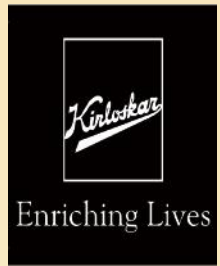


KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company



CORPORATE SUSTAINABILITY REPORT 2018-19



THE ENGINE FOR SUSTAINABLE GROWTH

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About the cover page of the report

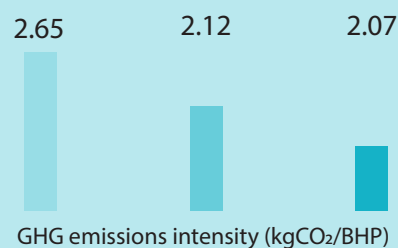
The cover shows a game of Pachisi representing our ongoing prioritisation of UN SDGs through our business and various CSR initiatives. From development of efficient DG sets to engines, we contribute to the SDG 7: Affordable and clean energy. Our DG sets power remote areas supporting life and also at the non-grid connected new projects under construction. The state of the art production plants and all out efficient products also contribute to the SDG 13 - Responsible consumption and production.

Environment



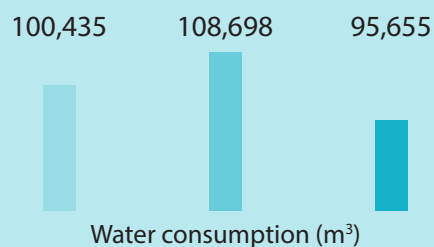
- Carbon Neutrality for FY 18-19 at Kagal under the guidelines of PAS 2060:2014

- GHG emissions intensity at Kagal:



FY 2016-17 FY 2017-18 FY 2018-19

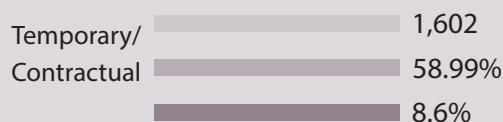
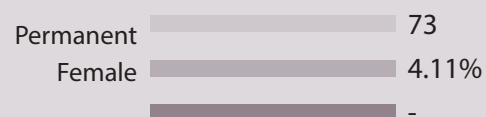
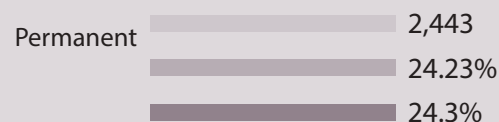
- Water consumption at Kagal



FY 2016-17 FY 2017-18 FY 2018-19

Social

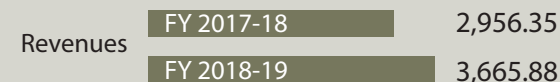
Employee category wise trainings summary



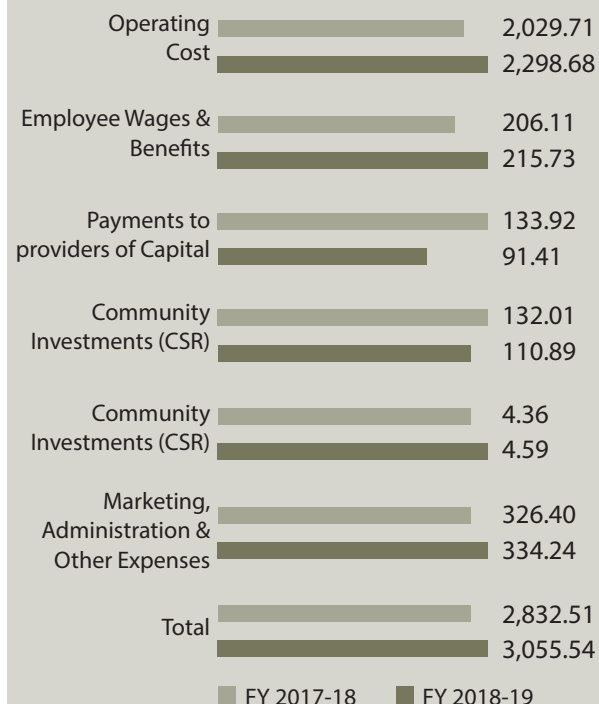
No. of Employees
% Trained on Safety
% Trained for Skill Up-gradation

Economic -(GRI 201-1, GRI 201-4)

- Economic Value Generated (in ₹ Crores):



- Economic Value Distributed (in ₹ Crores):



FY 2017-18 FY 2018-19

- Economic Value Retained (in ₹ Crores):



ABOUT THE REPORT

(GRI 102-10, 45, 46, 48, 50, 51, 52, 53)

8th Corporate Sustainability Report

Changes:	There are no significant changes to the organization and its supply chain. The Bhare plant is kept out of this report's boundary, along with the international operations (KOEL Americas, LGM).
Report period:	1 April 2018 to 31 March 2019
Restatements:	Nil
The Date of a most recent report:	March 20, 2018
Reporting Cycle:	Annual
This report has been prepared in accordance with the GRI Standards:	Core option
Location of the Headquarters:	Kirloskar Oil Engines Ltd., Laxmanrao Kirloskar Road, Khadki, Pune-411003, Maharashtra, India

We invite comments, queries, and suggestions from each and every stakeholder. Write to us at sustainability@kirloskar.com

KOEL is the flagship company of the Kirloskar Group, incorporated in 1946, headquartered at Pune, Maharashtra. It has four state-of-the-art manufacturing units in India that offer world-class service to its customers. The company has a sizable presence in international markets, with offices in Dubai, South Africa, and Kenya, and representatives in Nigeria. KOEL also has a strong distribution network throughout the Middle East and Africa. It is a public limited company, listed both on the National Stock Exchange (NSE) and the Bombay Stock Ex-change (BSE).

