



THE ENGINE FOR SUSTAINABLE GROWTH

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The Engine for Sustainable Growth

Kirloskar Oil Engines Ltd has embarked on its sustainability journey by adopting a multi-pronged approach involving every part of the organisation from employees to operations to research. Working together as one unified machine, we are driving forward the change that we want to see in society.

Engine for Sustainable Growth – the theme for our sustainability report, is the visualization of this very thought. Our management is the spark, the plants channel the fire (the cylinder heads), our people are the driving shafts, with different divisions functioning as the gate-way of new ideas and designs that create more fire for growth (valves) – all of which are stream-lined (lubricant) by our human resources.

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ABOUT THE REPORT



Reporting Period:

'The Engine for Sustainable Growth 2012-14' is our fourth annual corporate sustainability report, covering two consecutive financial years from 1st April 2012 to 31st March 2014. Our previous sustainability report was for the financial year 2011-12.

Report Boundary:

The performance disclosures in this report pertain to our corporate head office in Khadki (Pune) and engines manufacturing plants in Pune, Kagal, Nashik and Rajkot. The reporting boundary continues to remain the same from our previous sustainability report. We have followed the Global Reporting Initiative (GRI) Boundary Protocol to guide our reporting boundary.

Framework Used:

We continue to report using the GRI G3.1 reporting guidelines, at the highest level of disclosure (A+ Application Level). The page references of GRI G3.1 Profile Disclosures, Disclosures on Management Approach and Key Performance Indicators are presented in the GRI Content Index at the end of this report.

Report Content and Scope:

Our selection of report contents is guided by the GRI Principles for Defining Report Contents and Quality. In addition to providing disclosure on all core indicators, we have also reported on a few additional indicators that are of relevance to us. Our data measurement and calculation techniques are as per the GRI guidelines. Wherever necessary, we have explained the assumption and/or exception while reporting on the GRI indicator protocols.

Report Audience:

Our intended audience for this report include all our key stakeholder groups, including employees, investors, customers, suppliers, regulatory authorities as well as individuals and organizations interested in KOEL's performance on environmental, social and economic aspects. While we have described our stakeholder engagement practices in the report, the development of this report has been done internally by us.

External Assurance:

This report has undergone limited independent assurance (as per ISAE 3000 requirements) by Ernst & Young LLP, a professional services firm. Their assurance statement is provided within the report.

Contact:

We welcome feedback and suggestion on our sustainability reporting. Readers may reach us at

sustainability@kirloskar.com

GRI G3.1 A+
APPLICATION LEVEL

STATEMENT FROM THE EXECUTIVE DIRECTOR



Dear Readers,

I have pleasure in presenting KOEL's fourth Corporate Sustainability Report, '*The Engine for Sustainable Growth*', covering a two year period of FY 2012-13 and FY 2013-14. As you know, this is a transparent and voluntary disclosure of the Company's triple bottom line performance, encapsulating our commitment towards an inclusive sustainable development. This report conforms to the G3.1 guidelines of the Global Reporting Initiative (GRI) at the highest 'A+' level, and has been independently assured by Ernst & Young LLP.

Since the publication of our last Sustainability Report (for FY 2011-12), we at KOEL have carried out extensive brainstorming on where we wish to see ourselves in the years to come, and identified enablers that will help us

reach our target. This high-level exercise culminated with the launch of our new and compelling Vision and Values in 2012.

This Vision is underpinned by our Values of Integrity, Creating Wealth for all our Stakeholders, Simplicity, Empowerment and Innovation. Over the last two years we have spared no effort in communicating and sharing our Vision and Values with all our stakeholders.

In this uncertain and volatile environment, we realize that we cannot achieve our vision of "*Touching the World*" without also reducing our environmental footprint and increasing our positive social impact.



STATEMENT FROM THE EXECUTIVE DIRECTOR Contd...

Sustainability as a Business Strategy

Businesses, as critical organs of society, cannot succeed in isolation and in societies that fail. Hence, they need to be an integral part of the solution. At KOEL, we believe that it's possible to generate economic wealth through transformational change and innovative business models that also deliver significant societal value. As a responsible Corporate, we strive to create societal value by serving our customers through competitively superior value propositions, by preserving and replenishing the environment and by innovating strategies that maximise sustainable livelihood creation.

Agriculture and allied sectors comprise over 13.5% of India's GDP. This number has been on a decline in the last few years. By engaging closely with the farming community, we realise that their challenges are huge and several of their improvement needs in the area of farm mechanisation, irrigation, soil fertility etc. remain unfulfilled. KOEL has identified this as an area where we can contribute immensely and as this report is being released, our first product foray in farm mechanisation viz. the Power Tiller would have hit the market. We believe that the product will be a game changer in many ways and will add immense value to the farming community at affordable prices.

Our ultimate aim is to increase the positive social impact we have through our products, our campaigns and our behaviour to each other, to those we do business with and the communities in which we operate. Ultimately this helps the business to grow, since healthy societies support healthy businesses and high standards of corporate behaviour reduce our operational and reputational risk.

Driving Transformational Change

We have embarked on a bold transformation agenda, within our own company – through our people, our brands, innovation and operations. But, we do realize that we are only a cog in the wheel and the change needed to tackle the country's major social, environmental and economic issues though urgent is humongous. What is needed is

change in the larger eco-system. That having said, KOEL is determined to make a difference, in every way possible.

Ploughing our way through strong headwinds

The last few years have been very testing for the global economy as a whole. Sub 5% GDP growth in two consecutive years has taken its toll on the Indian economy too. Despite these challenges, we have made significant progress in consolidating our market presence. Our continuing focus on research and development has led to launch of several new product lines, energy efficient products as well as power generation engines and gensets that are compliant to the stringent CPCB-II norms that came into force on 1 July 2014. We have launched several new customer-facing and supply side programs that are aimed at creating shared value, higher satisfaction levels as well as leaner and efficient processes within the company.

At KOEL, sustainability is not an 'add on', but integral to our Vision and Values. Creation of economic benefits for the Company and its stakeholders, being responsible to the natural environment and supporting the development of our local communities are aspects that have always been part of our DNA. We also believe these are critical in meeting our Vision. We have made significant progress and achieved the targets set out in our sustainability roadmap presented in our previous Sustainability Report. In this report, we have identified aspects that are material to our sustainability and we are working to develop and prioritize a future roadmap that incorporates our stakeholder inputs.

We continue to explore opportunities for reducing our energy consumption and improve the energy efficiency of our manufacturing processes. All our plants have implemented several sustainability measures for which we have received several awards and accolades. We also carried out an exercise to measure our greenhouse gas (GHG) emissions footprint during the reporting period. A significant monetary investment is being made across all our plants for minimizing our environmental impacts and protecting the ambient environmental quality.

As part of the Kirloskar Group, we have a long legacy of supporting the development of the local communities where our manufacturing plants are located. Our Corporate Social Responsibility incorporates ongoing initiatives around the focus areas of education, environment, health and livelihood. An independently conducted social perception survey helps us assess the local community needs as well as their perception of the Company on an annual basis.

Being Future Ready

KOEL's Vision and Values form the foundation on which the organisation is being built. Our commitment to create larger societal capital is inspired by the Company's strong values of Trusteeship, Transparency, Empowerment, Accountability and Ethical Corporate Citizenship, which are the cornerstones of its Corporate Governance philosophy. We recognize that the Company's capacity to create societal value will crucially depend on the continued robust growth of our businesses. Hence, it will be our endeavour to create multiple drivers of growth that not only help de-risk the existing business models but also contribute handsomely in the overall growth of the Company. It is with this commitment that we move into the future to create new horizons of shared progress and prosperity.

This report is an effort to communicate our approach to sustainability and our performance disclosures on economic, environmental and social indicators. We hope you find this report informative, and we welcome your valued feedback.

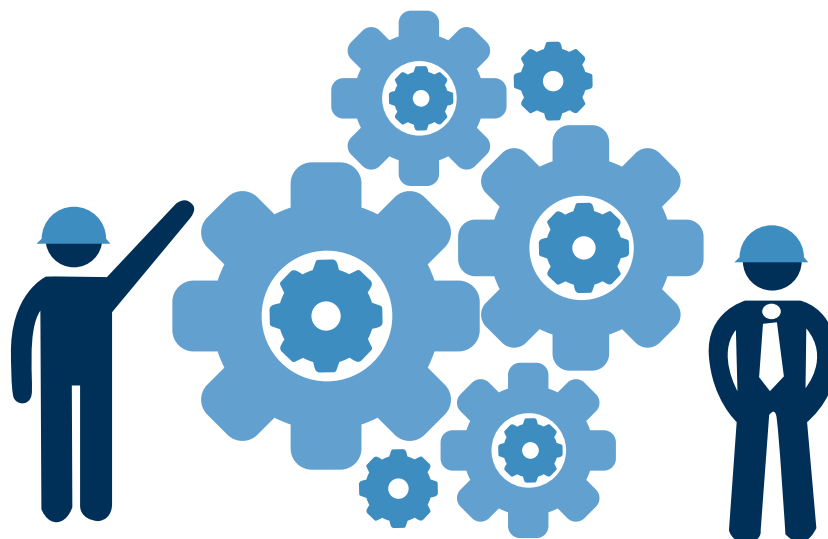
R. R. Deshpande

Executive Director, Kirloskar Oil Engines Ltd.





ABOUT KOEL



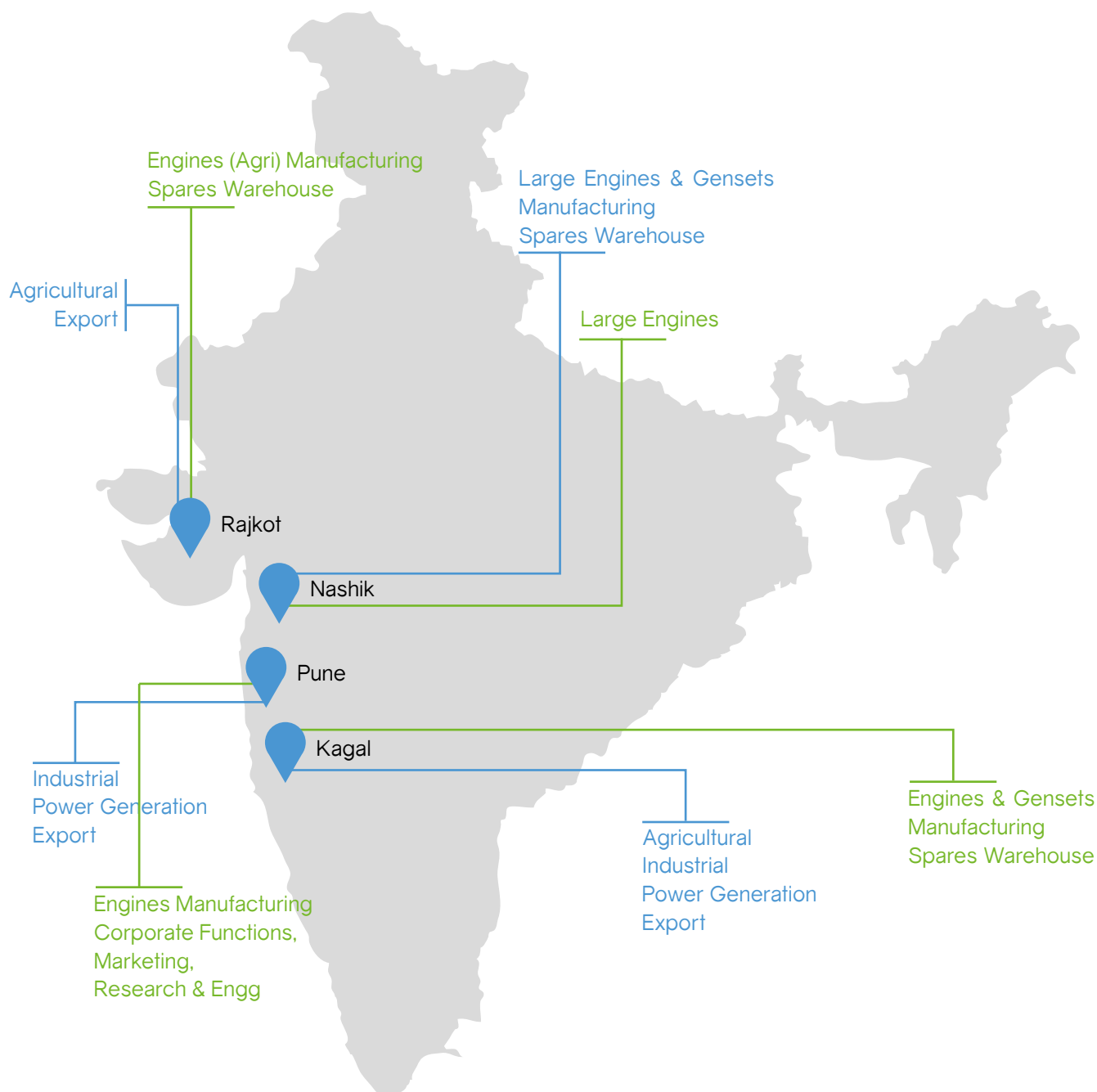
Kirloskar Oil Engines Limited (KOEL) is India's largest manufacturer of diesel engines and generating sets. Incorporated in 1946 as a part of Kirloskar Group of Companies, we are a leading engineering conglomerate, founded by the late Mr. Laxmanrao Kirloskar. The group with a rich heritage of 123 years has annual sales exceeding INR 8,800 Crores and caters to different segments of society with its core purpose of 'Enriching Lives'.

We design, manufacture and sell diesel engines, generating sets and pumpsets. We have always endeavoured to delight our customer base with innovative product offerings cutting across the various segments in which we operate. Our engines are emission compliant with capability to fulfil future emission norms. We have developed green products such as

gas and bio-diesel engines. We are one of the world's largest generating set producers with specialization in manufacturing of both air-cooled and water-cooled engine and diesel generating sets across a wide range of power output – 10kVA and 750kVA. The economy sectors serviced by us include Agricultural, Industry and Services.

Our manufacturing plants are located at Pune, Kagal, Nashik (all in Maharashtra) and Rajkot (in Gujarat), while our corporate head office is based in Pune. We have presence in international markets, with offices and distribution network in several countries. We are listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

Description of our Facilities



● Business Group Catered ● Activity

Field Office	Business Group Catered	Location
Regional and Area Offices	All Business Groups	State Capitals
Overseas Offices		Kenya, Nigeria, South Africa, Dubai, Indonesia



ABOUT KOEL Contd...

