



# CSR policy

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# 1 Introduction

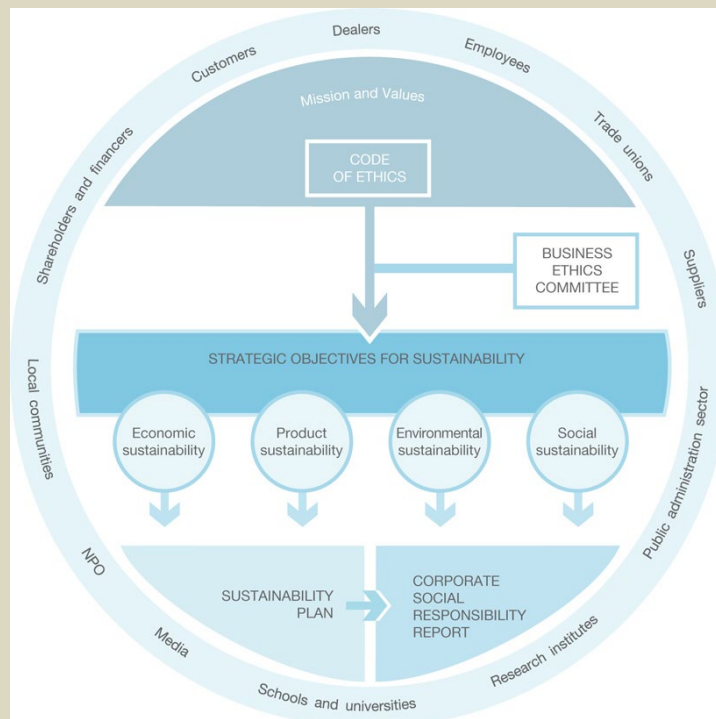
## 1.1 About Piaggio Vehicles

The Piaggio Group is the largest European manufacturer of two-wheeled motor vehicles and is one of the world's leaders in its sector. The group is also a major international player in the commercial vehicle market. Piaggio Vehicles Private Limited (PVPL), the pioneer of three-wheeler goods transportation in India, is today number one in its class. By setting global standards in vehicle performance and customer service, it has revolutionised the three-wheeler cargo segment in India. The company offers a range of passenger and cargo vehicles for many customised applications. In 2012, it launched Vespa in India and is further pursuing the two-wheeler business.

## 1.2 Our global approach to CSR

The corporate social responsibility (CSR) model adopted by Piaggio is based on its mission and values, which have made a name for the company over the years and are also the cornerstone of the group's code of ethics, which was established in 2004. The mission and values form the basis of the strategic objectives for sustainability important to the group: economic sustainability, product sustainability, environmental sustainability and social sustainability. With these and the strategic objectives it has defined, the group has prepared a mid- and long-term sustainability plan, which has been detailed in the CSR report with the utmost transparency and with a view to continually improve economic, environmental, social and product performance.

### Piaggio's CSR model



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### **1.3 Our commitment and approach to CSR in India**

We stand committed to remain aligned with the group's purpose and policy on CSR, which is entirely based on the principles of *sustainability*. While the group's mission and values for sustainability remain the key drivers for us to do business responsibly, our responses to CSR in India are intended to align with section 135 of the Companies Act, 2013, to meet the legal obligations on CSR. Apart from our unwavering commitment to economic, product and environmental sustainability, under our commitment to social sustainability in India, we aim to address key social issues and causes of local as well as national importance by portraying a deep symbiotic relationship with Schedule VII of the Companies Act, 2013. It, therefore, includes specific programmes for the social well-being of vulnerable and underprivileged communities around our business establishments in India.

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## **2 CSR policy: Purpose, objective and principles**

### **2.1 Purpose**

The primary purpose of our CSR policy is to meet compliance by remaining aligned with section 135 of the Companies Act, 2013. The other purpose is to explain to all stakeholders our approach and commitments to CSR. The policy applies to all the internal and external stakeholders of the company. The intent and content of the policy has a significant impact on all stakeholders of the company.

