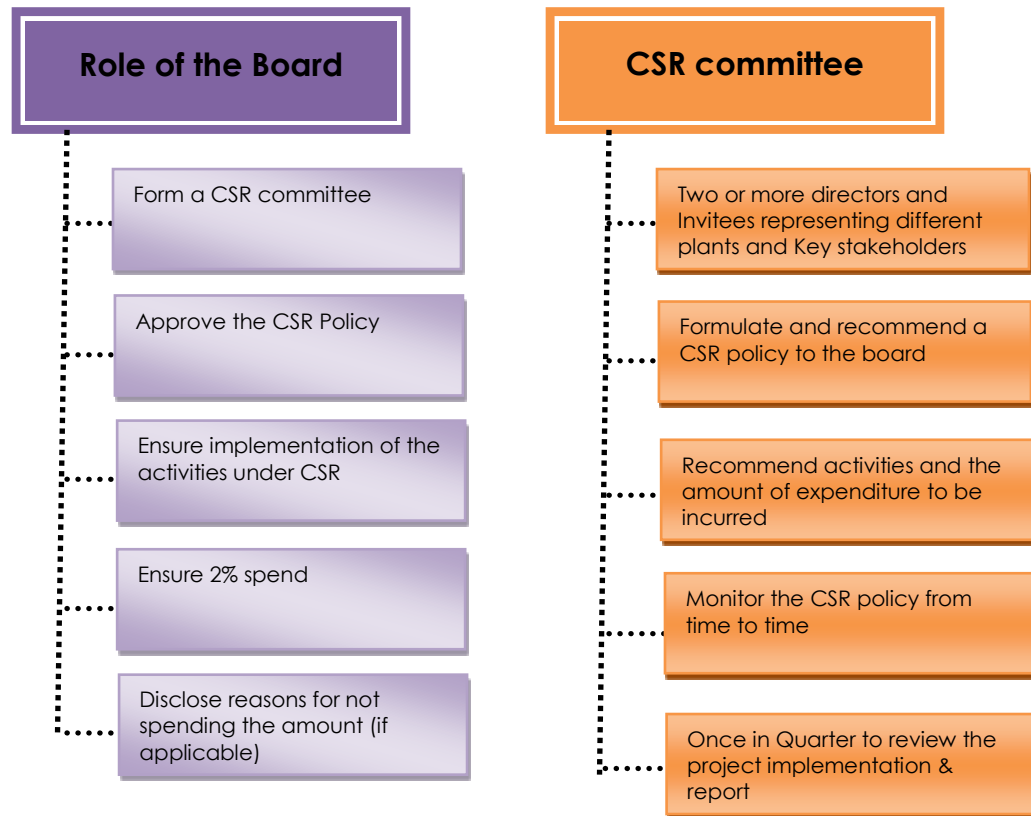
In India, the concept of CSR is governed by Section 135 of the Companies Act, 2013, which was passed by both Houses of the Indian Parliament, and had received the assent of the President of India on 29 August 2013. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members. The Act encourages companies to spend at least 2% of their average net profit in the previous years on CSR activities.

3(b) Governance

Section 135 of the Act lays down the guidelines to be followed by Companies while developing their CSR programme. The CSR committee will be responsible for preparing a detailed plan on CSR activities, including the expenditure, the type of activities, roles and responsibilities of various stakeholders and a monitoring mechanism for such activities. The CSR committee can emphasize that all the kinds of income accrued to the Company by way of CSR activities should be credited back to the community or CSR corpus.

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3(c) Role of the Board and CSR Committee as per the Companies Act, 2013



3(d) List of activities under Schedule VII

- (i) Eradicating hunger, poverty and malnutrition, “promoting health care including preventive health care” and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
- (ii) promoting 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, 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, agroforestry, 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.

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- (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 art and handicrafts;
- (vi) 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];
- (vii) training to promote rural sports, nationally recognised sports, paraolympic sports and olympic sports
- (viii) 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 govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;
- (ix) (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
- (i) (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).
- (x) rural development projects
- (xi) slum area development.
Explanation- 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.
- (xii) disaster management, including relief, rehabilitation and reconstruction activities.