Kirloskar Oil Engines Limited (referred further in this report as KOEL or the Company) is a leading engineering conglomerate manufacturing internal combustion engines, generating sets and parts, which are used for various applications, such as agriculture, industrial, stationery power plants and construction equipment. The Company specializes in the manufacture of both air-cooled and liquid-cooled diesel engines and generating sets across a range of power output from 5 kilo-volt-ampere (kVA) to 1,010 kVA. KOEL offers engines operating on alternative fuels, such as bio-diesel, natural gas, biogas and straight vegetable oil (SVO). In keeping with the Company's commitment to responsibility

and accountability towards all its stakeholders, KOEL is pleased to present its eighth sustainability report, since they began reporting in 2009-10. With their Sustainable Operational Excellence Strategy, they are going to present the progress made during the year 2018-19 by emphasizing on their major 8 focus and overarching principles.

Eight focus areas:

- Innovation management
- Operational eco-efficiency
- Strategy for new markets
- Product stewardship
- Sustainable supply chain
- Human capital development
- Climate Stewardship
- Public policy

Manufacturing facilities:

- Kagal
- Pune (Khadki)
- Nashik
- Regional and Area offices

Product portfolio:

- Power Generation Diesel Engines and Gensets - 5 kVA to 1,010 kVA
- Industrial Engines (80 HP to 355 HP)
- Agricultural Engines and Pump sets (3.2 HP to 28 HP)
- Spare parts Customer Service 113 Service Dealers, 400 Outlets
- Large Engines – Defense and Marine
- Export – Power Generation segment, Agri Pump sets, and OEMs
- Power Tiller
- Revolutionary Mega T12 LW

This model offers the ability to lighten the workload of farmers while puddling and doing other farming tasks.



- Stylish Min T8 DLX
- KUBIX
- Launching of new K-series pumps in the international market
- **Glacia-56 mini monoblock pump:** This pump offers the highest head in its class - an amazing 56 meters with just 1 HP of power. The other components of this robust pump too meet KOEL's no-compromise standards. Users can benefit from advanced F-class insulation for greater temperature tolerance, low vibration performance, and water resistance. Although it was launched recently, the Glacia-56 has met with a tremendous response from consumers.
- **KOEL no-compromise control panels:** KOEL control panels are designed for 1PH OF/WF 0.5-3 HP submersible pumps. They're fully loaded with world-class features like an ISI-approved MCB, IS 1248 standard tested analog voltmeter and ammeter, a heavy-duty start and run capacitor and a scratch-resistant powder-coated heavy sheet metal exterior. These offer benefits like overload and short circuit protection, safe operation, resistance to high temperatures and water splashes, resulting in a long life with no-compromise performance!
- **Two variants of engines are launched in**

different ratings.

Model 4K1080TA from 156 hp and 170hp at 1,500 rpm and 1,800 rpm respectively.

Model 6K1080TA from 200 hp and 230hp at 1,500 rpm and 1,800 rpm respectively.

The scale of the organization: (GRI 102-7, 8)

- The total number of employees: 2,434 Nos.
- Net revenues: ₹ 3,265 Crores

Memberships and associations: (GRI 102 – 12, 13)

KOEL is an active member of the Confederation of Indian Industries (CII) and a signatory of the CII Code for Affirmative Action. KOEL Senior Leadership Team interacts with various professional bodies and organizations such as IDEMA, CII, FICCI, ARAI, BIS, ACMA, MCCI, IDEMA, FIEO to anticipate and understand the economic scenario, industrial environment, future emission norms, and Government regulations & changes in the policies. These inputs are being used for defining future growth drivers and enabling new product development. Following are the key national and international industry bodies of which KOEL is an active member:

Memberships & Associations in Professional Bodies

- All India Management Association
- Automotive Component Manufacturers Association of India
- Automotive Research Association of India
- Bombay Chamber of Commerce and Industry
- Bureau of Indian Standards
- CII – Institute of Quality
- CII Manufacturing Committee
- Engineering Export Promotional Council
- Federation of Indian Chamber of Commerce & Industry
- Federation of Indian Export Organisation
- India-China Chamber of Commerce & Industry
- Indian Diesel Engine Manufacturers Association
- Indian Earthmoving & Construction Industry Association Ltd
- Institute of Internal Auditors
- Indo American Chamber of Commerce
- Indo German Chamber of Commerce
- Indo-African Chamber of Commerce & Industries
- Maharashtra Chamber of Commerce & Industry
- Maharashtra Economic Development Council
- Maratha Chamber of Commerce Industries and Agriculture
- Maharashtra Chamber of Commerce Industries and Agriculture
- National Council of Applied Economic Research
- Quality Circle Forum of India

ACHIEVEMENTS:

- March ended on a high as KOEL was declared the winner of the 'Golden Peacock Innovative Product/Service Award' for the year 2018, for Mega T. The award was presented at the 'Golden Peacock Awards Presentation Ceremony on April 18, in Dubai, UAE.
- Agri BU felicitated as 'Champion of Rural Markets' by The Economic Times. Over the last 6 years, The Economic Times Rural Strategy Summit has established a benchmark for leaders to deliberate on the opportunities offered by rural markets. The 2018 edition of the summit was held on the 26th and 27th of September, 2018 in New Delhi. During the summit, companies that had fostered rural markets over the years were selected and honored, and the BU unit of Kirloskar Oil Engines was among them!
- Recognition for KOEL at Clarivate India Innovation Awards 2018: Clarivate Analytics Innovation Awards have been instituted to honor India's organizations, enterprises, and institutions for their spirit of innovation. This year, on the 24th of August, Kirloskar Oil Engines Limited was declared as one of the top 30 innovators in the 'corporate' category.