### **2.2 Objective**

The objective of the policy is to lay down *processes and strategies* for undertaking CSR programmes in alignment with our corporate policy while simultaneously remaining compliant with section 135 of the Companies Act, 2013, for the welfare and sustainable development of underprivileged communities at large.

The specific objectives are:

- To undertake needs-based tailored projects and programmes, in accordance with Schedule VII of the Act, that improve the capacities and capabilities of the communities primarily located in and around the company's plants and offices across the country; the company, however, remains open and flexible to undertake CSR projects and programmes anywhere in the country
- To ensure an increased commitment of social responsibility at all levels in the company

### **2.3 Principles**

We at Piaggio Vehicles will be guided by the following principles:

- Stakeholder engagement
- Delivering on our promises
- Impactful programmes
- Openness and flexibility
- Learning from peers and other sector companies' experiences
- Transparency and measurement
- Disclosure

### 3 Stakeholder engagement

Stakeholder engagement is an essential component of our approach to CSR. Our company is committed to engage with a broad set of stakeholders—internal and external—to get their inputs on the key business and social objectives that the company’s CSR needs to address.

At every phase of planning and rolling out CSR initiatives, the company shall engage with the following set of stakeholders according to their respective influence and importance:

Stakeholder		Role and function of the stakeholder
Internal	Employees, potential recruits, alumni	Champion social causes
	Management (board and CSR committee)	Ensure compliance and adherence, encourage innovation and motivation
External	Local community	Act as beneficiaries in the initial stage, and as owners and champions in the later stages of the lifecycle of projects
	Academic and research institutions and professional bodies	Act as knowledge partners, analysts, research partners, etc.
	Government	Collaborate with local government agencies to implement CSR programmes, provide support to existing government schemes that the company aims to work on
	NGOs	Partner with NGOs as implementing agencies, conduct impact assessments, undertake research on any selected issue, etc.

## 4 Governance structure

To ensure compliance with and effective implementation of its CSR plan, the company has put in place a governance structure that fulfils the requirements of section 135 of the Act. While the board of directors and the CSR committee will strategically function as apex institutions to provide guidance and direction, the company's CSR team will be responsible for CSR operations.

### 4.1 Board of directors

The company's directors shall have overall responsibility for implementation of CSR in accordance with section 135 of the Act and the rules concerning CSR. Therefore, the directors shall discharge the following duties and functions:

- Constitute a CSR committee
- Approve the CSR policy and bring amendments in it as and when required
- Approve thrust areas under CSR that the company will propose to support, and approve annual action plan and modalities of operations
- Ensure that activities included by the company in its CSR policy are in accordance with those listed in Schedule VII of the Act.
- Ascertain that the activities included in the CSR policy are undertaken
- Ensure that the company spends, in every financial year, at least 2% of its average net profits made during the three preceding financial years, in pursuance of this policy
- The board's report issued under clause (o) of sub-section (3) of section 134 shall include an annual report on CSR containing particulars specified in the annexure to the CSR rules.
- If the company fails to spend this amount, then it will disclose the reasons for not spending the amount in its annual report

### 4.2 CSR committee

In accordance with the provisions of section 135 of the Act, the board of directors shall constitute a CSR committee, which shall consist of:

Name	Designation
1. Diego Graffi	Chairman of the committee
2. Mauro Prignoli	Member
3. Grimaldi Fabio	Member
4. Stefano Mascagni	Member

#### Roles and responsibilities of the committee:

- Formulate a CSR policy and recommend it to the board of directors for approval
- Formulate and approve a CSR action plan for the year
- Recommend the budget to the board of directors for approval
- Be accountable for the spend of the allocated CSR budget
- Accord approval for undertaking CSR activities in partnership or collaboration with other companies, institutions, NGOs, etc.
- Create transparent monitoring mechanisms for the implementation of CSR initiatives
- Submit reports to the board about the CSR initiatives undertaken by the company
- Monitor the CSR policy and recommend amendments when required
- Monitor the charter of the Memorandums of Understanding (MoUs) of the partnerships and the implementation of activities under partnerships
- Nominate executives of the company to attend the internal committee meetings and CSR workshops, seminars and events being held externally

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## **4.3 Corporate CSR team**

The company shall set up a CSR team, also called the CSR task force, at the corporate level comprising employees or officials representing diverse functions. The team will take guidance from the CSR committee and be responsible for rolling out the approved CSR plans.