The list shall include amendments notified by the Ministry of Corporate Affairs from time to time.

Note: Srinivasan Seva Trust is a NGO Partner who is empowered to identify, map and bridge the activities for Volvo CE India Private Limited for CSR related.

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3(e) CSR: PLANNING AND STRATEGIES

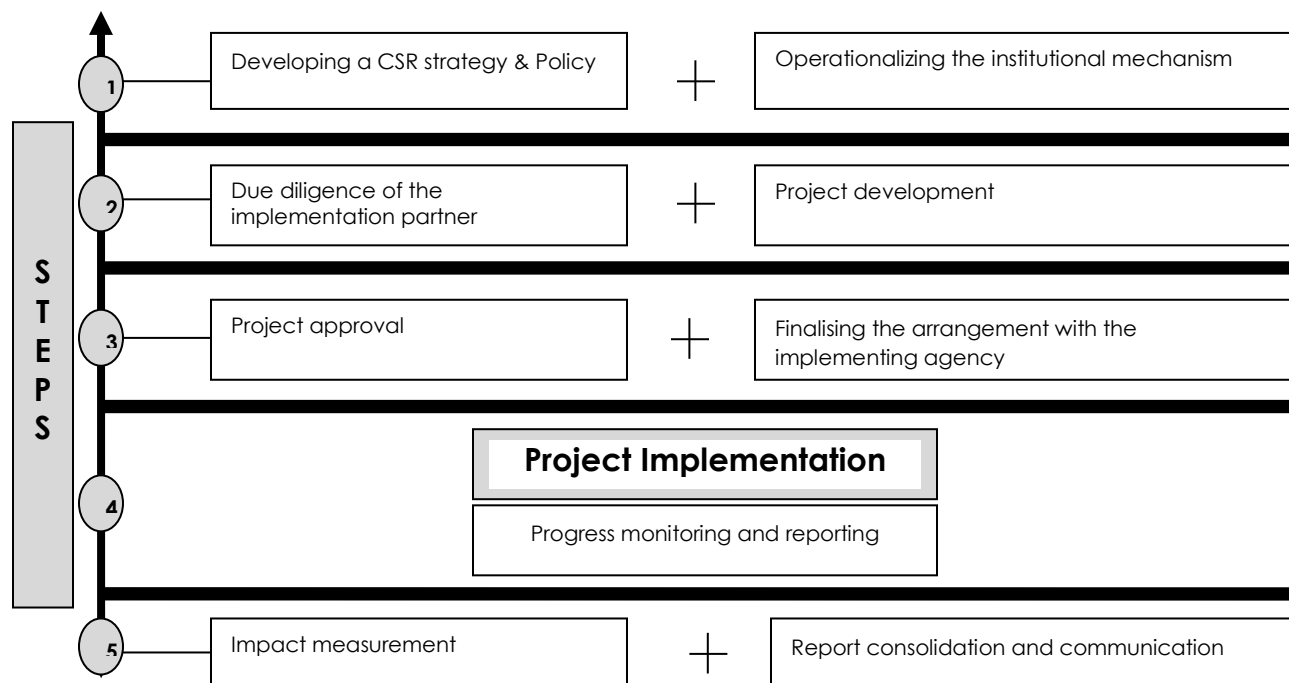
The first step towards formalizing CSR projects in a corporate structure is the constitution of a CSR committee as per the specifications in the Companies Act, 2013.

Background

For effective implementation, the CSR committee must also oversee the systematic development of a set of processes and guidelines for CSR to deliver its proposed value to the Company, including:

- ✓ one-time processes such as developing the CSR strategy and operationalizing the institutional mechanism
- ✓ repetitive processes such as the annual CSR policy, due diligence of the implementation partner, project development, project approval, contracting, budgeting and payments, monitoring, impact measurement and reporting and communication

3(f) CSR: PROCESSES TO BE ADAPTED:



Note: This policy is subjective for amendment from time to time as and when changes occurs.

Date	Version	Changes since the last version	Author	Information
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