AWARDS & RECOGNITIONS:

Platinum Certification for Supplier Quality Excellence Process (SQEP) by the world's largest Construction Equipment Manufacturing Company - Caterpillar Inc. Caterpillar's SQEP is a key factor in the Company's "zero-defect" culture and is only awarded to its suppliers who meet a stringent list of global performance standards. The SQEP is based on various parameters like ISO certification, supplier parts per million (PPM), on-time production part approval process (PPAP), statistical process capability results on key characteristics, Six Sigma deployment, supplier capacity, on-time delivery to production and customer service. Caterpillar's SQEP certification levels are Platinum, Gold, Silver and Bronze. Platinum is the highest level of certification. KOEL is the only supplier globally to receive the Platinum status in engine category till date.

KAGAL

- "K-Group ENCON Award-17-18" best managed energy-efficient plant, Large Manufacturing units category
- "Excellent Energy Efficient Plant" at 19th National Award for Excellence in Energy Management 2018 organized by CII
- "Certificate of Merit" at 13th State Level EC Award 1718 in Large Engineering industry category through MEDA
- Received first prize in the Industry sector for Garden competition held by Garden's Club
- Noteworthy Water efficient Unit" award at CII Water awards 2018
- "GOLD" award for Supply Chain and Quality Team at International Convention on Quality Control Circles, 2018 at Singapore and recognitions in categories viz. Kaizen, 5S and safety skit from Quality Circle Forum of India, Pune Chapter.
- Golden Peacock Innovative Product/Service Award' consecutively for second year for Power Tiller (Mega T).

KHADKI

- "Certificate of Excellence" at 13th State Level EC Award 17-18 in Micro, Small and Medium industry category through MEDA
- "K-Group ENCON Award-17-18" Second best managed energy-efficient plant, Small Manufacturing units category



NASHIK

- "K-Group ENCON Award-17-18" Third best managed energy-efficient plant, Large Manufacturing units category



MESSAGE FROM THE MD & CEO

03

(GRI 102 – 14, 54)



Dear Reader

I welcome you to the KOEL's Eighth Sustainability Report covering KOEL's sustainability performance 2018-19, which is in the line with Global Reporting Initiative (GRI) Standards and is independently assured in accordance with – 'the Core Option' level disclosure.

This report is an endeavor to bring to you KOEL's performance on Economic, Environmental and Social aspects during the reporting period of 1 Apr 2018- 31 Mar 2019. As a responsible business, we are committed to United Nations Sustainable Development Goals (UNSDGs) – particularly the ones dealing with supporting Energy Access, Affordability, and Reliability. Accordingly, in this report, we have also presented our performance on SDGs.

The Company is committed to creating and preserving a clean environment. The Company makes all efforts to minimize the environmental impact due to its manufacturing activities as also due to the use of its products. It makes efforts to restore and address some environmental problems in the neighborhood of its manufacturing plants.

MESSAGE FROM THE MD & CEO

03

The Integrated Management Systems including ISO 14001 based Environmental Management System, is the main framework to address the protection and restoration of the environment.

During the year 2018-19, the Company installed and commissioned a 5.5 MW Solar Captive power plant at Kagal premises to move towards a carbon-neutral factory. During the year under review, 37% of total electricity with an approximate savings of ₹ 5.35 Crores was contributed through units generated from the Solar Captive Power Plant installed at Kagal plant.

KOEL has considered its responsibility towards the community of utmost importance and hence various initiatives were conducted for societal upbringing. Community development programs like health check-up camps, educational support programs for children, sports training for aspiring players and livelihood training programs for women received well at various locations of KOEL's operation.

We are committed to building long-term relationships with our customers through our reliable products and superior service quality.

Through these measures, we aim to ensure that our customers' needs are met at every stage.

We continue to engage suppliers and customers through various new initiatives. We believe that stakeholder engagement and partnerships are critical to define, generate, distribute and retain value and I look forward to your support in improving the sustainability of our business.

Our sustainability roadmap over the next three years will focus on the expectations of our key stakeholders including our employees and have defined strategies to be more economically, socially and environmentally beneficial and impacting the triple bottom line viz. people, planet and profit.

The report provides a comprehensive listing of actions taken by us along with results achieved. I look forward to receiving your valued feedback on the report that will help us further in this sustainability journey.

Happy reading!

Mr. Rajendra R. Deshpande



The board

- Atul C. Kirloskar (Executive Chairman)
- Nihal G. Kulkarni (Managing Director)
- Rajendra R. Deshpande (Managing Director and Chief Executive Officer - Re-designated w.e.f. 26 October 2018)
- Rahul C. Kirloskar (Non-Executive and Non Independent Director)
- Pratap G. Pawar (Non-Executive and Independent Directors)
- R. Srinivasan (Non-Executive and Independent Directors)
- M. Lakshminarayan (Non-Executive and Independent Directors)
- Mahesh R. Chhabria (Non-Executive and Non Independent Director)
- Gauri Kirloskar (Non-Executive and Non Independent Director)
- Pradeep R. Rathi (Non-Executive and Independent Directors)
- Vinesh Kumar Jairath (Non-Executive and Non Independent Director)
- Satish Jamdar ((Non-Executive and Independent Directors)
- Sunil Shah Singh (Additional Director - co-opted w.e.f. 12 September 2018)
- Mrunalini Deshmukh (Additional Director - co-opted w.e.f. 12 September 2018)

The board Committees (GRI 102 – 18)



Delegating Authority: The Board of Directors and its committees are involved on an ongoing basis in the oversight of the company's material enterprise-related risks. Senior management, led by the Chief Executive Officer and Chief Financial Officer in conjunction with other appropriate officers, undertakes a process that identifies, categorizes and analyses the relative severity and likelihood of the various different types of risks to which the company is or may be subject.