### **Functions of the corporate CSR team (task force)**

- Be the first point of contact for the company's CSR
- Support the CSR committee to ensure full compliance with the regulations
- Take guidance and direction from the CSR committee and perform its functions accordingly
- Provide knowledge inputs to the CSR committee and the management and share with them internal as well as external information on CSR
- Facilitate the committee to take right decisions on CSR and develop the CSR action plan.
- Provide guidelines and frameworks for the effective operationalisation of CSR initiatives
- Understand all the programmes in detail and recommend certain programmes, modality of operations and monitoring mechanisms to the committee.
- Ensure the utilisation of resources
- Mobilise and manage partnerships
- Develop MIS and share progress report cards with the CSR committee and other stakeholders.
- Be responsible for CSR communication and publish the CSR report



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## 5 CSR commitment

### 5.1 Policy statement

“We stand committed to remain a humble and socially responsible company.”

### 5.2 Our approach to CSR

We shall adopt a structured and scientific approach to CSR, which will entail:

- Identifying a few underserved villages and undertaking **an integrated approach** of development
- Identifying **needs-based projects, area-specific social issues, and causes of high importance and relevance** by making use of appropriate tools such as surveys, assessments or participatory rapid appraisals
- **Engaging with stakeholders** either directly or through partners to design, develop and implement CSR programmes
- **Working in tandem with governmental schemes** that are in alignment with our CSR objectives
- Ensuring that CSR interventions have **a project-based approach**
- **Enabling and equipping** our communities with **enhanced capacities, knowledge and access to resources**, which will allow us **exit from the project** after a stipulated time frame.

### 5.3 CSR obligations

The CSR commitment of the company for each financial year as approved by the board shall comprise the following norms:

1. Two percent of the average net profits of three preceding years shall be considered every year for CSR spend.
2. Surplus arising out of CSR activities shall not form part of the business profits of the company.
3. CSR projects or activities that are in accordance with the requirements of section 135 of the Act and the CSR rules shall be listed in annexure A to this policy document. Annexure A shall be updated from time to time with the approval of the CSR committee and the board.
4. Modalities of execution of such CSR activities and their implementation schedules shall be listed in annexure A to this policy.
5. Up to 5% of the CSR commitment shall be spent towards capacity building, administrative costs, personnel costs and other CSR costs.
6. The activities undertaken while pursuing the normal business of our company shall not be considered eligible as CSR activities.
7. The activities that benefit employees of the company and their families shall not qualify as CSR activities.
8. The activities performed under compliance to any other Acts or regulatory obligations shall not be considered eligible for CSR.

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## 6 Thrust areas

With the purpose of '*transforming the lives of underprivileged and vulnerable communities*', we at Piaggio Vehicles shall focus on and stand committed to undertake only those programmes, projects or activities that are in accordance with the local needs. However, we shall ensure that they also supplement the efforts of the government and civil society organisations, and are not done in silos. Therefore, all our programmes, projects and activities, based on our preliminary research of the needs of the area, will be explored in the following broader thematic areas of CSR:

1. **Water and sanitation**
2. **Education**
3. **Community health**
4. **Livelihood enhancement programmes**
5. **Women empowerment**
6. **Environment**

### 6.1 CSR action plan

The action plan is an annual plan of CSR projects, programmes and activities that shall be placed before the board of directors of the company based on the recommendations made by its CSR committee. The company will finalise the list of specific CSR projects and programmes it plans to undertake for the year, and appended it as annexure A to this policy.

The CSR action plan will be developed or prepared by using a framework which will include:

- Name of the project or activity
- Project goal and objectives
- Key communities (targeted beneficiaries)
- Main activities or sub-activities
- Key deliverables of the project
- Timeline, that is, Start and end dates of the project
- Short description on implementation
- Implementation partners and their roles
- Estimation and budget

### 6.2 Project universe

The company commits to undertake CSR programmes in the villages that have been identified around its plant in Baramati, Maharashtra. However, it does not limit the boundary of its CSR commitments to its plant locations and remains open and flexible to contribute to social causes in other parts of the country, too, when such needs arise.