Vision and Values

Core Purpose

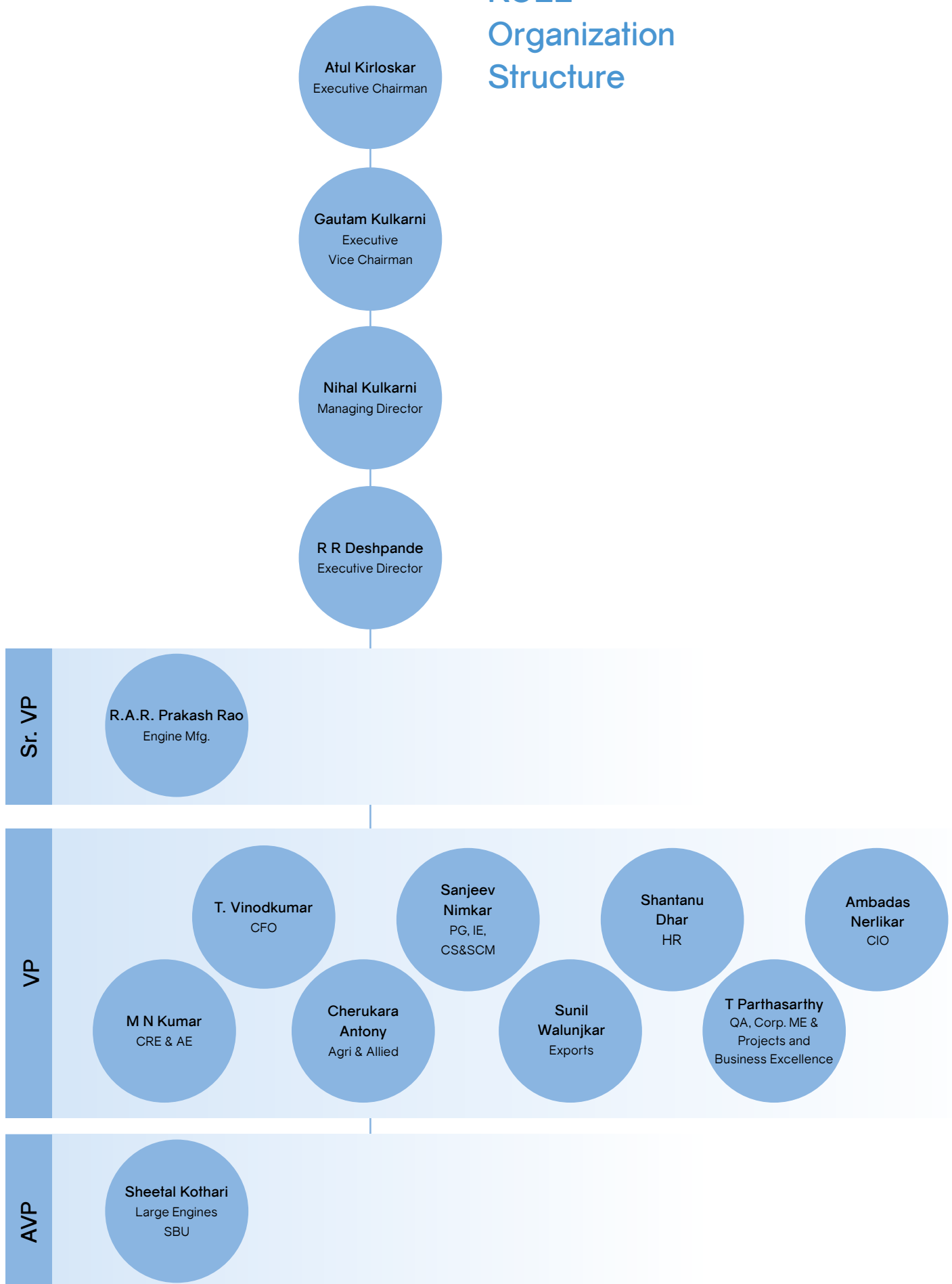
'Enriching Lives' – Bringing about a positive change has been our mission as well as our driving force. The smile on millions of faces is a testimony that we have not just achieved it but enriched lives the world over.

Through our critical engineering solutions across industries - from cooling mega power plants to powering countless applications across industries, from saving a million tonnes of food stock to providing standby power to telecom and defence sectors, and from castings that house automobile engines to greening deserts, quenching thirsts and fuelling CNG vehicles - Kirloskar has made a significant difference across continents. To garner the most valuable asset - a smile of satisfaction.

We have adopted new Vision that reflects what we want to accomplish by the year 2025 and Values that will help us reach this objective.



KOEL Organization Structure





ABOUT KOEL Contd...

Corporate Governance

The Company firmly believes that the business is built on ethical values and principles of transparency. Good Governance is an essential ingredient of any business, a way of life rather than a mere legal compulsion.

The Company's philosophy of good Corporate Governance aims at establishing a system which will assist the management to fulfil its corporate objectives as well as to serve the best interest of the stakeholders at large viz. Shareholders, Customers, Employees, Environment, Society, Suppliers, Lenders etc.

This philosophy has been strengthened by adoption of a Code of Conduct as per Clause 49 of the listing agreement for Board of Directors and Senior Management, adoption of CII's Business Excellence framework, Code for prevention of Insider Trading and also re-enforcing our commitment towards Corporate Sustainability and adoption of the GRIs guidelines on Triple Bottom Line reporting.

Given below is the composition of our Board of Directors as of 31 March 2013 and 31 March 2014 (the Board composition remained unchanged):

Board of Directors (as of 31 March 2014)	
Executive Directors	Atul C. Kirloskar
	Gautam A. Kulkarni
	Nihal G. Kulkarni
	Rajendra R. Deshpande
Non-Executive and Non-Independent Directors	Rahul C. Kirloskar
Non-Executive and Independent Directors	U. V. Rao
	Pratap G. Pawar
	R. Srinivasan
	Dr. Naushad D. Forbes
	M. Lakshminarayan
	Anil N. Alawani
	Dattatraya R. Swar

The Board met 6 times during FY 2012-13 and 5 times during FY 2013-14. The Agenda is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to facilitate meaningful discussions and enable the Board to take appropriate decisions. As part of the process of good governance, the agenda also includes the progress on the decisions taken by the Board in its previous meeting(s).

The Board also, inter-alia, reviews quarterly/half yearly/ annual results, the strategy of business, annual operating plan, reports for all laws applicable to the Company, review of major legal cases, minutes of Meetings of the Audit Committee, review of internal control framework and risk management etc. The required information as enumerated in Annexure IA to Clause 49 of the Listing Agreement is made available to the Board of Directors for discussions and consideration at Board Meetings. The Board is also kept informed of major events/items and approvals are taken wherever necessary.

The Board has two committees, viz. Audit Committee and Share Transfer cum Shareholders'/Investors' Grievance Committee. The Audit Committee comprises of 4 Non-Executive Directors, majority of who are Independent. The composition of the committee is in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges. The Share Transfer cum Shareholders'/Investors' Grievance Committee is headed by a Non-Executive Independent Director as Chairman and other members of the Committee are two Executive Directors. The Committee has been constituted to look into shareholders'/investors' complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends etc. and redressal thereof.

Details of our Corporate Governance, including the Board of Directors, Board Committees, General Body Meetings and other disclosures regarding compliance of conditions of corporate governance are available in our Annual Reports at the following web-link:

<http://koel.kirloskar.com/annual%20reports>.



Awards and Accolades

We consciously strive towards excellence with the objective of offering best in class products and services, suite to our customer needs. Our manufacturing operations have consistently been recognized for quality delivery and operational excellence. Our Kagal Plant has received the CII National level 'Energy Efficient Unit' award, Top Prize for 'Best Performance in Energy Conservation' in Large Manufacturing Unit in Kirloskar Group as well as State Level Awards for 'Excellence in Energy Conservation & Management' 1st Prize in General Category by MEDA in FY 2012-13. Our Nasik Plant has been awarded the 1st Runner Up Prize in the 9th State Level MEDA energy conservation competition and the 1st Runner Up Prize in Small Manufacturing Unit in Kirloskar Group Award for FY 2012-13. Following are the key awards and recognitions we received during the reporting period:

- The Engineering Export Promotion Council (EEPC) conferred the 'Star Performer Award' to the Company for the fourth consecutive time. The award was presented by Hon'ble Chief Minister of Goa, Shri Manohar Parrikar in October 2012.
- The Company's Digvijay Quality Circle (Kagal Plant) won the Three Star award while the Lakshya and Utkarsh Quality Circles (Nashik plant) won the Two Star awards, conferred at an international level competition organized by the Malaysian Productivity Corporation, in Kula Lumpur.
- The Vijayshree Quality circle Team (Pune Plant) bagged the 2nd runner up prize at the INDIZEN -2013. INDIZEN2013 was the 4th National convention on operational excellence, which was organized by the Indian Business unit of the Kaizen institute, who are the global leader in operational excellence.
- The Engineering Export Promotion Council (EEPC) conferred the 'Star Performer Award' to the Company for the fifth consecutive year. The award was presented by Mr. P. K. Dash, Additional Chief Secretary Govt. of Madhya Pradesh.
- The Company's Agri and allied business unit has been awarded for 'Best Integrated Rural Marketing campaign' for its Varsha CNC pumpset campaign across India. This award was presented at the Asia Retail Congress held at Mumbai.
- The Company's Pune Plant I Crank shaft Descent Quality Circle won the 'Excellence Category Award' at the International quality Contest which was held at Taipei Taiwan.
- Akshay Lean Quality Circle (Pune Plant) bagged the Best of the Best Award at the State level annual Quality Circle Forum of India (QCFI) competition.
- The maintenance team's (Pune Plant II) KAIZEN, won the 2nd prize at National level in INDIZEN 2013 contest.



ABOUT KOEL Contd...



Memberships in Industry Associations

We are a member of several national and international industry bodies, where we participate in policy advocacy and discussions on issues relevant to our industry sector. Our Senior Leadership Team interacts with various professional bodies and organizations to anticipate and understand the economic scenario, industrial environment, future emission norms, government regulations and changes in the policies. These inputs are being used for defining future growth drivers and enabling new product development.

Following are some of the key associations of which we were active members in FY 2013-14:

- Bombay Chamber of Commerce and Industry
- Confederation of Indian Industry (Western region)
- Engineering Export Promotion Council
- Federation of Indian Chamber of Commerce & Industry
- Federation of Indian Export Organisation
- Indian Diesel Engine Manufacturers Association
- India China Chamber of Commerce and Industry
- Indo American Chamber of Commerce
- Indo German Chamber of Commerce
- Indo-African Chamber of Commerce & Industries
- Maharashtra Chamber of Commerce Industries and Agriculture
- The Automotive Research Association of India



OUR BUSINESS



OUR BUSINESS

Agriculture and Allied Business

Agri and Allied Business Unit			
Products	Applications	Segment	End Customer
3.2 HP to 28 HP engines & pumpsets	Argi Pumpsets, Threshers, Small concrete mixer	<ul style="list-style-type: none"> • Agri • Export 	Farmers, Agri OEMs

Our domestic agri business primarily comprises diesel pumpsets, although we also supply engines used in other products/applications such as concrete mixer, aerators etc. We are the market leader in diesel pumpsets with 17% market share, and we compete with both domestic manufacturers (both organized and unorganized) as well as Chinese imports.

Apart from a strong brand, our key competitive advantage lies in an extensive reach across the far corners of the country. Our agri range is available in over 5000 locations across 6000 retailers, along with the ability to deliver prompt and reliable service in all these areas. Our engines going into pumpset applications are the preferred choice amongst farmers because of their reliable performance which has been a key attribute for all our products. The range is from 3HP to 28HP and we sell over 1,20,000 engines annually.

Our new product ranges in the past year include Petrol-Kerosene pumpsets, AV1 XL air-cooled engine and Varsha High Discharge Pumps available in diverse power range.



Power Generation Business

Power Business Unit			
Products	Applications	Segment	End Customer
5kVA to 625 kVA as single unit & upto 3000kVA	Power Generation	<ul style="list-style-type: none"> • Retail, Hospitality • Auto, Education • Real Estate • Infrastructure • Industry 	Housing societies, commercial complexes, service segment, industry & infrastructure, cellular infrastructure companies

We are a market leader in the small and medium segments of the Indian genset market, with approximately 33% market share across these two segments. We specialize in manufacturing of both air cooled and liquid cooled diesel genset with power output ranging from 5kVA to 750kVA

and upto 3000kVA in multiple units. 'KIRLOSKAR GREEN' is the market leader & the most preferred brand in power generation industry.

An innovative & differentiated product was launched by KOEL to cater to the portable genset market with a rating of 5kVA under the brand name of 'Chhota Chilli' in 2012-13.

We have strengthened our presence in the lower ranges (375-625 kVA) of the large genset segment through our indigenously developed DV series of gensets and are in a strong second position in these segments we competes in, within the large genset market, with 13% market share. While the small engine market is more fragmented with many competitors, the medium and large segments see limited competition from a few MNCs and large Indian companies. Our range of gensets come with the reputation of reliable, fuel-efficient, supported by strong after-sales service (even in upcountry markets), thereby offering low-cost total cost of ownership for the genset user.

During the past year, we undertook several sales and marketing initiatives in this segment:

- PoT (Power of Ten) – Ten years of free service on key products.
- Improving product availability (through increased dealerships in untapped regions).
- Establishing 24X7 call centres for addressing customer grievances.
- Introduction of 'Bandhan' - Long term service engagement programmes for customers for trouble free DG performance.

Industrial Engines Business

Industrial Engines Business Unit			
Products	Applications	Segment	End Customer
30 HP to 355 HP	Backhoe, Transit Mixer, compactor, Excavator, Loader	<ul style="list-style-type: none"> • Industrial • Tractor 	Contractors, Mining Operators, Rental Operators, Construction Companies, Farmers

Our industrial engines cater to two broad segments – construction equipment and tractors. We are the market leader in engines for construction equipment, with a market share of 30%. A wide range of products – back-hoe loaders, excavators, motor graders, concrete pumps – seen on Indian roads and project sites are powered by our engines.

We are a niche player in tractor engines, as most tractor manufacturers use captive engines. In the past year, we successfully entered into 20 Ton excavator and motor grader equipment which was very well accepted by the market.





OUR BUSINESS Contd...

Large Engines Business

Large Engines Business Unit			
Products	Applications	Segment	End Customer
2400 HP to 11000 HP Daihatsu range 590 HP to 4048 HP	Stationary power plants (medium speed) & Marine	<ul style="list-style-type: none"> SPP Critical Emergency DG Power for NPP Defence Marine Commercial Marine 	Refineries, Continuous Process Industries NPCIL Navy, Coast Guard Shipyards, Ship Owners in India

The LEBG business segment, unlike our other business, is more in nature of project execution. The lead time to manufacture the large engine which ranges from 2,400HP to 11,000HP is quite high. These engines are used in the niche segments such as Stationary Power Plants, Propulsion of vessels for Indian Navy and in Coast Guard applications. Given high reliability of our engines, we have been the preferred genset supplier for NPCIL.