Depending upon the type of the material identified risks, the board's various committees then receive periodic reports and information directly from senior management members who have functional responsibility for the management of such risks. (GRI 102-19)

The Company's Utilities and EHS teams look into resource efficiency and the EHS issues. A dedicated CSR team looks into community relations and Purchase and Marketing teams look into supplier and customer relations. All these teams report to HODs, who in turn work as per the MD's guidance. (GRI 102-20)



KOEL Values (GRI 102 – 16)

Considering the dynamic situation in the external world, it was felt that there was a need to reorient the internal responses and behaviours. Accordingly, the senior leadership team had intense sessions on evaluating the current behaviour of the leaders and systematically evolved a refined set of values after due deliberations.

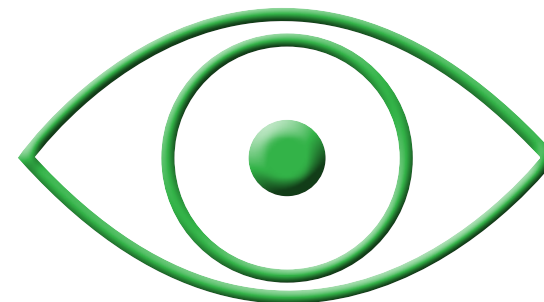
- ▣ Integrity: Do what I say and say what I do
- ▣ Create Wealth for all the stakeholders: Do the right things for the organization
- ▣ Simplicity: If it is not simple enough, it is not yet a solution
- ▣ Empowerment: Be free
- ▣ Innovation: Be exponential

KOEL Vision

By 2025, Kirloskar Oil Engines touches the world.

Vivid Description

- ▣ We will constantly innovate, create products and service offerings that simplify lives.
- ▣ We will create iconic and valued global brands.
- ▣ We will establish leadership in emerging markets and create significant businesses in the developed ones.
- ▣ We will build simple systems and processes that enable exponential growth.
- ▣ We will be a leadership factory.
- ▣ We will deliver on PROMISE 2021.



Code of Conduct:

KOEL 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 that 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 the adoption of a Code of Conduct as per Clause 49 of the listing agreement for the Board of Directors and Senior Management. Every year all directors and senior management teams reaffirm their commitment to the code of conduct. Also, the new joiners at KOEL are made aware of the KOEL's way of doing business and are inducted into the KOEL's culture of transparency, integrity, and accountability through sustained and sincere efforts in the initial phase of their career. This helps them discharge their duties professionally on lines of company values and vision. There were no legal actions pending or completed during the reporting period regarding

anti-competitive behaviour and violations of anti-trust and monopoly legislation on KOEL.

All (100%) of the governance body members and all new joiners are required to sign a code of conduct annually. The code of conduct includes anti-corruption. As a policy, the company does not make any political contributions.

KOEL also has an effective vigil mechanism/whistle-blower policy in place, which enables employees and other stakeholders to report instances of unethical behaviour and any violation of the Company's code of conduct. A senior Company official is designated as Values Ombudsman and is entrusted with the responsibility to administer complaints related to violation of CoC and Values of the Company. There were neither any confirmed incidents of corruption nor any complaints received by the Whistle Blower Mechanism.

(GRI 102-17; 415-1)

Supplier 'Code of Conduct' is shared with all the suppliers and is available on Supplier e Portal; the objective of the code is to bring awareness to all suppliers on KOEL expectations on business ethics and deliverables. Innovative methods are adopted

to make the supply chain more vibrant and in line with the changing times.

Risk assessment and critical concerns:

(GRI 102 – 11, 29, 30, 31, 102 – 33, 34)

To ensure adequate effectiveness and alignment of the organization's risk management, control and governance processes with strategic planning, KOEL's Internal Audit department (IAD) plays the role of facilitator in the Enterprise Risk Management (ERM) exercise. The ERM framework encompasses the following key steps: a. Risk identification b. Risk Assessment c. Risk Mitigation and d. Risk Reporting. Risks are identified and addressed both at business and Enterprise levels.

The Company's ERM process is IT enabled to maintain risk registers and tracking mitigation plans. Further, KOEL IAD has assessed & reviewed the ERM framework scope by covering various aspects such as evaluating the risk portfolio in the context of all significant internal and external environments, systems, circumstances and stakeholders. It further seeks to embed risk management as a component in all critical decisions throughout the organization.

As Assessment & Refinement, Risk Management Committee of the Board has been formed in the year 2018-19, to provide Board oversight to the process and mitigation of enterprise risks. Balanced Scorecard also builds in objectives specifically to address enterprise-level risks e.g. transforming into an energy company.