## 7 Implementation and monitoring

### 7.1 Implementation plan

#### Implementation strategy: Partnership building

For the execution of the selected projects, the company may decide to collaborate with implementing partners which can include local communities, academic and research institutions, professional bodies, government organisations, NGOs, etc. The CSR committee will approve the partnership of Piaggio's CSR programmes with any of the mentioned implementing partners.

The following conditions have to be met while approving the implementing partners:

- The implementing partner should have an established track record of at least three years in undertaking similar projects.
- The company shall enter into an MoU or a contract with the implementing partner(s).

The company may also partner with any other eligible company approved by the CSR committee or the board.

The company will identify external agencies for the implementation of programmes. In case the implementation is to be done by NGOs, certain minimum criteria for eligibility must be met, such as ensuring that:

- The NGO has a permanent office or address in India
- It is either a registered society, a trust or a section 8 company
- It possesses a valid income-tax exemption certificate
- Its antecedents are verifiable or subject to confirmation
- It's not owned by a family
- It is not affiliated to a political or religious institution
- It maintains a required level of auditable records

Implementing partner(s) will be accountable to the CSR team and will be responsible for discharging the following broader responsibilities:

- Partnering and assisting the company in the implementation of specific projects and programmes
- Assisting the company in meeting its CSR commitments and obligations, functioning as an enabler that facilitates the company to perform professionally in the CSR domain
- Providing assistance to the CSR team or foundation in developing and implementing CSR programmes
- Providing capacity-building support to all partners and stakeholders of programme implementation
- Collecting and analysing data for monitoring and reporting of all programmes
- Monitoring the progress made by the programme partners.
- Tracking, measuring and communicating the impact that CSR programmes will create
- Providing periodic reports and updates to the company or foundation

Piaggio Vehicles will follow a **project-based approach** to attain long-term sustainability of projects and programmes.

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## ***7.2 Monitoring plan***

The CSR committee will establish a transparent and effective monitoring system to ensure that CSR is implemented in accordance with the approved CSR policy of the company and also fulfils obligations as stipulated in section 135 of the Act.

The monitoring plan may include both qualitative and quantitative aspects, and will, among other things, broadly cover:

- Achievements as per project-based milestones
- Actual spend vs budgeted amount
- Beneficiaries covered under each programme
- Review of implementation partners
- Implementation challenges, if any

The CSR committee and the board of directors will constitute the next level of progress review and advisory.

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## ***8 Measurement of CSR performance***

We at Piaggio Vehicles are committed to institutionalise a measurement system that will help us to evaluate our CSR performance against the set key performance indicators (KPIs) and best practices. The measurement process will also help us develop our future action plans.

Two kinds of evaluation will be undertaken:

- **Internal assessment:** We will set up a mechanism to internally assess our CSR performance.
- **External evaluation:** The company will get the overall impact of its CSR initiatives audited by a third party—a reputable academic institution, professional consultant or market research agency.

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## ***9 Disclosure: Publishing a CSR report***

Reporting will constitute an integral part of our CSR obligations as we remain committed to regularly communicate with our stakeholders about the programme's details and the social impact created by the upliftment of underprivileged communities. Piaggio Vehicles shall develop and publish an annual report on CSR containing the particulars required for the annual report in the Companies Act, 2013. The CSR programme's details will be widely communicated and displayed on the company website.

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## ***10 Amendments to the policy***

The current regulatory framework under section 135 is nascent and will continue to evolve. There have been many changes since the subsidiary legislation relating to section 135 were notified. This will likely impact the policy, because needs of communities, too, will undergo several changes.

Therefore, the board of directors on its own or as per the recommendations of the CSR committee shall from time to time review this policy and amend any or many of its provisions in accordance with the regulations on the matter as may be issued from the relevant statutory authorities.