To ensure that the Company's high service standards are maintained and improved further, the Company has initiated following actions to improve the service levels:

- Online Monitoring of Maximum Time to Repair (MTTR) at Dealer level.
- Increased service outlets in un-represented areas.

- Formation of escalation matrix for delayed service.
- Introduced 'Bandhan' - Long term service engagement package to customers for trouble free DG.



Exports

Export Business Unit			
Products	Applications	Segment	End Customer
DV series, Engines & Pumpsets	Stationary, Mining, Cellular, Agri Pumpset	<ul style="list-style-type: none"> Power Generation Agri Industrial 	Infrastructure, rental, standby (hospitals, hotels and malls), Mining & Construction, Agricultural

Our international business supplies engines and generators to over 30 countries, for a wide range of applications such as gensets, agri pumpsets, mining and construction equipment. Middle-east and Africa are our largest geographies, accounting for over 85% of international revenues. We have a strong market presence with double-digit market-shares in specific markets such as Nepal, Lebanon, Zambia, South Africa, Sri Lanka, Qatar and Kenya.

Growth in exports is one of our key strategic objectives. We are in the process of exploring new markets to expand our exports footprint and have participated in several key exhibitions and advertised in various print media in order to build our brand recognition and value in the new markets.

Customer Support

Customer Support Business Unit			
Products	Applications	Segment	End Customer
Spare parts & Services	Power Generation, Agri, Off-Highway	<ul style="list-style-type: none"> Spares & Services for PG and AO 	Cellular, PG Customers, Agri Dealers, Construction equipment

Our commitment to provide quality service to all its customers continued unabated. An extensive network of 362 well-equipped service outlets spread across India ensured prompt and timely after sales service to all our customers. We see a continuing opportunity to provide quality service with optimum lead time to repair.

To ensure that our high service standards are maintained and improved further, we have initiated following actions to improve the service levels:

- Online Monitoring of Maximum Time to Repair (MTTR) at Dealer level.
- Increased service outlets in un-represented areas.
- Formation of escalation matrix for delayed service.
- Introduced 'Bandhan' - Long term service engagement package to customers for trouble free DG.

Project Unlock:

In FY 13-14, our Senior Leadership Team has initiated Project Unlock in a structured manner across the organisation covering business unit such as Power Generation, Industrial, Customer Support and Agri & Allied as well as support function such as manufacturing plant at Pune, Kagal and Rajkot and entire supply chain. This was based on a well thought-out approach to resolve the inherent conflict in the entire value chain resulting in missed opportunities. The primary objective of Project Unlock is to:

- Delinked from forecasting errors, replenishment based on secondary sales.
- Supply of finished goods as per consumption/market demand.

- Stocking of raw material based on defined Buffer Penetration Report.
- Right sizing of inventory levels across the entire value chain.
- Optimum capacity utilization.
- Expected growth in sales minimum 20%.

Following key benefits achieved on successful implementation of Project Unlock:

- Brought significant organisation wide transformation by changing the mind-sets from pushing primary sales to started focusing on increasing secondary sales.
- Inventory at dealerships end reduced by more 50 % for BRP items.
- Started Focus Inventory reduction at all levels - Lean/Need based inventory, essentially substantial inventory reduction in "white" pattern stock.
- Significantly improved Ex-Stock availability and On-Time Delivery reduced from 4 weeks to 1 week.
- Productivity improved.
- Minimised No Stock-out situations for BPR items, therefore safeguard loss of sales on account of non-availability at dealer end.
- RYG - Best and simple visual inventory management and alert system.
- Improved cash flow due to Need based inventory.



OUR BUSINESS Contd...



Strategic Sourcing

Supplier development remains a key focus area for the Company. Suppliers are an important link in the value chain and it is the partnership strength that will play a vital role in our growth strategy. We have, over the years, nurtured and cultivated long term strategic alliances with key suppliers. Their involvement in early stages of product development has augured well and led to useful value engineering and cost optimization.

Special efforts have taken on supplier training for Quality systems and Six Sigma Tools. The Supplier Quality Contest organized by us provides a platform for our suppliers to share their quality improvement projects and other best practices. Awards are presented to the winners as a token of recognition of their sustained efforts.

Supplier Development Initiatives

- Training on special processes like heat treatment, welding as per CQI guidelines were conducted for suppliers.
- Special training modules on manufacturing process, PPAP, cutting tools, energy cost optimisation, GD&T, MSA etc. were developed and imparted to them.
- Involvement of suppliers in early stages of product development has led to co-creations.

New Supplier Development

Supplier development activity was pursued in line with business necessity. An early involvement of suppliers translated into substantial improvements at the design stage itself. New suppliers were added to support various initiatives like technology up-gradation, new emission norms and cost optimization.

New Material Development

Use of alternate material was explored as a part of reliability improvement and Value Engineering initiatives. These have been introduced in both, present as well as new product development. These major material changeovers include:

- Usage of thermoplastic
- High temperature fasteners
- MLS and RCS gaskets
- Si-Mo exhaust manifolds

Research and Engineering

In order to meet customer needs, and remain competitive, we continue to invest in new product development programs and application engineering projects. Research often leads to innovative offerings that provide cost effective solutions and value engineering upgrades to our existing and prospective product lines. These offerings not only help open up new segments and markets but often are necessitated merely to conform to new regulatory standards and norms. We are confident of ensuring a smooth transition from CPCB I to CPCB II norms that has into effect from 1 July 2014, for engines and DG sets.

We work closely with legislative bodies, industry associations, customers and suppliers to identify opportunities for design, development and improvements of products.

These are some of the key Research and Development highlights from the reporting period:

FY 2012-13:

- Development of 2 ratings, compliant with BS III norms.
- Development, NOX certification of 9 engines by IRS.
- 2 new models for Power Generation and Industrial applications.
- In line with world trend of downsizing, the Company launched K1080 series products in PG market which are fuel efficient.



- The Company was able to conceptualize a product in lower kVA rating and successfully launch in the PG market.
- ARAI accreditation of emission test house.

FY 2013-14:

- Emission solution based on mechanical fuel injection.
- 4 – Valve per cylinder technology.
- Design methodology for mechanical strength and flows based on 3 Dimensional Analysis.
- Development of entire range of genset products meeting CPCB Stage II emission norms.
- Development of 2 new downsized models for Power Generation application.
- NSS2 certification of marine gensets and FM/UL recertification for engine models of fire pump application.
- New application development for excavator and tractor application.
- 2 new models of agricultural pump application.



OUR BUSINESS Contd...

Information Technology

We are making continuous investments in Business Process Automation and Information Technology. The key areas of our focus include Infrastructure capacity, data security, data centralization and business process controls. Our IT strategy is focused towards improving efficiency and providing a platform for a decision support system that will provide for a competitive sustainable advantage and all this while ensuring the highest level of data integrity and security. Work flow systems have not merely helped systematize work and helped in improved audit trails but also helped move towards a paperless office environment.

Our IT strategy is focused towards improving efficiency and providing a platform for a decision support system that will provide for a competitive sustainable advantage and at the same time ensure the highest level of data integrity and security.

CRM

- We invested substantial amount for implementation of CRM System for the channel partners, which will be live in FY 2014-15.
- The improved benefits as a result of an investment in CRM System will bring a clear visibility of secondary sales as it happens, customer service events and channel partners' response, enquiry pipeline and their progress till the order conversion, finished goods inventory at the dealers and so on.
- The visibility of secondary sales and inventory will help in optimising the channel inventory and aligning manufacturing processes with actual sales happening at the market place.
- CRM will also improve customer service to a significant extent.

Data Security and Business Intelligence

As more and more business data is getting digitised, proliferation of data size, data security, disaster recovery and perimeter security is becoming very critical. Initiatives like virtualization of desktops, intrusion prevention system, fire-wall high availability, bandwidth optimization etc. have been completed.

All our plants and offices are well integrated and are well connected to facilitate easy access of information. The bandwidth optimisation project also has ensured higher speed of data transfer with 99.7% uptime guarantee.

There are several improvement projects relating to the further strengthening the IT Infrastructure and Systems. Some of the major projects for next year include:

- ERP Upgrade to 12.1.3
- PLM Upgrade
- National Roll-out for CRM at all channel partners
- Virtualisation Phase 2
- ISO 20000 certification for data centre
- Network High Availability across all plants and Area Offices

STAKEHOLDER ENGAGEMENT





STAKEHOLDER ENGAGEMENT

Stakeholders are essential pillars of our business. We continue to engage with all our internal and external stakeholder groups in order to ensure effective two way communications, identify and address any concerns and work towards creating shared value. Our key stakeholder groups include customers, dealers and distributors, suppliers and vendors, shareholders, employees and the local communities around our manufacturing plants. We expect all the above stakeholder groups to use our sustainability report.

The identification of key stakeholders remains largely internal - heads of the different departments in our company weighted the stakeholder groups to identify the stakeholders who have a direct impact on our business. In doing so, they considered aspects such as extent of impact, frequency of interaction, systematic engagement process and identification of common concerns and aspirations. Engaging with these stakeholders also provides us with their inputs vis-à-vis issues and priorities for our sustainability. A summary of our stakeholder engagement is presented in the table below.



Stakeholder Category	Objective	Engagement Mode & Frequency	Key Topics
Customers	Develop relationship, Anticipate short and long term expectations, Capture day-to-day requirements, enhance KOEL experience	Annual Customer Satisfaction Survey, One to one interaction as needed, Regular Customer Meets, Helpdesk, Periodic campus, exhibitions and melas	Interaction of leaders with OEMs, GOEMs, domestics and overseas market distributors for developing long term plan, Leaders visit to domestics and international exhibitions to explore business opportunities
Dealers and Distributors	Expectations and needs sharing, Communicate KOEL policies and processes, Understand market conditions and requirements	Monthly/quarterly reviews, One-to-one interaction, Helpdesk, Regular dealer conferences and meets	Visits by functional heads, HOD CRE, QA and Application Engineering to various OEMs, GOEMs and distributors to understand training needs, identify cost reduction avenues, installing quality systems and audits
Suppliers and Vendors	Expectations and needs sharing, Quality, cost and delivery improvement, Sharing of ideas and best practices, Vendor recognition, Strategic partnerships and value creation	One to one interaction (need based), Supplier Meets (annual), Quality Audit, SQTF visit, 'Technology Day'	Initiation of joint cost reduction projects, process improvements, quality contests, developing new products, Kaizen events
Society and Local Communities	Good corporate citizen	Society Perception Survey (annual), Ongoing social welfare activities	Society related actions plans, Flagship CSR programs
Shareholders	Understand concerns and expectations, create higher shared value	Annual General Meeting, Chairman's and Director's Reports, Quarterly Results, Annual balance sheets, Press releases	Regular dissemination of financial performance data, Analyst Meets
Employees	Improve job satisfaction, Ensure career growth, training and development, Understand needs and expectations	Regular Open Forums, Employee Engagement Survey, Feedback from Unions, Apex Committees, 'myKOEL' portal	Review of HR plans and policies, Training plans, Employee rewards and recognition, EES Action Plan, Seventh consecutive wage settlement in row signed before the expiry of the previous one



MATERIALITY



Sustainability is an integral part of how we do business, and not an 'add-on' agenda. The aspects of economic growth, environmental protection and social responsibility are central to our corporate legacy and current business strategy. In our previous Corporate Sustainability Report for FY 2011-12, we had described our sustainability roadmap across the economic, environmental and social bottom lines, and we have achieved the targets during the reporting period.

As we move forward in our sustainability reporting journey, we have conducted an internal exercise to reset our targets for the coming years. Our senior management has identified target areas under each of our four material issues as listed below. We aim to set ourselves specific goals and timelines against these in the days to come.

1. Growth and profitability through product innovation and value chain enhancements

- Net Promoter Score

2. Reduction in energy and greenhouse gas footprint

- Energy per unit of production

3. Improvement in occupational health and safety indicators

- Total number of reportable accidents (i.e. lost-time injuries)

4. Community development through Corporate Social Responsibility (CSR) initiatives

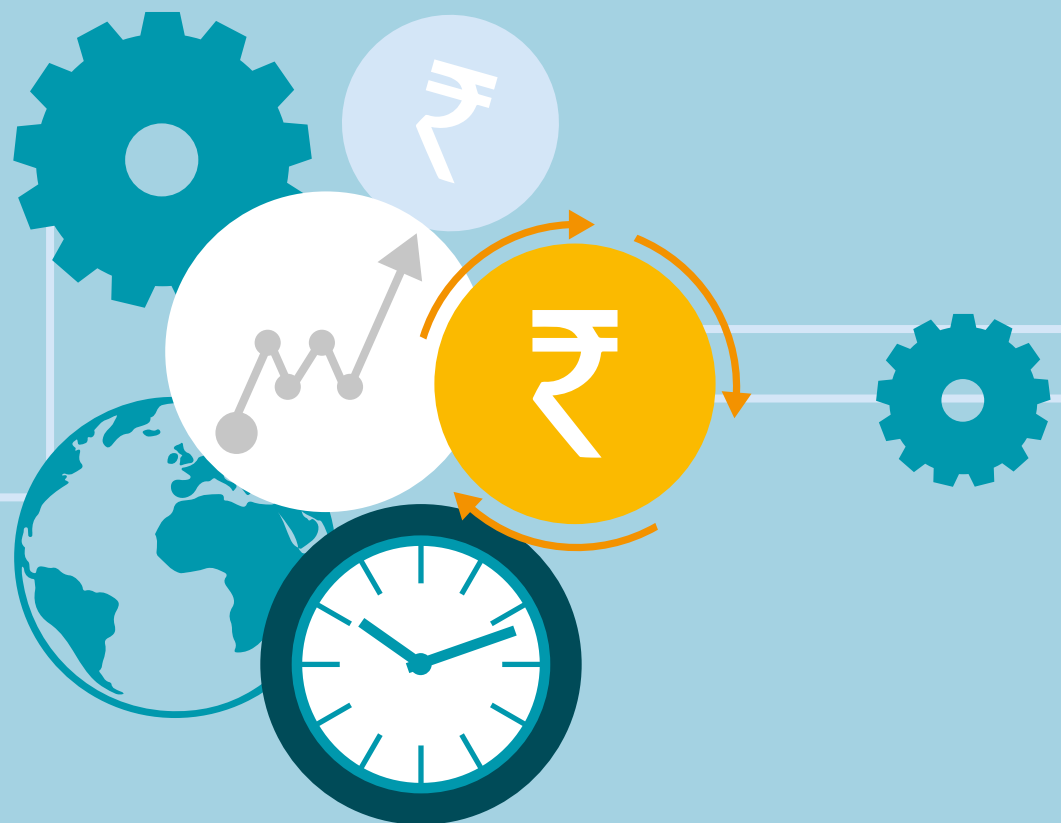
- Overall social perception survey index improvement over baseline

Our materiality has been guided by our Vision and Values, and has been finalized through inputs by our senior management. While we have not engaged external stakeholder specifically for the preparation of this report, their feedback collected through ongoing engagement has been considered in our materiality assessment. Our process has been guided by the GRI G3.1 Reporting Principles for Defining Content.