Review Forum	Reviewed By	Issues discussed & reviewed	Key Stake Holders	Frequency
Board Meeting	BoD	Statutory Compliance, Risk Management Internal Control Frame Work, AOP including Capital Budget, Quarterly financial results	Share Holders	Quarterly
KGMOB	EC / MD & CEO/ COO	Financial & Operational performance Strategic issues Org. Structure	Share Holders,	Monthly
LRP & AOP	EC / MD & CEO / COO	Rolled over Business Plans. Operational & Strategic issues, New projects & developments	Senior Leadership	Annual with 2-3 iterations
Weekly Tracker Review meeting	MD & CEO / COO	Segment-wise business performance review & financials	Customer, Supplier, Employees	Weekly
Monthly Performance Review	MD & CEO / COO	Business performance review & financials	Customer, Supplier, Employees	Monthly
Functional Review	Business Head / Functional Head	Functional Goals, Key improvement projects, AOP – Monthly/Quarterly	Customer, Supplier, Employees	Monthly
Production Core Team Review	Plant Head	Daily & weekly production targets,	Customer, Employees	Daily
MRM /QMS ISO 14001 & OHSAS	MD & CEO	Internal & External Audit findings & CAPA. Customer issues	Customer, Supplier, Employees & Society	Quarterly
Business Review	Business Head	Full scale review of Action Plan	AM,HO Manager	Quarterly

Socioeconomic and environmental compliance:

(GRI 307-1, GRI 419-1)

At KOEL, all facilities comply with the local environmental legislative requirements – such as those enforced by the Central Pollution Control Board, State Pollution Control Boards, in addition to compliance with Factories Act and Rules. Apart from the regular Environmental & legal compliances, KOEL has undertaken number of initiatives to reduce the adverse effect on environment & society such as innovative energy conservation projects, Environment-friendly disposal of hazardous material, etc. KOEL has a legal compliance reporting framework in place. A consolidated report on the status of various statutory and legal compliances is presented to the Board of Directors each quarter. The finance department ensures payment of all statutory payables on their respective due dates. Compliance with RBI requirements related to foreign currency transactions and their reporting is ensured through laid down processes and Controls. Various reports and timely alerts are developed in ERP system to facilitate better controls and exception handling. Compliance requirements are periodically reviewed and updated. There were no cases of noncompliance with any laws and regulations in the social and economic area.

Regulations & voluntary codes:

Area	Regulation & voluntary codes	Impact on the Stakeholders
Integrated Management System (IMS)	<ul style="list-style-type: none"> ISO 9001 : 2015 ISO 14001 : 2015 OHSAS 18001 : 2009 	All Stakeholders
Employees	<ul style="list-style-type: none"> Employee Wage Agreement Factory Act 1948 Labour Laws Dept. of Industrial safety & health 	Employees
Financial & Corporate Governance	<ul style="list-style-type: none"> SEBI Clause 49 listing agreements Company Act Taxation Laws / GST Corporate Governance Report 	All Stakeholders
Product Regulations	<ul style="list-style-type: none"> CMVR Rules, BIS Standards BS Stage III US TIER norms CPCB II IRS – Type Approvals DGS & D registration FM / UL Certification ARAI for emissions & safety 	All Stakeholders
Calibration & Measurement	<ul style="list-style-type: none"> National Accreditation Board for Testing & Calibration Laboratories 	Customers, Employees

(GRI 102 – 40, 42, 43, 44)

Stakeholders are represented by our customers, suppliers, employees, society, dealers, shareholders and government. The needs & expectations are addressed in enterprise BSC to ensure business sustainability. Also, a series of structured engagement modes have been deployed. Data collection and analysis processes have been put in place to periodically assess the stakeholder needs. Inputs to the strategic planning process are captured by a formal and informal mechanism at various BUs and through senior leadership engagement with various stakeholders.

Once in every six months, the management committee reviews (MRM) the status of all legal compliances. The identified initiatives are assigned to the identified project managers, with timelines for the completion. The progress on these is reviewed in the subsequent meeting/s.

A structured forum for effective engagement of leadership with Stakeholders:

Stakeholders	Engagement Forums	Objective	Initiatives taken
Shareholders / Investors & Equity research agency	<ul style="list-style-type: none"> • AGM • Analyst meets • Media Releases • Web Sites 	<ul style="list-style-type: none"> • To appraise the Stakeholders about the company's Annual and Quarterly results 	<ul style="list-style-type: none"> • Presentation to Shareholders / Investors and Analysts • Updating of KOEL website for sharing information • Report to Stock Exchange
Customer	One to one interaction CSS (yearly) Helpdesk Customer meets Melas, Van Campaign Camp & Exhibition	<ul style="list-style-type: none"> • Develop a relationship • Anticipate Short term and long term needs & expectations • Capturing Day to day requirements • Enhance KOEL experience 	<ul style="list-style-type: none"> • Interaction with OEMs, Channel Partners in domestic and overseas markets through one to one interaction for developing long term plans. • Interaction of leaders with long term customers like Navy, Coast Guard, NPCIL, ONGC, ABG Shipyard • Participate in domestic & international exhibitions to explore business opportunities e.g. Power-Gen, Nuclear Energy exhibition, Defexpo,