In the next reporting period, we aim to make our sustainability disclosures more aligned with our material issues and future roadmap by adopting the GRI G4 sustainability reporting guidelines and the materiality principles thereof.



ECONOMIC PERFORMANCE



During the year 2012-13, we achieved sales of INR 2,319 crores as against INR 2,276 crores for the previous FY showing a marginal growth of 1.9%. However, a sizable reduction in finance costs together with cost optimization and efficiency improvement programs ensured a healthy improvement of 24% of net profit from operations (before exceptional items). The operating profit before tax and exceptional items in 2012-13 FY was INR 290 crores as against INR 233 crores in the previous year.

FY 2013-14 has been yet another challenging one. For the first time in 20 years, the country witnessed two successive years of sub 5% growth. High inflation, low industrial

output, high rates of interest and rupee depreciation continued to plague the country's economy. This, together with delayed and excessive monsoon affected the performance of almost all business segments in which we operate. The net revenue from our operations witnessed a marginal dip from INR 2320 crores to INR 2287 crores. Profit from operations (before exceptional items) was INR 243 crores as against INR 290 crores in the previous year. The Profit after Tax was INR 178 crores as against INR 199 crores in the previous year.

Component in Crores (INR)	FY 2012-13	FY 2013-14
Economic Value Generated		
Revenues	2396.83	2357.80
Economic Value Distributed		
Operating Cost	1658.98	1642.42
Employee Wages & Benefits	154.38	162.58
Payments to providers of Capital	86.47	8502
Payments to Government	76.38	69.37
Community Investments	2.55	2.61
Marketing, Administration & Other Expenses	196.12	207.47
Economic Value Retained	221.95	188.33

Further details of our economic performance, including Business Unit wise details, are available in our Annual Reports for FY 2012-13 and FY 2013-14 at the following web-link: <http://koel.kirloskar.com/annual%20reports>.

ENVIRONMENTAL PERFORMANCE



Our Approach

Responsibility towards the protection of our natural environment is very important to us. It is our constant endeavour to seek opportunities to reduce and/or mitigate the environmental impacts from our manufacturing operations. Our environmental strategy is guided by the Environmental, Occupational Health and Safety (EHS) Policy as well as the Energy Policy. We have adopted Integrated Management System, under which all our plants are certified with ISO 9001:2008 (Quality Management System), ISO 14001:2009 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System).

Material Consumption

Our material consumption primarily includes raw material for the purpose of casting and forging, as well as other semi-manufactured goods that feature in our final products. In FY 2012-13, our total material consumption was about 31957 tons, and that in FY 2013-14 was about 30110

tons. In addition, about 100 Tons and 4807 kilo litres of associated material were used during the reporting period in our manufacturing operations. We also consumed a total of about 835503 cubic feet of wood as packaging material of our finished products during the reporting period.

Energy Use

Our key sources of direct energy included Liquefied Petroleum Gas (LPG), Furnace Oil and Diesel. The details of direct energy consumption by plant and by source are presented in the chart and table below. In addition, we also consumed minor quantities of Biogas and Natural Gas at our plants. Our total energy consumption is summarized below:

	FY 2012-13	FY 2013-14
Direct Energy (TJ)	62.90	88.8
Indirect Energy (TJ)	63.30	45.67

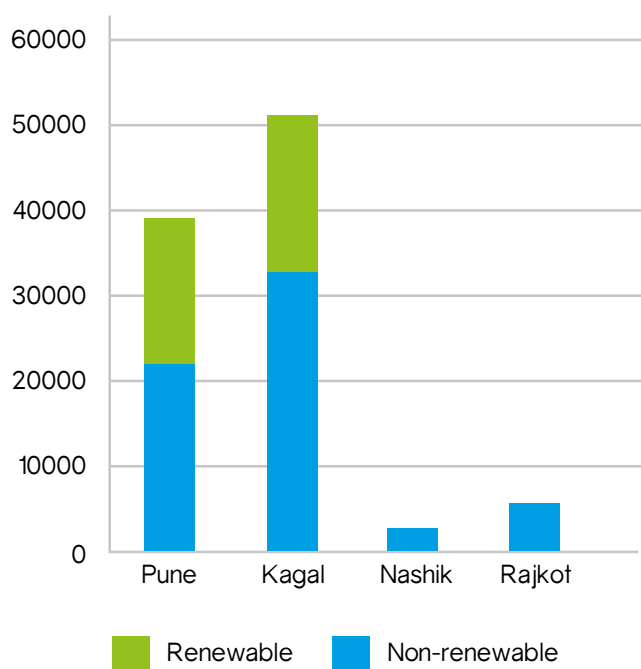
Direct Energy (TJ)								
Source/ Location	Pune		Kagal		Nashik		Rajkot	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
Diesel	22.7	18.8	21.6	19.1	6.1	12.9	3.5	32.1
LPG	0	0	6.8	5.0	0.2	0.2	0	0
Furnace Oil	0	0	1.8	0.73	0	0	0	0

Our indirect energy is met through electricity purchased from the grid. We have existing agreements to purchase renewable energy (from wind farms) as part of our grid supply. It is our constant endeavour to increasing the percentage of renewable energy consumed at our plants. Our total indirect energy consumption for FY 2012-13 and FY 2013-14 was 97,432.4 kWh and 79,350 kWh, out of which 35% and 42.6% of electricity was sourced from renewable (i.e. wind) energy respective. The following charts show the indirect energy consumption across our plants for FY 2012-13 and FY 2013-14.

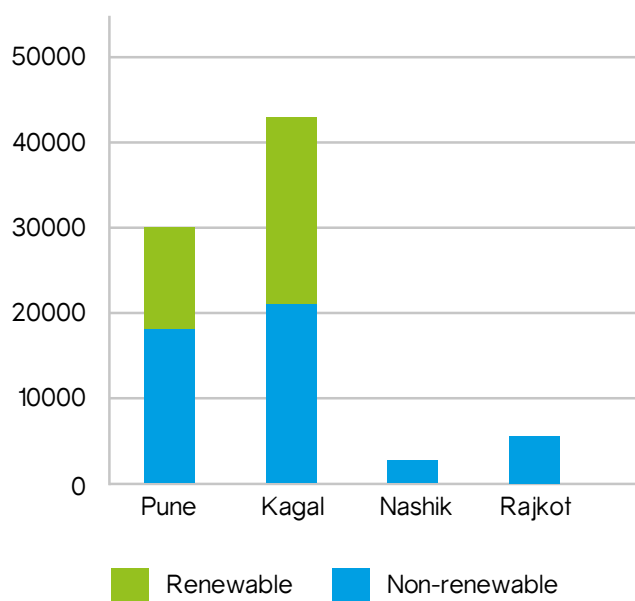


ENVIRONMENTAL PERFORMANCE Contd...

Indirect Energy Consumption
(GJ) FY 2012-13



Indirect Energy Consumption
(GJ) FY 2013-14



Energy Conservation

We are committed to optimizing the use of energy in operations and also bring about continuous improvements in the efficiency of processes and products through use of energy efficient and renewable energy technologies.

In FY 2012-13 and FY 2013-14, we conserved an estimated 2,949,129 kWh and 2,011,888 kWh units of energy respectively. Listed below are some of the key initiatives undertaken in this regard across our plants in the course of the reporting period.

Pune Plant:

- Removal of the under loaded transformers with load shifted to other transformers to reduce transformer losses (SL90, Bearing shop)
- Optimizing Lighting feeder voltage through voltage controlling system
- Energy conservation by installing LED Street lights

- Separate low pressure air grid for component cleaning application
- Installation of timer in paint booth for degreasing pump in order to switch off pump during idle period
- Reduction of energy by installing descaling unit to reciprocating compressor
- Optimizing test cycle of various engines thereby reducing diesel consumption
- Use of cold washing media for Semi-finish Washing machines, there by switching OFF the electrical heaters
- Replacement of Sodium Vapour Street lights by LED type street-lights
- Switching off partially loaded transformer of DV plant after reduction of load

- Switching off of Hydraulic power pack for aluminium dies and holding furnaces
- Use of CNG gas for canteen cooking
- Use of Timer circuit for paint booth heaters

Kagal Plant

- Air Optimizer for compressed air circuit to maintain air pressure
- Installation of VFD's for CNC machine coolant motors, paint shop blower motors
- Replacement of old coolant pumps with low power Energy efficient pumps
- Installation of Solar Steam Generator for Canteen cooking
- LED Street Lighting
- Power saving logic modification for HA and R1040 Crank Case line machines to stop conveyor during idle running
- Use of one motor instead of two coolant motors by Logic modification
- Main power and air supply cut off during idle runs for all Special purpose machines on Connecting Rod, HA and R1040 Cylinder Head lines
- Construction of New office building with Energy Efficient VRV Air Conditioning System, Energy efficient LED and T5 Lightings, Maximum utilization of Daylight
- Solar Lighting for Bio-gas plant
- LED High-bay lighting for Genset plant expansion project
- Installation of LED High-bay lamps for GENSET expansion project resulted into energy conservation
- Installation of 3000 CFM HT Centrifugal Compressor in expansion project
- By using 3-way valve, process and compressor

cooling towers interconnected, to utilize excess cooling capacity whenever available, which helped in stopping one cooling tower

- Reduction in electrical consumption for compressed air by using Air Optimizer
- LED street lighting
- Installation of VFD for Powder coating booth blowers, Water Drying Oven (Pre-treatment Line) blowers and Camel Back Oven blowers
- Replacement of old coolant pumps with low power energy efficient pump
- Optimizing test cycle of various engines thereby reducing diesel consumption

Nashik Plant

- Replacement of electromechanical system by electronic drives during reconditioning of Skoda machine
- Conversion of Stress Relieving furnace from Diesel fired to Gas fired
- Energy saving by reconditioning of cooling tower
- Use of Energy Efficient Dryer in de-burring section
- Installation of 5-star rated Energy Efficient Air Conditioner

Rajkot Plant

- Installation of VFD drive for reciprocating compressor to save power
- Installation of Single phase Servo Voltage Stabilizer for lighting system for entire plant
- Improve water quality of compressor cooling by modification in water line to improve efficiency of heat exchanger in compressor
- Installation of solar panel to use hot water on washing machine and minimize power utilization
- Installation of VFD for Engine Painting blowers to



ENVIRONMENTAL PERFORMANCE Contd...

save power

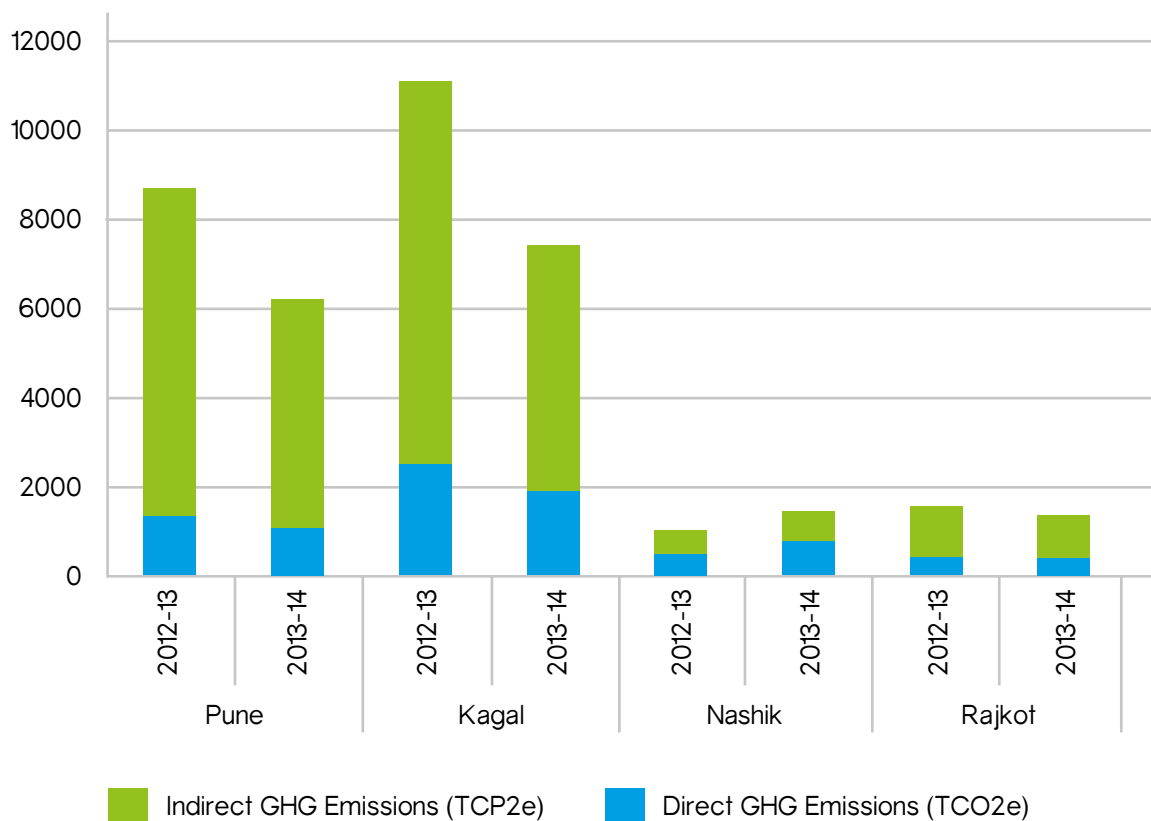
- Installation of auto timer panel for Engine testing Lighting system to avoid energy wastage
- Implementation of Energy efficient lights at cubical test cells
- Use of energy efficient pumps for cooling tower instead of existing pumps
- Controlling of office lighting by installing auto timer circuit
- Copper ballast replaced by Energy Efficient Electronic Ballast

Greenhouse Gas Emissions

As an environmentally responsible company, we are conscious of the greenhouse gas emissions emanating from

our manufacturing operations. An important aspect of managing our emissions is to measure our footprint on a regular basis. In this regard, we have conducted a greenhouse gas footprint analysis for both the years in the reporting period. In FY 2012-13, our direct and indirect GHG emissions were 4779.36 TCO₂e and 17544.86 TCO₂e respectively. In FY 2013-14, our direct and indirect GHG emissions were 4460.26 TCO₂e and 12010.45 TCO₂e respectively. Through the energy conservation initiatives described above, we have been able to decrease our greenhouse gas emissions across all plants.