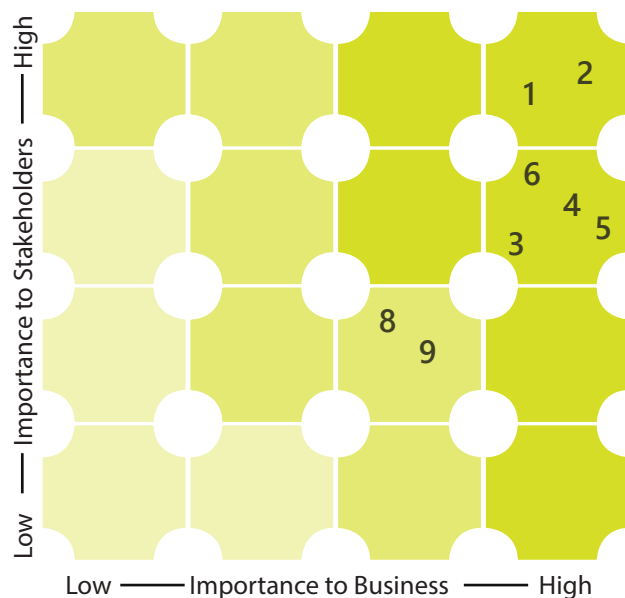
Dealers & Distributors	<ul style="list-style-type: none"> • Interaction • Monthly / Quarterly reviews • Helpdesk • Dealer conferences & meets. 	<ul style="list-style-type: none"> • KOEL expectations & needs sharing • KOEL policy & processes communication • Understanding market conditions & requirements • Knowing Customer expectation & experience 	<ul style="list-style-type: none"> • Meets of GOEMs, Kirloskar Diesel Gen Set Dealers, Service Dealers, and Agriculture Engine Dealers. • Visits by Functional Heads, HOD CRE, QA & APPL ENGG to various OEMs, GOEMs and distributors to understand training needs, identify cost reduction avenues, installing quality systems & audits
Technical Collaborators	Yearly Meeting	<ul style="list-style-type: none"> • Strengthening the relationship by creating a Win-Win Situation 	<ul style="list-style-type: none"> • Sharing Business opportunities, Spotting & utilizing the strength of each.
Banks	<ul style="list-style-type: none"> • Consortium Meetings 	<ul style="list-style-type: none"> • To approve funding & non-funding limits for the company 	<ul style="list-style-type: none"> • Periodical meetings/interaction with members Bank of the consortium
Suppliers & Vendors	<ul style="list-style-type: none"> • Interaction, Supplier Meets • Quality Audit, SQFT • 'A' Panel Meet • 'Technology Day' 	<ul style="list-style-type: none"> • Mutual sharing of needs & expectations • Mutual sharing of needs & expectations • Quality, Cost & Delivery improvement • Share knowledge & Best practices. Vendor recognition • Strategic partnerships & value creation • Technology Sharing 	<ul style="list-style-type: none"> • Leaders interact with the world's leading machine tool manufacturers for developing World Class Manufacturing Setup. e.g. JTEKT, ENSHU, Marubeni Corporation, Mazak, Kennametal, BOSCH, Heller, Miba • Interaction with suppliers through Supplier Meet, One to One interactions and plant visits • Joint improvement projects, quality contests
Society & Community, Professional Bodies	<ul style="list-style-type: none"> • Social function and welfare activities • Community meets 	<ul style="list-style-type: none"> • Understand KOEL experience • Contribution to society by implementing various initiatives. Spreading awareness on social & environmental issues. 	<ul style="list-style-type: none"> • Interaction with society/NGO for WASH initiative. • CSR committee meetings, CSR survey • Engagement of KOEL Leaders with professional bodies such as CII, FICCI, ARAI, BIS, ACMA, MCCI & IDEMA

Mode of Engagement for gathering stakeholder needs & expectations

Stakeholders	Stakeholder Needs & Expectations	Mode of Stakeholder Engagement
Customers, OEMs, GOEMs, Dealers & Channel Partners	Timely availability of Products & Services <ul style="list-style-type: none"> • Legally compliant products & services • Competitive products and services • High Quality, Range, Low cost, on-time delivery • Meet customer's specific needs • Prompt Pre & post Sales & Service 	Communication of Brand Promise – like Efficiency Integrated for KOEL Green <ul style="list-style-type: none"> • Help desks/ care centres e.g. HHP desk • Customer In-sighting Initiatives • Customer Delight Index feedback • CSS / KGD Survey • Customer Training / Meets • Proactive visits to Customers by seniors • Customer Complaints Resolution • Published data from government and different institutes such as F & S, • HHP roadshows /product launches e.g. iGreen launch event • Field feedback from regional offices, dealers & channel partners • Mr. Customer initiative, • Customer Care & Periodic product campaign, Exhibitions & Melas
Shareholders	Sustainable growth in revenues & profits <ul style="list-style-type: none"> • De-risking from diesel • Higher Dividend • Higher P / E ratio • Quick resolution of complaints 	Quarterly Investor/analyst meets and one-one investor meets <ul style="list-style-type: none"> • Manufacturing plant visits • Annual General Meeting • Annual Report containing the Chairman's Report, Director's Report • Published Quarterly results • Press Releases

Employee	<p>Job satisfaction</p> <ul style="list-style-type: none"> • Career Growth • Training & Development • Motivation • Reward & Recognition 	<p>Town Hall meetings</p> <ul style="list-style-type: none"> • Coffee with MD & CEO • Quarterly appraisal • Performance Review forums • Employee Engagement Survey • R&R forums • External consultants interactions • AOP/LRP deployment meets • Feedback from unions • Apex Committees • IR Committee / Grievance handling committee / Dept. Safety Committee
Supplier / Strategic Alliance / Technology Collaborators	<p>Fair commercial terms</p> <ul style="list-style-type: none"> • Involvement in NPD • Minimal fluctuations in delivery schedules • On-time payment • Growth in Business avenues & improved ROI 	<p>Supplier conference</p> <ul style="list-style-type: none"> • Technology Day • Supplier quality contests • VAVE exercises • Supplier Satisfaction Survey • Interactions with Vendors • Joint Improvement activities • Supplier 'A' Panel Meet
Government & Society	<p>Good corporate citizen</p> <ul style="list-style-type: none"> • Compliance with regulation • Regular tax payments • Employment generation • Social responsibility 	<p>Society Perception Survey</p> <ul style="list-style-type: none"> • Economic Publication in journals/seminars/ media reports • Interaction with District & State Authorities / Central Govt./ PCB • Meetings with Direct/Indirect Tax officials

Materiality Assessment (GRI 102-47, 103-1)



KOEL had conducted materiality assessment through engaging identified stakeholders in 2017.