GHG Emissions in TCO₂e



Water Consumption and Recycling

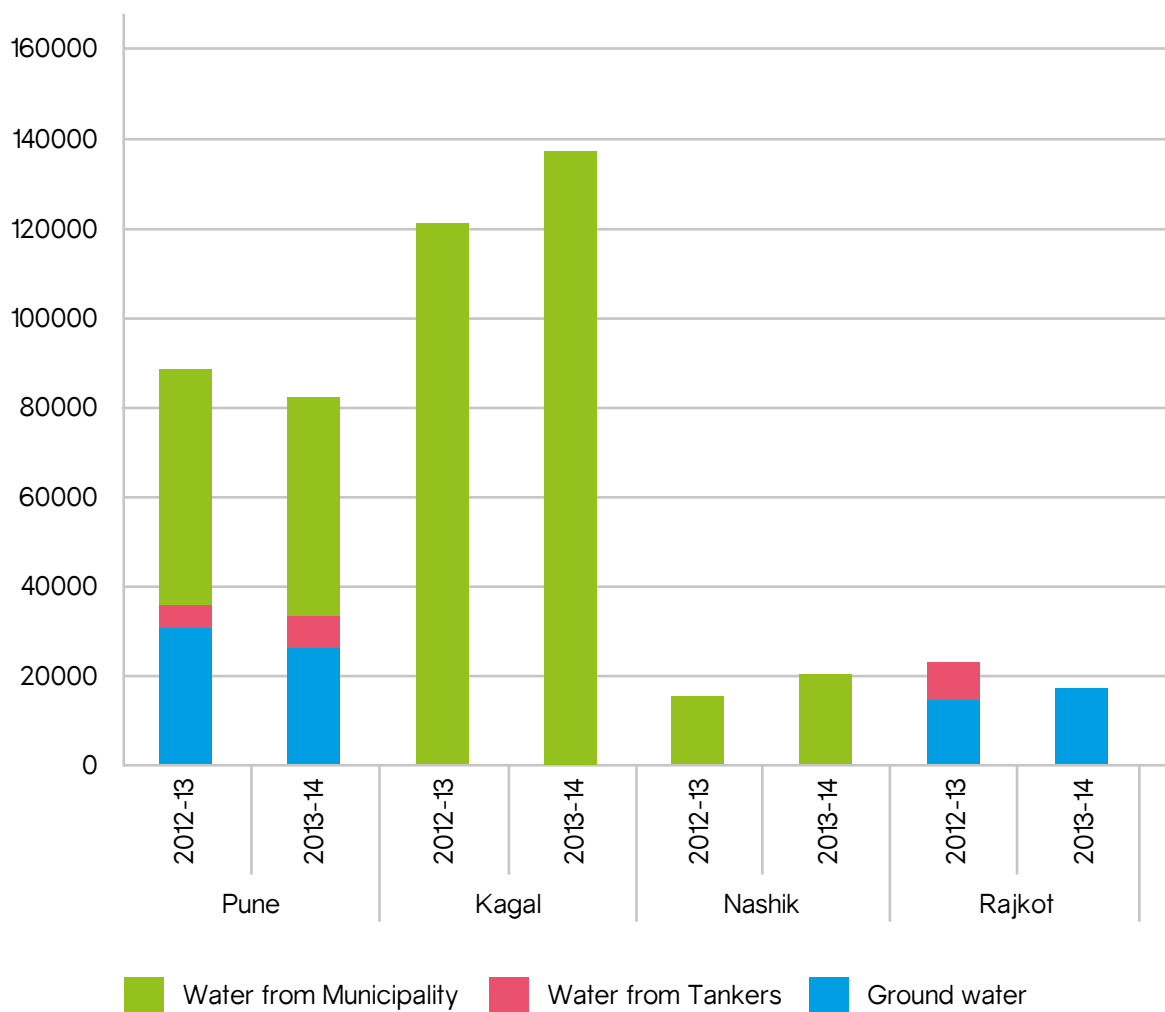
Water use efficiency and conservation is another important aspect of our environmental responsibility. We continue to closely monitor the water use at all our plants, seek opportunities to optimize our water footprint and contribute to water sustainability by harvesting rain water.

Majority of our water is either groundwater or is supplied by municipalities, while a smaller proportion is purchased via tanker supply. We do not directly withdraw water from any water body, and hence there has been no impact on any water body due to our operations. There has been no

known significant impact on any water body due to our water withdrawal. Our total water consumption for FY 2012-13 and FY 2013-14 was 247,710 cubic meters and 257,501 cubic meters respectively.

All our plants are 'zero discharge' plants, i.e. the treated effluent is used for gardening purpose within our campuses and no discharge leaves the premises. A total of 78,916 cubic meters and 58,731 cubic meters of water was recycled across our plants in FY 2012-13 and FY 2013-14 respectively.

Water Consumption





ENVIRONMENTAL PERFORMANCE Contd...

Emissions and Waste

We use certain allowed Ozone depleting substances (ODS) for refrigeration/ air conditioning purpose within our plants. In FY 2012-13, we used a total of 94.5 Kgs. of R-22 gas and in FY 2013-14 we used 74.5 Kgs. of R-22 and 8.75 Kgs. of R-134A gas.

As part of our environmental regulatory compliance, we regularly monitor air emissions of pollutants such as Suspended Particulate Matter (SPM), Sulphur Oxide (SOx) and Nitrogen Oxide (NOx) from stacks as well as the ambient air quality in our plants through an independent third-party laboratory. During the reporting period, our emissions and ambient air quality were within the permissible limits.

Our manufacturing plants generate waste material of hazardous and non-hazardous nature, which is disposed through authorized external agencies as per the applicable regulations. The following table presents the waste disposal details from the reporting period.

Year /Waste	Hazardous Waste			Non-hazardous Waste
	Tons	KL	Numbers (barrels)	Tons
2012-13	538.5	160	10025	5108.9
2013-14	337.3	104.4	8897	4679.8

Environmental Protection Expenditure

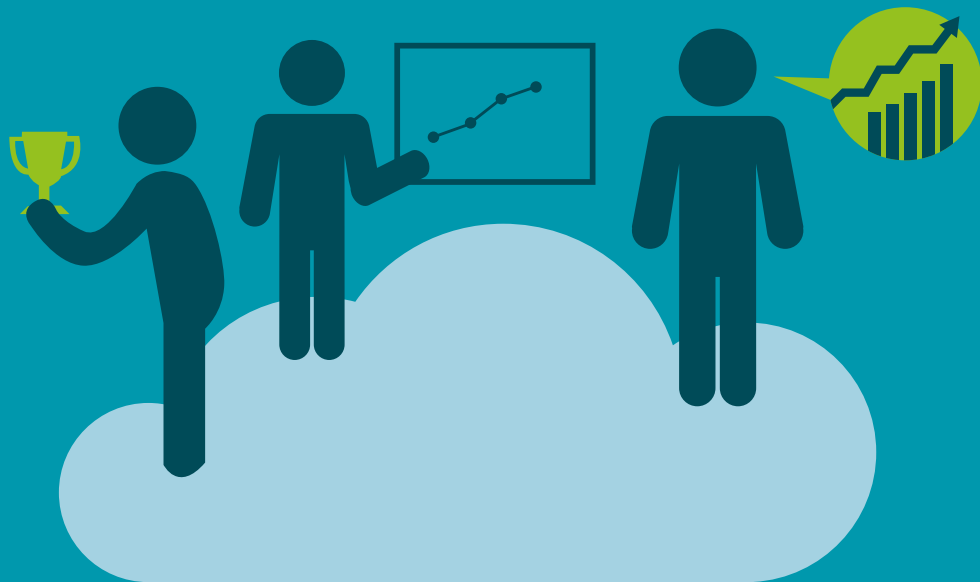
We make significant monetary investment in the managing our impacts and protecting the natural environment. These expenditures include, but are not limited to, treatment of emissions, effluent and wastes, personnel for environmental management activities, external certification and others services for environmental management and other environmental costs. In FY 2012-13 and FY 2013-14, our total environmental protection expenditure amount of 224.5 Lakhs and 200.6 Lakhs Indian Rupees.





As part of our environmental responsibility, we inaugurated the new Administration building at our Kagal plant, which has been built as per Green Building norms, and is currently undergoing the green building certification process

SOCIAL PERFORMANCE





SOCIAL PERFORMANCE Contd...

Our Approach

We consider employees as our most valuable resource, and key to the long-term sustainability of the company. It is our constant endeavour to make workplace culture conducive to the well-being and overall development of all our employees. We encourage diversity not only in the prevalent terms of gender and age group, but also with respect to diversity of thought and perspective that employees bring to their work.

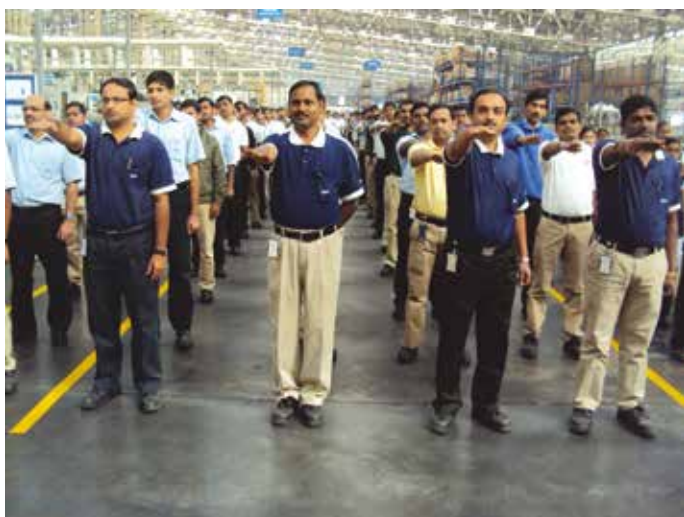
Health and safety of all our employees and contracted workmen continues to be an area of high focus within our company. We provide numerous opportunities for ongoing training and development to employees, as well as mentoring and performance counselling in order to support their growth within the organization. All our operations and activities are governed by the inherent values of the company as well as the laws of the land concerning human rights. In February 2014, we evolved a comprehensive policy for Prevention of Sexual Harassment of Employees in line with the law passed by the Government of India in this regard. The broad objective of this policy is to ensure that the employees at all levels can work together in an environment free from gender discrimination, violence and harassment on the basis of gender and ensure that all are provided with equal opportunities for expression and progress.

We have adopted formalized mechanisms of engaging with our employees on a regular basis in order to effectively communicate the company's expectations and understand their views and concerns.

This section of the report presents highlights and performance disclosures pertaining to our employee engagement, employment details, learning and development, and occupational health and safety.

Employee Engagement

We began measuring employee perceptions through Employee Engagement Surveys (EES) by external agency in the year 2004, conducting it every alternate year to capture the perception and expectations of our employees. The survey is administered by Aon Hewitt across all locations for all managerial employees and team associates in English and Marathi respectively. The results are shared with managers at all locations, and issues at the organizational level are addressed by the senior management. The survey scores trigger action plans in various workgroups, and the Human Resources function facilitates the interpretation of findings.





SOCIAL PERFORMANCE Contd...

EES Attributes

Engagement Behaviors	Action Areas	Drivers
Say – Consistently speak positively about the organization to co-workers, potential employees and customers	People	Senior Leadership BU/Functional Leadership Manager/co-workers Customers
Stay – Have an intense desire to be a member of the organization	Work Activities	Resources Sense of Accomplishment Work Tasks & Work Practices
Strive – Exert extra effort and engage in behaviors that contribute to business success	Total Rewards	Pay & Recognition Benefits
	Company Practices	Organizational Reputation Brand Alignment Managing Performance People/HR Practices Communication Autonomy/Choice & Safety
	Opportunities	Career Opportunities Learning & Development Career Aspirations
	Quality of Life	Work/Life Balance

We recognize our employees are our most valuable assets and hence attach great importance to their selection. It is done with extreme care to match them with the organization requirements. We strive to attract the right people, retain the better ones and advance the best. Our basic philosophy is to provide equal opportunity to each employee to learn, grow and develop, irrespective of gender or religion. Our engineers and managers are recruited from across the country through a transparent process involving a team of professionals from different disciplines. To ensure that we capture feedback from various internal as well as external customers, along with the EES, various in-house surveys, like IT survey and Finance surveys were conducted. Various actions plans have been initiated based on the outcomes of these surveys.

Business and Function Heads encourage employee involvement, alignment and empowerment through various organization wide improvement initiatives such as Safety Week Celebration, Quality month, ENCON, Project Unlock, Mr. Customer, Six Sigma, QC Circles, Kaizen and 5S.

These improvement platforms have enabled for nurturing and promoting culture of excellence across the company. Our employees, at various levels, have shown their deep commitment towards demonstrating our Values by taking up 'Values Projects' addressing specific set of values. These projects are published in the company intranet - 'myKOEL' for the purpose of sharing and learning. We have identified several top-down, bottom-up and horizontal communication channels for our employees, including Daily Flow Meeting, Sun Rise Meeting, Gemba Meeting, myKOEL portal, Yammer etc.

KOEL has been always encouraging the appreciation for the efforts made apart from results. Thus to acknowledge a noteworthy contribution by anyone in the company, On the Spot Appreciation (*which comprises an Appreciation Card and Sodexo gift vouchers*) is introduced. The appreciation is recommended by M2 and above managers. Their decisions are self-scrutinised while the citations are gathered by HR at organisational level for analysis and learning. This recognition can be cross-functional as well.

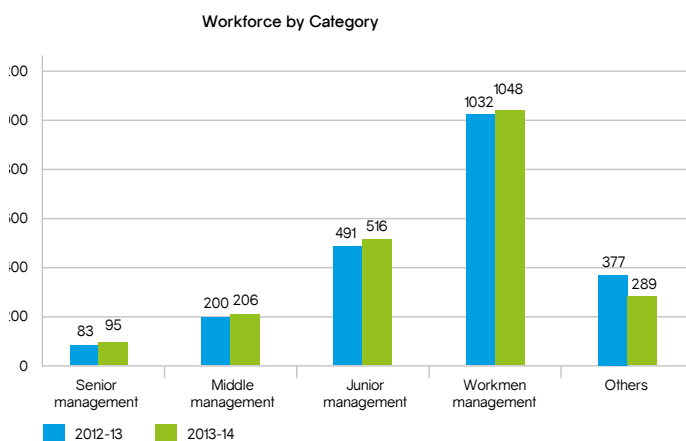
Various facilities such as hospitalization and medical, scholarship for employee's children, annual gifts, and Parivar Surkshna Yojna are a few examples of the employees being cared for. We believe that excellence in performance is a result of striking right balance between Professional and Personal life. A policy on Flexi time and Birthday Special Holiday has enabled Work Life Balance. Employees are encouraged to take compulsory leave of 15 days in a year.

Family Visit Program at Kagal

At Kagal Plant, we recruit fresh BSc Graduates to work as operatives on the shop-floor as well in services, and they are known as Team Associates. They join as Trainees and subsequently on successful completion of the training period, they are absorbed in the Permanent Team Associates cadre.

Employment Details

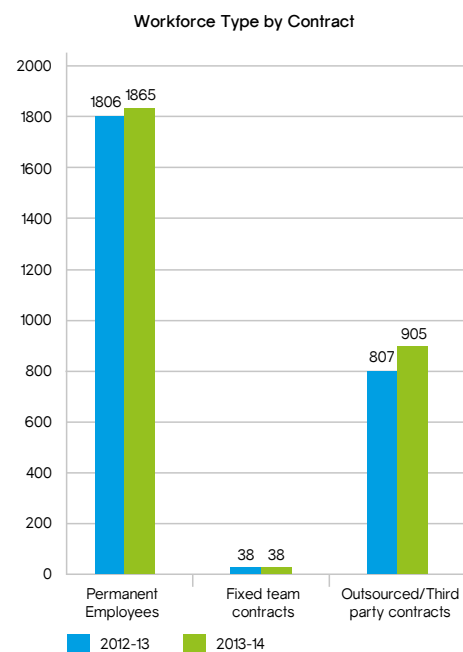
The following charts provide the details of our headcount and new hires for FY 2012-13 and FY 2013-14.



At the time of their absorption as Permanent Team Associate, we invite their parents to our plant by sending a formal letter and arrange buses for transport.

We formally welcome them with flowers at our plant, followed by an introductory presentation on KOEL. Post this, there are interactions in presence of senior leadership and confirmation letters are distributed by the hands of parents. The parents are also shown shop-floor and served lunch. At the end a formal feedback is taken from them about the overall program.

This program helps us to create the bonding not only between the company and employees, but also with their family members. This program has also led to a reduction in the attrition rate and instances of indiscipline/misconduct.

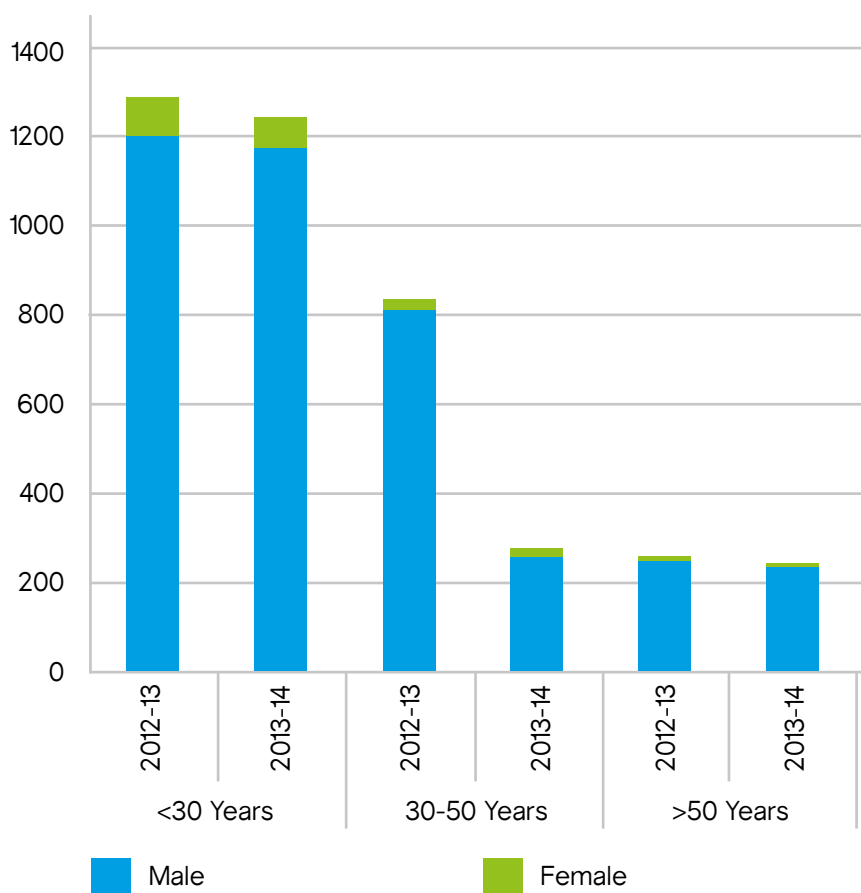




SOCIAL PERFORMANCE Contd...



Employee Distribution by Gender and Age Group



A total of 553 new employees were hired in FY 2012-13, comprising of 519 male and 34 female employees. Similarly, in FY 2013-14, a total of 500 new employees joined our company, comprising of 473 male and 27 female employees.

We continue to maintain healthy and harmonious industrial relations. At our Pune plant, beginning with 1995 till 2013, we have signed consecutively seven Wage Settlements before the expiry of the earlier settlements, without losing even a single man-day over five decades. This is a unique achievement for any manufacturing company in India. The agreement signing function symbolizes the remarkable harmony between the management and the Rashtriya En-

gineering Shramik Sangh (RESS). Note of the same has been taken by Limca book of Records in 2011. We continue our endeavour where efforts are being made to create a transformational industrial relations culture, under which self-driven and passionate employees align themselves to organisational goals, while their fair expectations are proactively met.

Learning and Development

We have adopted a structured approach for engaging with each business unit and functions for identifying training needs through annual appraisals, business specific requirements and individual development plans. Based on



SOCIAL PERFORMANCE Contd...

these needs, various initiatives of learning and development such as role mapping and competency identification, internal training, external training, on-the-job training, has been adopted to fulfil the training and development needs of individuals and teams. The Human Resources function has also initiated focussed steps for training on multi-skilling, leadership development, succession planning process to facilitate mobility & employability.

KOEL HR has developed systematic approach for making changes in business unit structure for bringing 'marketing focus' in order to achieve organisation growth plan and ensure organisation agility so as respond quickly to external environmental changes and capture leadership position in the market especially when entering into new market segment. E.g. in Power Generation business introduction of 'Product Manager' position as well as constructing entire 'Marketing organisation' with clear focus to capture customer's requirements and bring customer focus approach in entire value chain. HR has deployed a structured approach for succession planning exercise for critical positions as well as for career development for its employees. While initiatives of career development, key critical positions are being identified at senior levels and successors are developed to take up these positions. Employees from GM level and above are groomed to take-up leadership roles through leadership development.

Training needs are identified through annual appraisal process after which training cell at Human Resources consolidates training requirements. This forms the input for preparing the Annual Training calendar. This calendar is released on quarterly basis and communicated via myKOEL intranet and subsequent mail. It combines functional, technical, and behavioural topics. To meet the intended objective Human Resource plays a vital role in customizing training programs and by making use of internal and external resources. For specialized needs, employees are sponsored for external programme.

Development Centres were conducted for managers recommended for promotion under Promotion Policy and for high performers of Sales and Marketing BUs.

At Kagal, 'Gurukul' is a platform created to release full potential of the Team Associates. In first stage, basic fundamental skills are imparted, where training on safety, quality, job specific technical skill and human resource process is provided. In stage two, training on elementary skills is provided while stage three focuses on standard work.

A total of 11,431 and 16,562 training man-hours were provided to all our employees, team associates and contract labour in FY 2012-13 and FY 2013-14 respectively.

My Work My Life

This is a behavioural training program, designed keeping in mind the age group (Gen Y) of Team Associates (employed at Kagal Plant) and their level of interactions with other family members due to the present family structure, life styles, amount of time spent by them on social networking sites, mobiles, games etc. In view of this, in many cases there is disconnect/indifference with others. That may affect their relationship with other members at workplace also. Hence there is need to bring an alignment/engagement of these minds with the organisational requirements/goals.

This program makes them aware about various roles in life e.g. professional life, life as a family member and member of society (and many other sub-roles under each of the three main roles). It also explains the importance of taking care of/nurturing all the relationships/friendships and some practical tips how to do that. This will help the employees to live enriched life, due to healthy relationships in all aspects of life. By this, it is expected that they will work as a responsible member of organisation, family and society and better employee relations at workplace and their active involvement in all the initiatives.

In Financial Year 2013-14, all the team associates have been covered and they have expressed their gratitude towards the Company for bringing this awareness.

Achievement Motivation

This is a behavioural training workshop designed for Team Associates at Kagal Plant.

The 'Achievement Motivation Training Workshop' helps participants to set goals and also creates proper and effective achievement motivation. It also makes them aware of the processes required to achieve goals. First, they are made aware with many examples as to how they are accountable for defining and setting their own goals and then awareness is brought positive, rational attitude also.

In a pleasant manner, participants are made to analyse in such a way that they become more proactive and able to achieve self-esteem. They are also trained for self-inspection through innovative way which breaks the limiting frames created by them over the years. It also makes them aware about value system which strengthens their decision power. It increases their worth, respect in their Career-Family-Society. At the end, participants are given insights on controlling their own will power for better results. They are asked to prepare 'Action Plan for next 90 Days' as an assignment post training workshop. If their action plan is monitored periodically, it will give more desired results. In Financial Year 2014-15, nearly 100 team associates have been covered in three batches and balance will be covered in the coming months.

Occupational Health and Safety

The health and safety of all our employees is a key focus area in our company. Enhancing safety awareness amongst employees and reducing the number of safety related incidents continue to be our key targets.

Our Corporate Safety Department conducts safety trainings across all plants, which include the aspects of Basic Safety, OHS Risk assessment, OHSAS, Safety in Material Handling Safety KAIZENS and Safety Operational Controls at the line management level. Corrective actions are ensured based on the Safety Audit/Inspections findings as well as based on proactive safety observations by line managers.

We have developed and implemented 'On-line Accident Reporting System' (ARS) for better access and quick communication of accidents across locations. The system is live on our internal IMS portal, and all our employees have access to this data. By adopting the On-line Accident Reporting System, no paper copies of internal accident forms are required to be generated, and real-time tracking of status of accidents is possible through our internal portal. Accessibility of accident information across all 4 factory locations is also expected to enable sharing and mutual learning leading to safety improvements and reduction in unsafe conditions/acts.

As part of our commitment to workplace safety, we regularly circulate safety guidelines across all our plants and also conduct various activities, competitions as well as Safety Week celebrations. Going forward, we plan to evaluate the feasibility of implementing a Behaviour Based Safety (BBS) System in order to reduce the number of accidents occurring on account of unsafe behaviour.

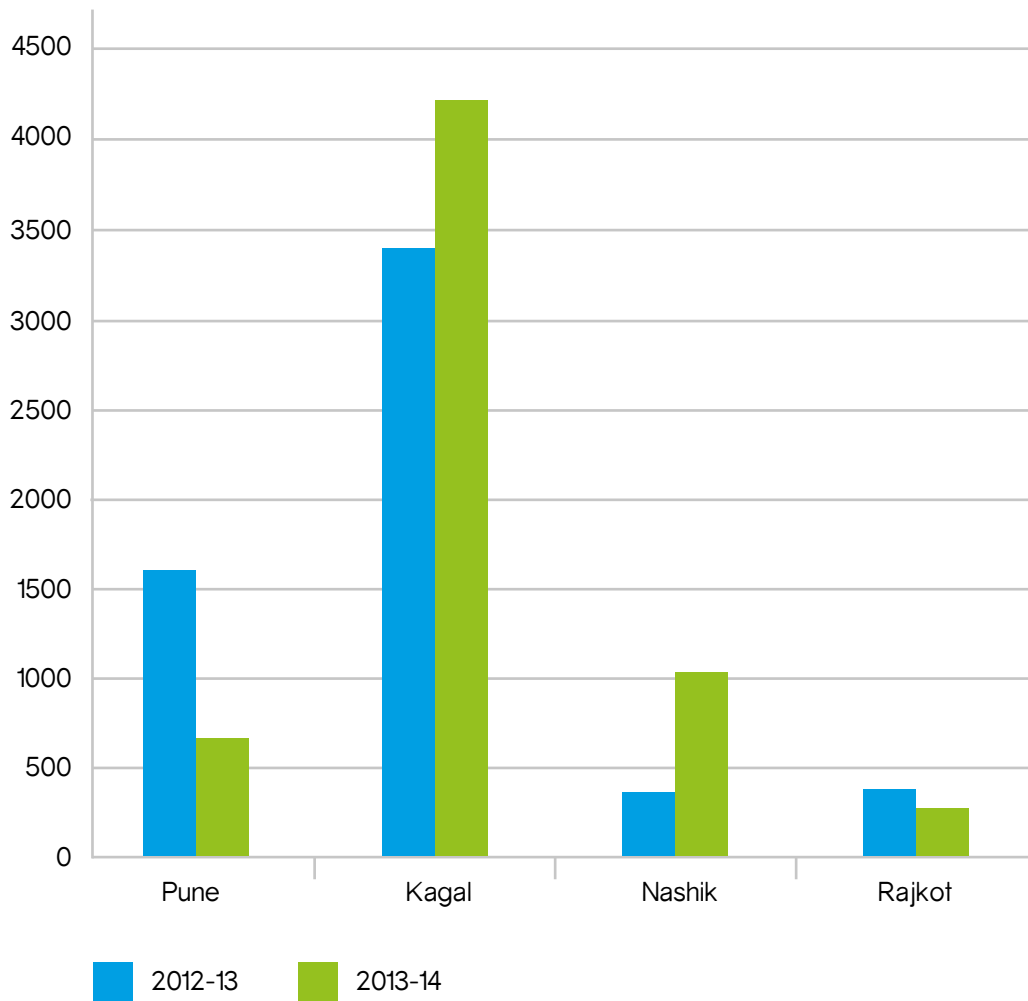
Some of the key EHS training programs during the past year are listed below:

- Basic Safety Awareness
- Safety in Contract activities (Work at Height, Hot Work, Excavation)
- Accident Reporting & Investigation
- Hazardous Work Permit
- HIRA Awareness
- Safety in Material Handling
- Safety in Forklift Operation
- Safety in Cranes/lifting machines
- Defensive Driving
- EHS (Environment, Health & Safety Legislation)
- EMS/OHSAS Awareness
- Fire Fighting
- First Aid (External faculty)
- EMS & OHSAS Internal Auditor Training (Internal faculty)

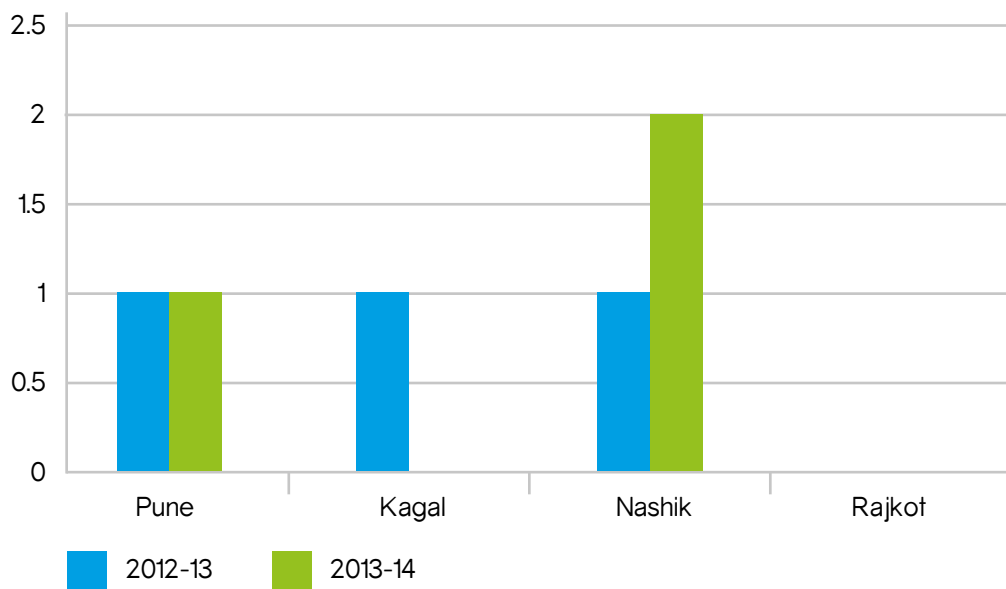


SOCIAL PERFORMANCE Contd...