The survey was designed by a third party in a web based questionnaire and was circulated to the sample representatives among the identified stakeholders.

About 100+ responses were received and after the internal sustainability committee's review, following material aspects are identified.

Materiality mapping with GRI Indicators

Sector	S.N.	Material issue	GRI Topics relevant to material issue
Economic	1	Innovation Management	nil
	2	Strategy for New Markets	Economic Performance
	3	Sustainable Supply Chain	Procurement Practices Supplier Environmental Assessment Supplier Social Assessment
Environmental	4	Climate Stewardship	Energy Emissions
	5	Operational Eco-Efficiency	Materials Water Effluent and Waste
	6	Product Stewardship	Customer health & safety Marketing and labeling
Social	7	Human Capital Development	Employment Labour management relations Training and education Occupational health and safety
	8	Public Policy	Public Policy
	9	Overarching	Environmental compliance Socio-economic compliance Human rights assessments

All the above issues are material within all our manufacturing plants, except indicators related to the customer, supplier, and transport (which are reported from the outside boundary). The material issues were identified after a thorough materiality assessment exercise was conducted by the company which included consultations with multiple stakeholders. The report is compiled in accordance with the Core Option of GRI Standards, which requires consideration of aspects relevant to our business. The boundary for this sustainability report is the composite boundary consisting of our manufacturing plants.

Grievance redressal mechanism

Customer focus and field issue resolutions: KOEL engineering team is in constant interaction with the internal and external customers to understand the key product-related issues and work upon them in a structured manner. Following are formal interactions which happen on a regular basis:

- FCM: Field compliant meeting. CRE and AE teams attend the monthly FCM meetings to understand the field issues and provide the required solutions
- GOEM Meets: Understand GOEM issues with

the product and provide solutions

- Industrial Customer Visits: To meet and understand the industrial OEM issues.
- Quality review meetings: Specific meetings organized by the quality team to address critical product-related issues.
- ECR-ECN Process: Minor product-related issues are also addressed through the ECR-ECN process.

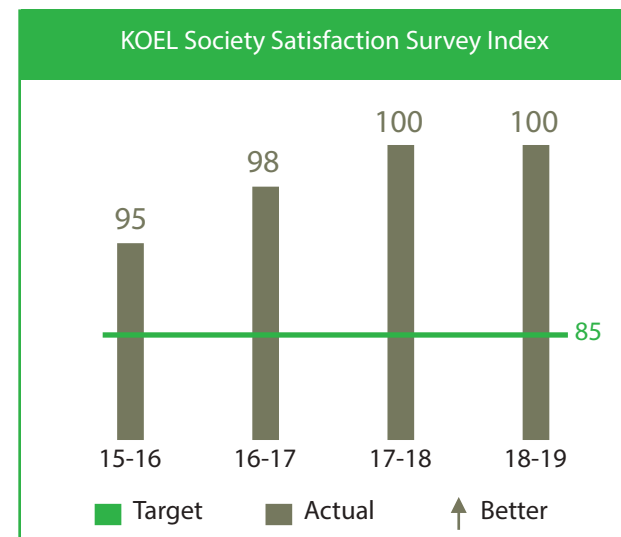
KOEL's complaint handling procedure is shown below. This is mapped on Pulse where the complaint is lodged, a unique service request is created and real-time MaxTTR (Maximum Time To Restore) is calculated. KOEL offers value-added services like Comprehensive AMC Contracts, Bandhan services, Service Camps and Customer Training, Customer Mela to take care of long term relationships with Customers.

- The customer gives a complaint to KOEL helpdesk/SD
- Helpdesk generates service requests in CRM
- Helpdesk informs SD, auto SMS, and main generation
- SD deputs technician & resolves complaint
- SD closes the complaint on CRM & informs

helpdesk

- After the closure of complaints in the system takes a call for CDI Feedback after three days
- Escalation if not closed in time
- Investigation and corrective action initiation by QA

KOEL continues to carry out a Society Perception Survey every year through a reputed external agency in the field. The survey results enable KOEL to assess the perception within local communities on its performance of initiatives undertaken and measuring improvements on a year-to-year basis. Further, it enables KOEL to integrate the key findings in developing future CSR initiatives. A CSR policy mandated by the Board is implemented through various planned and budgeted initiatives with focus on Health, Education, Environment & Livelihood. KOEL drives its CSR initiatives by collaborating with employee's volunteers and NGO partners.



(GRI 413: 1, 2)

KOEL believes in 'Enriching Lives' of the people surrounding the communities in which it operates. The key identified focus areas remain as Health, Education, Environment and Livelihood. Most CSR activities are carried out through employee volunteering programs across our plants and offices.

All three operations in the reporting boundary have community engagement and impact assessment. There were no negative impacts on the local community.