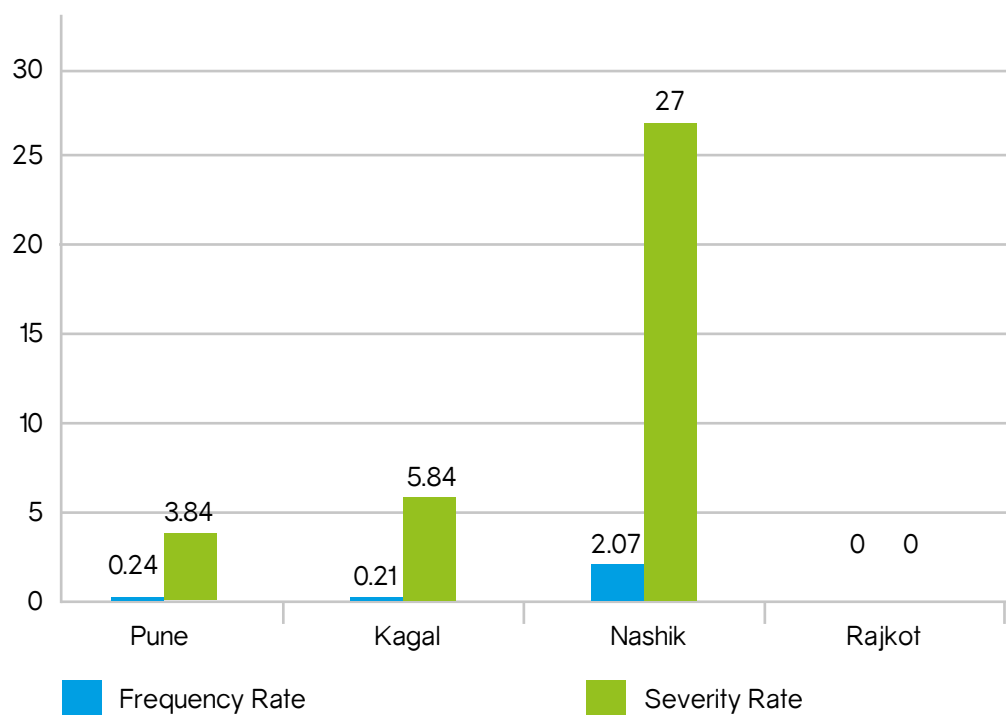
EHS Training Man-hours



Reportable Accidents



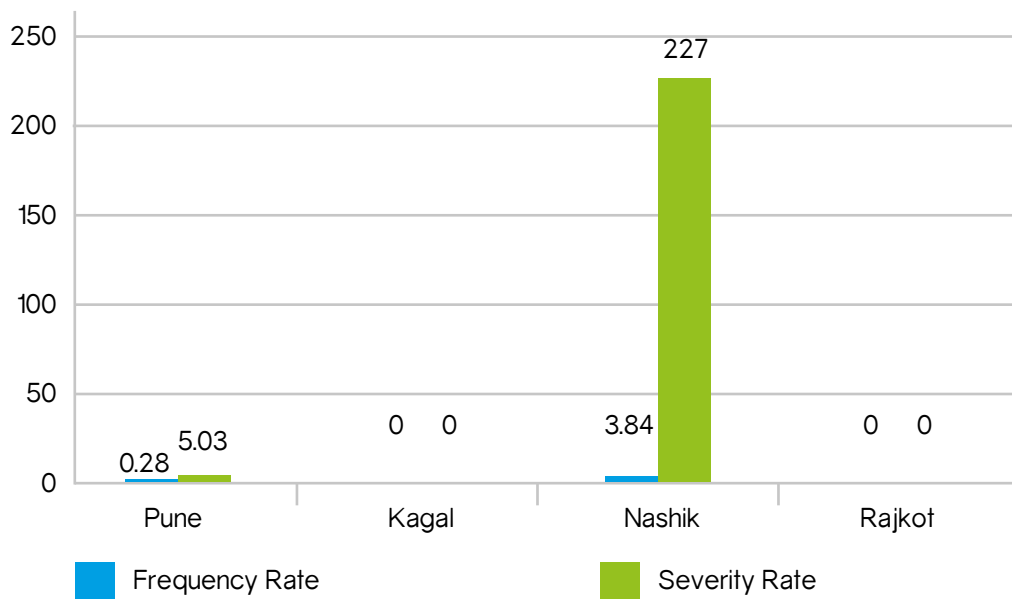
Frequency Rate (FR) and Severity Rate (SR) FY 2012-13





SOCIAL PERFORMANCE Contd...

Frequency Rate (FR) and Severity Rate (SR) FY 2012-13



CORPORATE SOCIAL RESPONSIBILITY





CORPORATE SOCIAL RESPONSIBILITY Contd...

Our Approach

We strongly believe in good corporate citizenship, and enriching the lives of people through our Corporate Social Responsibility (CSR) initiatives. CSR is not an add-on activity for us, but is integral to our business philosophy and values. We view it as our contribution to the progress and well-being of our communities and the development of the country as a whole.

Community well-being and development is integrated within our day to day operations, reflected in the fact that a fair amount of our CSR programs are carried out by employee volunteers. Most of our activities focus on the communities in the immediate vicinities of our manufacturing plants, as we believe that is where our developmental efforts can have a maximum impact.

The key focus areas of our CSR programs are health, education, environment and livelihood. Our activities and strategy are guided by community needs and expectations that are identified through an independent survey conducted annually at all our plants. We collaborate with several independent experts and non-governmental organizations to enhance the effectiveness and impact of our CSR programs.

Some of the initiatives undertaken under the above mentioned focus areas are presented below:

Health

- HIV/AIDS awareness and safety beyond workplace
- Support for Kirloskar Foundation's WASH activities, which include provision of clean drinking water, awareness on personal hygiene etc.
- Anaemia awareness program for women at Nashik

Education

- Computer literacy program
- Monetary awards to meritorious students
- 'Disha' career guidance workshop for students

- Teachers training program
- Sponsorship of Akanksha Center at Pune
- Sponsoring of 80 orphan/deprived children
- SAAKAV life skills training program for adolescents

Environment

- Tree plantation activities
- PUC check-up camps for employee vehicles
- Environment awareness and waste management workshops
- 'Hasat Khelat Paryavaran' program for students
- Energy conservation trainings for students





The survey is conducted independently by the B. D. Karve Institute of Social Sciences, a Pune based reputed institute. The survey methodology includes one-on-one interviews with 400 randomly selected community members (100 at each location) as well as 20 focus group discussions (5 at each location). It covers the following four parameters:

- Performance of KOEL as a responsible corporate citizen
- Involvement in the communities
- Environmental and safety factors
- Overall perception of reputation

The results of our social perceptions surveys, conducted for six consecutive years now, continue to show improvement in how our local communities perceive us as a corporate citizen. This validates our current CSR approach and we remain committed to using the feedback received through this survey in shaping our future CSR roadmap.

Livelihood

- Livelihood generation activities for Self Help Groups
- Vocational training for youth

In addition to these activities, details of our flagship CSR programs that are conducted on an annual basis are given below.



Saakav Life Skills Training Program

Saakav, a Marathi word which mean a short bridge across the flow of water, is our ongoing CSR program undertaken in collaboration with Community Scope, a Pune based community organization. This is a life skills education program for adolescents that we have been running since the last five years.

The program, which runs over five days, covers life skills which are essential for adolescents at their age. These include self-awareness, empathy, inter-personal relation-

Social Perception Survey

As part of our commitment to the development of the local communities around our manufacturing plants, we continue to carry out an annual community survey. It helps us identify the current needs and expectations of these communities, helping us plan our future CSR interventions and action plan. The survey results also allow us to assess the Company's perception within our local communities, and measuring improvements on a year-to-year basis.





CORPORATE SOCIAL RESPONSIBILITY Contd...

ships, communication, critical thinking, decision-making, problem-solving, coping with stress and coping with emotions.

Saakav is organized every year in schools at Pune, Kagal and Nashik. In FY 2012-13, a total of 550 students, comprising of 237 girls and 313 boys, participated in Saakav. We expanded the coverage of the program expanded, witnessing an active participation of 1210 students.

WASH Initiative

The WASH initiative is our endeavour to imbibe the value of cleanliness and hygiene among school going students. The program is conducted through the active participation and support of over 80 employee-volunteers.

In FY 2013-14, the scope of WASH initiative was increased from 17 to 21 schools over the previous year. The total number of students covered in the program in FY 2012-13 and FY 2013-14 were 6554 and 9653 respectively.



Vasundhara Film Festival

The Vasundhara Film Festival is another long-running initiative sponsored by us with the aim of spreading awareness on environmental issues among our employees and local communities. It is our aspiration that the screening of documentary movies describing the various environmental concerns will motivate citizens to preserve the natural environment for the present and future generations. The festival is conducted at all our plants and has gained remarkable popularity over the years.

The theme for the 2013 edition of the festival was kept in line with the United Nation's declaration of the year as the 'Water Management Year'. Apart from the screening of movies, a variety of activities, such as photography exhibition, natural walks, street plays, interactions with authors and film-makers, were organized by us.

We also presented the 'Vasundhara Sanman', 'Vasundhara Gaurav', and 'Vasundhara Mitra' honours to eminent personalities for their contribution to environmental protection.



INDEPENDENT ASSURANCE STATEMENT



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ey.com

Independent Assurance Statement

The Board of Directors and Management
Kirloskar Oil Engines Limited
Pune, India

Ernst & Young LLP (EY) was retained by Kirloskar Oil Engines Limited (the 'Company') to provide independent assurance to its Sustainability Report (the 'Report') for the period covering financial years 2012-13 and 2013-14.

The development of the Report is based on the Global Reporting Initiative (GRI) G3.1 Guidelines (2011); its content and presentation are the sole responsibility of the management of the Company. EY's responsibility, as agreed with the management of the Company, is to provide independent assurance on the report content as described in the scope of assurance. Our responsibility in performing our assurance activities is to the management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any dependence that any such third party may place on the Report is entirely at its own risk. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

Scope of assurance

The scope of assurance covers the following aspects of the Report:

- Data and information related to the Company's sustainability performance for the period 1st April 2012 to 31st March 2014;
- The Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data;
- Review of information on sample GRI G3.1 (2011) core indicators covering the Company's Corporate Office at Pune and manufacturing facilities at the following locations:
 1. Kagal, Maharashtra;
 2. Khadki, Maharashtra;
 3. Nashik, Maharashtra.

Limitations of our review

The assurance scope excludes:

- Operations of the Company other than those mentioned in the 'Scope of Assurance';
- Aspects of the Report and data/information other than those mentioned above;

- Data and information outside the defined reporting period mentioned above;
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention provided by the Company;
- Data and information on economic and financial performance of the Company.

Assurance criteria

The assurance engagement was planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Our evidence gathering procedures were designed to obtain a 'limited' level of assurance (as set out in ISAE 3000) on reporting principles as well as conformance of sustainability performance indicators as per GRI G3.1 (2011) Guidelines.

What we did to form our conclusions

In order to form our conclusions we undertook the following key steps:

- Interviewed select key senior personnel of the Company to understand the current processes in place for capturing sustainability performance data as per GRI G3.1 Guidelines, the Company's sustainability vision and the progress made during the reporting period;
- Reviewed the Company's approach to stakeholder engagement and processes for determining material issues through interviews and review of associated documents with issue owners at the corporate office at Pune;
- Reviewed relevant documents and systems for gathering, analysing and aggregating sustainability performance data in the reporting period;
- Reviewed evidences supporting selected claims made in the Report regarding the Company's sustainability performance;
- Interviewed the senior management to understand their commitment to sustainability, systems for sustainability performance management and the future outlook.

Our observations

- The Company continues to disclose its sustainability performance by publishing its fourth sustainability report using the GRI G3.1 (2011) Guidelines at the 'A+' Reporting Application Level;
- The Report describes the Company's efforts for energy conservation, greenhouse gas emission reduction and water recycling at its manufacturing facilities during the reporting period;
- The Company continues to engage with the local communities around its manufacturing facilities via annual social perception surveys and various corporate social responsibility initiatives as described in the Report;

- There is scope for implementing a more consistent approach for reporting on certain environmental indicators, such as air emissions (EN20), waste (EN22) and environmental protection expenditure (EN30);
- Going forward, the Company may consider formalizing a system to incorporate external stakeholder views in its materiality analysis.

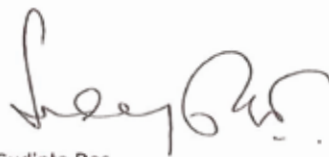
Our conclusion

On the basis of our review scope and methodology, nothing has come to our attention that would cause us not to believe that the Report presents the Company's sustainability performance, in material respect, in line with the GRI G3.1 reporting principles and criteria.

Our assurance team and independence

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant Indian and international businesses. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics¹ for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

for Ernst & Young LLP



Sudipta Das
Partner
24 December 2014
Kolkata

¹ International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants (2013) establishes ethical requirements for professional accountants.

GRI G3.1 CONTENT INDEX

Standard Disclosures – Profile Disclosures			
Profile Disclosure	Description	Reported	Cross reference/Direct answer
1.1	Statement from the most senior decision-maker of the organization.	Fully	Statement from the Executive Director (2-4)
1.2	Description of key impacts, risks, and opportunities.	Fully	Statement from the Executive Director (2-4)
2.1	Name of the organization.	Fully	Front cover
2.2	Primary brands, products, and/or services.	Fully	About KOEL (5)
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	About KOEL (5), Organizational structure (8), Main divisions include - Agriculture and Allied Business (13), Power Generation Business (13), Industrial Engines Business (14), Large Engines Business (15), Exports (15), Customer Support (16), Strategic Development (17), Research & Engineering (18), Information Technology (19)
2.4	Location of organization's headquarters.	Fully	About KOEL (5)
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	About KOEL (5)
2.6	Nature of ownership and legal form.	Fully	Corporate Governance (9)
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	About KOEL (5)
2.8	Scale of the reporting organization.	Fully	About KOEL (5), Economic performance (25-26), Employment details (38-40)
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	No such significant changes in reporting period
2.10	Awards received in the reporting period.	Fully	Awards and accolades (10)
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	About the report (1)
3.2	Date of most recent previous report (if any).	Fully	About the report (1)
3.3	Reporting cycle (annual, biennial, etc.)	Fully	About the report (1)
3.4	Contact point for questions regarding the report or its contents.	Fully	About the report (1)

GRI CONTENT INDEX Contd...

Standard Disclosures – Profile Disclosures			
Profile Disclosure	Description	Reported	Cross reference/Direct answer
3.5	Process for defining report content.	Fully	Stakeholder Engagement (20-22), Materiality (23-24)
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Fully	About the report (1)
3.7	State any specific limitations on the scope or boundary of the report.	Fully	About the report (1)
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	About the report (1)
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Fully	About the report (1)
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	Fully	No such re-statements
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	About the report (1)
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	GRI Content Index (54-68)
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	About the report (1)
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	Corporate Governance (9)
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	Corporate Governance (9)

Standard Disclosures – Profile Disclosures

Profile Disclosure	Description	Reported	Cross reference/Direct answer
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	Corporate Governance (9)
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	Corporate Governance (9)
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance (including social and environmental performance).	Fully	Corporate Governance (9)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	The Company has adopted a Code of Conduct for the Board of Directors and Senior Management.
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	Currently, there are no clear processes at the Board to guide the organization on ESG issues, including those pertaining to gender and other diversity
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	Vision and Values (7)
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	Corporate Governance (9)
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	Corporate Governance (9)

GRI CONTENT INDEX Contd...

Standard Disclosures – Profile Disclosures			
Profile Disclosure	Description	Reported	Cross reference/Direct answer
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	The Board is systematically informed of risks through a structured mechanism. Periodic reviews are undertaken to ensure timely identification, prevention and mitigation of risks.
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	GRI Sustainability Reporting Guidelines
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	Fully	Memberships in industry associations (11)
4.14	List of stakeholder groups engaged by the organization.	Fully	Stakeholder Engagement (20-22)
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	Stakeholder Engagement & Materiality (20-24)
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	Stakeholder Engagement & Materiality (20-24)
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	Stakeholder Engagement (20-22). The key topics raised by our stakeholders and the initiatives taken by us in response are described in the referenced pages: Customers - Project Unlock and Bandhan (14-16), Dealers and Distributors - Online Monitoring of MTTR (16), Suppliers - Supplier Development Initiatives, New Supplier Development (17), Employees - Employee Engagement (36-38), My Life My Work (41), Achievement Motivation (42), Local communities - Corporate Social Responsibility (46-50)

Standard Disclosures – Disclosures on Management Approach

Disclosures on Management Approach	Reported	Cross reference/Direct answer
DMA - EC	Fully	Page 31 of our Sustainability Report 2010-11 (DMA - Economic). Available at http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/Sustainability%20Report,2010-11.pdf . Statement from the Executive Director (2-4)
DMA - EN	Fully	Page 37 of our Sustainability Report 2010-11 (DMA - Environment), Environmental Performance - Our approach (28)
DMA - LA	Fully	Page 54 of our Sustainability Report 2010-11 (DMA - LA), Social Performance - Our approach (36)
DMA - HR	Fully	Page 57 of our Sustainability Report 2010-11 (DMA-HR), Social Performance - Our approach (36)
DMA - SO	Fully	Page 62 of our Sustainability Report 2010-11 (DMA-SO), Corporate Social Responsibility - Our Approach (47)
DMA - PR	Fully	Page 19 of our Sustainability Report 2010-11 (DMA-PR), Statement from the Executive Director (2-4)

Standard Disclosures – Performance Indicators

Performance Indicators	Description	Reported	Cross reference/Direct answer
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	Economic performance (25-26)
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	Statement from the Executive Director (2-4)
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	Page 30 of our Sustainability Report 2010-11 (Employee Benefits)
EC4	Significant financial assistance received from government.	Fully	Details of subsidy received in the reporting period is available in our Annual Report FY 2012-13 (pages 37 and 45), and in Annual Report FY 2013-14 (pages 45, 53 and 56). Web-link for the Annual Reports is provided on Page 26 of this report.

GRI CONTENT INDEX Contd...

Standard Disclosures – Performance Indicators			
Performance Indicators	Description	Reported	Cross reference/Direct answer
EC 5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	The term Local suppliers stand for Suppliers within India. Nearly three quarters of the monetary value of the top ten suppliers are from local suppliers. Our sourcing strategy is based on cost, quality and continuous availability, which the local suppliers have successfully delivered.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	All our facilities are located in areas where the talent pool is readily available. This helps us in supporting our preference of hiring locally, as we believe in fostering economic growth in the region we operate
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	Economic performance (25-26)
EC 9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not	
EN1	Materials used by weight or volume.	Fully	Material consumption (28)
EN2	Percentage of materials used that are recycled input materials.	Fully	No significant recycled inputs materials were used in the reporting period
EN3	Direct energy consumption by primary energy source.	Fully	Energy use (28-29)
EN4	Indirect energy consumption by primary source.	Fully	Energy use (28-29)
EN5	Energy saved due to conservation and efficiency improvements.	Fully	Energy conservation (29-31)
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	Energy conservation (29-31)
EN 7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not	
EN8	Total water withdrawal by source.	Fully	Water consumption and recycling (32)

Standard Disclosures – Performance Indicators

Performance Indicators	Description	Reported	Cross reference/Direct answer
EN 9	Water sources significantly affected by withdrawal of water.	Not	
EN10	Percentage and total volume of water recycled and reused.	Fully	Water consumption and recycling (32)
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	All our plants are located on the MIDC and GIDC areas. None of our plants are located in areas or adjacent to protected areas or areas of high biodiversity value.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully	All our manufacturing facilities are located on MIDC and GIDC owned land. None of our activities have direct impacts on biodiversity in protected areas or areas of high biodiversity value.
EN13	Habitats protected or restored.	Fully	All our plants are located on the MIDC and GIDC areas. None of our plants are located in areas or adjacent to protected areas or areas of high biodiversity value.
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Fully	All our plants are located on the MIDC and GIDC areas. None of our plants are located in areas or adjacent to protected areas or areas of high biodiversity value.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Fully	All our plants are located on the MIDC and GIDC areas. None of our plants are located in areas or adjacent to protected areas or areas of high biodiversity value.
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	Greenhouse Gas emissions (31). Using emission factors (IPCC Guidelines) for GHGs (CO ₂ , CH ₄ , N ₂ O) for fuels used (such as Diesel), we have established the emissions from direct energy consumption. For India, an emission factor of 0.81 tons CO ₂ e per MWh of power generated has been used for establishing the emission for indirect energy consumption, as per UNFCCC recommendation.
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	Greenhouse Gas emissions (31)
EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not	

GRI CONTENT INDEX Contd...

Standard Disclosures – Performance Indicators			
Performance Indicators	Description	Reported	Cross reference/Direct answer
EN19	Emissions of ozone-depleting substances by weight.	Fully	Emissions and waste (33)
EN20	NOx, SOx, and other significant air emissions by type and weight.	Fully	Emissions and waste (33)
EN21	Total water discharge by quality and destination.	Fully	Total volume of planned and unplanned water discharges in the reporting year = 0 cubic meters.
EN22	Total weight of waste by type and disposal method.	Fully	Emissions and waste (33). 100% of our manufacturing waste is sold to State Pollution Control Board authorized resellers or recognized agencies that dispose the wastes as per norms prescribed by State Pollution Control Board.
EN23	Total number and volume of significant spills.	Fully	No significant spills occurred in the reporting year.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Fully	No hazardous wastes have been transported outside of the Indian borders. Hence, this indicator is not applicable.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Fully	All our plants are located on MIDC and GIDC lands. Besides, all our facilities have achieved the zero discharge status. Hence, this indicator is not applicable.
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	Research and Engineering (18)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Fully	Research and Engineering (18)
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	We did not pay any fines for noncompliance with environmental laws and regulations in the reporting period.

Standard Disclosures – Performance Indicators

Performance Indicators	Description	Reported	Cross reference/Direct answer
EN 29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not	
EN30	Total environmental protection expenditures and investments by type.	Fully	Environmental protection expenditure (33-34)
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	Employment details (38-40)
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	Employment details (38-40), All our employees within scope are within India.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	Page 30 of our Sustainability Report 2010-11 (Employee Benefits).
LA15	Return to work and retention rates after parental leave, by gender.	Fully	Employment details (38-40). All our female employees are eligible for maternity leave.
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	100% of our workforce is unionized.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	In case of any changes in shift, line or superannuation, a t least 14 days and 6 months' notice is always provided to the employees as per statutory requirements.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	Occupational health and safety (35-38)
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Fully	Occupational health and safety (35-38), All employees covered in scope are within India; Occupational diseases and rate = 0
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	Occupational health and safety (42-45)

GRI CONTENT INDEX Contd...

Standard Disclosures – Performance Indicators			
Performance Indicators	Description	Reported	Cross reference/Direct answer
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	Occupational health and safety (42-45)
LA10	Average hours of training per year per employee by gender, and by employee category.	Fully	Learning and Development (40-42)
LA 11	Programs for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings.	Not	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	100% of our employees go through the annual performance appraisal process.
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	Corporate Governance (9)
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	Gender is not a factor in determination of basic salary and remuneration for our employees, and male and female employees are paid at parity.
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Fully	Our investment agreements currently do not include human rights clauses
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Fully	There were no assessments of suppliers conducted based on human rights during the reporting period.

Standard Disclosures – Performance Indicators

Performance Indicators	Description	Reported	Cross reference/Direct answer
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Partially	<p>100% of employees are trained on the Code of Conduct, which includes aspects of human rights. Currently, training on human rights aspects is carried out as part of employee induction trainings. Hence, this is not being tracked separately. Going forward, we will strive to capture this data separately.</p> <p>Portion not reported: Total number of employee training hours on human rights policies.</p> <p>Reason: We are yet to institute a procedure for capturing this data, and aim to report in 2016.</p>
HR4	Total number of incidents of discrimination and corrective actions taken.	Fully	We have not had any cases of discrimination during this reporting period.
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	No such operations where the freedom of association and collective bargaining may be at risk. Even at plant level, we have a committee which meets periodically where the union representatives can raise any issues and seek resolutions.
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	We offer employment only to individuals who are above the employable age (as specified by the law) and strongly condemn child labor and forced labor. We forbid workplace discrimination of any form including that based on gender. There was no incident of discrimination recorded in this reporting period. Our Code of Conduct spells out these policies.
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully	None of our operations run a risk of forced or compulsory labour.

GRI CONTENT INDEX Contd...

Standard Disclosures – Performance Indicators			
Performance Indicators	Description	Reported	Cross reference/Direct answer
HR 8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully	There were no such incidents during the reporting period.
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Fully	While we have not commissioned a formal impact assessment on this issue, the enforcement of our Code of Conduct is regularly reviewed across the organization.
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Fully	No such formal grievances filed in the reporting period.
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Fully	Corporate Social Responsibility (46-50)
SO9	Operations with significant potential or actual negative impacts on local communities.	Fully	No significant potential or actual negative impacts on our local communities have been identified.
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Fully	No significant potential or actual negative impacts on our local communities have been identified
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	While there were no units specifically analyzed for corruption related risks, we subjected our organization to the TRACE check, and obtained it successfully. It involves stringent checking of top management on corruption, bribery related aspects.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	The Code of Conduct, covering aspects on anti-corruption, bribery and ethics are circulated to all employees of KOEL during the time of induction itself. The Managing Director has declared the affirmation of compliance with the Code of Conduct by the Board of Directors and Senior Management.

Standard Disclosures – Performance Indicators

Performance Indicators	Description	Reported	Cross reference/Direct answer
SO4	Actions taken in response to incidents of corruption.	Fully	There were no incidents of corruption in the reporting period.
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	We are active members of several industry and trade bodies and we regularly participate in industry events
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	We have made no donations to any political parties in the reporting period
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Fully	There were no legal actions against KOEL on account of anti-competitive behavior, anti-trust and monopoly practices during this reporting period
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	We have not had any cases of non-compliance resulting in fines or non-monetary sanctions
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Fully	Right from research, product development, certifications, manufacturing, marketing, storage and final use and disposal, we continually strive to keep the emissions, noise, vibration well within specified limits. We are also continually trying to strengthen the protection from rotating and high temperature components. From producing super-silent gensets to gensets that can run on alternative fuels, our concern for customer satisfaction inspires us to take the aspects of impacts of our product during its use. Our products have received a variety of certification - FM/ UL being one. We are a ISO 9001 certified company, with all our manufacturing units being ISO 14001 and OHSAS 18001 certified
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	We have not had any incidents of non-compliance with regulations or voluntary codes concerning health and safety impacts of our products and services during their life cycle which has resulted in a fine, penalty or a warning

GRI CONTENT INDEX Contd...

Standard Disclosures – Performance Indicators			
Performance Indicators	Description	Reported	Cross reference/Direct answer
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully	We provide information on our product, spare parts & service to the customers through various display labels on the products & its packing as well as through Operations & Maintenance (O&M) manuals of the respective products as per relevant applicable labeling requirements. This information covers Health & Safety guidance for the use & servicing of our product. This enables the customers to use & maintain our products in a responsible manner which will have minimal adverse impact on environment, health & safety during the life of the product. We obtain test certificates for engine worthiness and other safety related issues like emission; noise etc before the product is marketed through government authorized agencies. Our products are also certified by BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or European Conformity label. 100% of our products and services are subject to the specified requirements. Safety is integral to design process of our products. We also ensure that documentation relating to the product is sent to the customer at the time of equipment dispatch
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Fully	We have not had any incidents of non-compliance with regulations or voluntary codes concerning product and service information and labeling which has resulted in a fine, penalty or a warning
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	Stakeholder Engagement - Customers (22)
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	All our product and service related marketing communications comply with the law of the land. We do not sell any product that has been banned. We have successfully achieved the target of making all our products Asbestos free

Standard Disclosures – Performance Indicators

Performance Indicators	Description	Reported	Cross reference/Direct answer
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	We have not had any incidents of non-compliance during the reporting period
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	No substantiated complaints regarding breaches of customer privacy or loss of customer data
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	No such fines paid during the reporting period



Enriching Lives

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