Community Development Programs:

Conducted Health check-up camps for the selected communities, initiated educational support programs for children so as to reduce the ratio of school drop-out. So far Total of 350 School children has attended these programs. Periodic meetings & counselling sessions for adolescent girls & their

parents have enabled to reduce early marriages & school dropout ratio. For the purpose of promoting rural and nationally recognized sports like Hockey, Football, Kabaddi, Wrestling & Athletics, training being conducted with the help of experts. So far total 225 students attended this training & out of that 100 players are selected for further training. Under various livelihood training programs, more

than 35 women have started their own small businesses like tailoring, beauty parlor, bags & purse making, and Tea-snacks providing.

Sanvedana HIV/AIDS Awareness & Control program:

KOEL has been driving consecutive 6th year of Sanvedana HIV/AIDS awareness program in western Maharashtra, especially Sangli & Kolhapur districts which are more prevalent in HIV infection. Sanvedana program is designed & implemented as per the need of the community for last six years. The NGOs & Government authorities also involved in all these programs, due to that, in the last 6 years the HIV infection rate of Kolhapur district is declining from 4.48% in 2014 to 0.32% in 2019. This program is appreciated by all the community people, NGOs, colleges, Government officials, MSACS (Maharashtra State AIDS Control Society) & NACO (National AIDS Control Organization). KOEL is the first company in Maharashtra who is working for prevention of this vulnerable health & social issue.



13th Kirloskar Vasundhara International Film Festival (KVIFF):

This year festival theme was 'Save River, Save Life'. KVIFF is an innovative attempt to explore nature and analyze issues related to environment, wildlife, energy, air and water. It's the only eight day long film festival in India that combines exclusive film screening, presentations by experts and allied activities. This year KVIFF has showcased 155 Award winning, internationally/nationally acclaimed films along with 70 allied activities. In addition to the film screening special activities such as



Photography Exhibition, EcoBazaar, RiverWalks, EcoQuiz, Sahitya Sammelan. 'Vasundhara Sanman', 'VasundharaGaurav' and 'Vasundhara Mitra' were presented to eminent personalities for their outstanding contribution.

Improvement Action taken based on findings of Society Perception Survey:

- Vocational Training for Youths with the help of SMAK Industrial Training Institute.
- "SAAKAV- LifeSkill Training Program" for

Adolescent Boys and Girls.

- Save Water Campaign
- Employees participation on CSR activities.
- Training for SHGs planned in co-ordination with Symbiosis Institute.
- Workshop for children covering subjects like science
- Disha Career guidance, Scholarship, Library & Sports training & sports items distribution

WaSH (Water, Sanitation & Hygiene):

It is an extension of Kirloskar Foundation's 'Clean and Beautiful School Competition Project' that endeavors to imbibe value of cleanliness among the students. In this year KOEL reached to 32 schools from all Plant locations. Total 149 Employee volunteers, comprising of managerial employees and team members, have been involved in implementing WaSH activities in the irrespectively assigned schools. Total strength students from these schools is more than 8500. WaSH activities are conducted through more than 1,000 students who are WaSH Club Members along with Principals, concerned teachers. Total 2,700 man-hours has been invested by the KOEL volunteers for WaSH initiative.



'SAAKAV'- LifeSkills Training Program:

It's an initiative intended to facilitate the development of adolescents with the help of lifeskills development process & initiating a dialogue on the same with the parents and teachers. Since last three years special trainings for teachers were conducted by expert focusing on

physical and emotional developmental stages of children, behavioral patterns and understanding the problems of children.

ENCON Initiative @ KOEL:

Energy conservation activities were implemented at various manufacturing facilities. Each year KOEL

Celebrates National Energy Conservation Week to accelerate the ENCON awareness mission at all Plant locations & participates in the K Group ENCON Award Competitions. KOEL Kagal unit have achieved another milestone in CII National ENCON Award Competition for receiving Excellence in Energy Management Award consecutively for Seven years in row. Similarly, State Level ENCON Award by MEDA consecutively Five years for Kagal & Nasik plants. In K-Group ENCON competition of 17-18, KOEL Units bagged prizes. Kagal, Khadki (Large Business Group) and Nasik plant under (Small Business group) respectively. ENCON Initiatives, Hasat Khelat Paryavaran & Ecoclub in schools: These initiatives have been started to increase the interest about environmental issues amongst the students. Various types of competitions were organized such as drawing, essay, demonstration about solar cooker, making best from plastic waste, eco-friendly articles, awareness lectures & workshops on energy & water conservation were organized in the schools.

Team KOEL puts in extraordinary efforts for Kerala flood victim relief

KOEL has come to the rescue of flood affected people in Kerala, by assuring them of safe, drinking water. This is a social initiative. The KOEL team is selflessly working day and night in many parts of Kerala to remove polluted water from wells and to rejuvenate them with the application of bleaching powder. Local people are appreciating their hard work. This activity was originally scheduled to run until the 31st of August, but if required, it will be extended. Our aim is to help every person in Kerala access safe water. And the KOEL team will stand by the state, without charging a rupee.



ENCON Improvements Projects:

Pune - For CSBG work & office area, energy efficient lighting (LED) is installed

Kagal:

- Installation of 5.5 MW Solar PV plant on site at Kagal factory, all three types Rooftop, Terrace and Ground (with single axis tracking) with excellent generation efficiency. (CUF)
- Component washing machines media changed to run these machines without heating of liquid media.

Nashik:

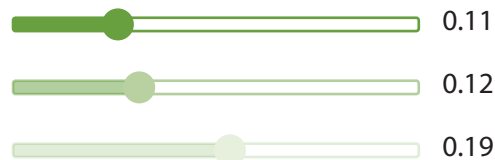
Installation of High Bay LED lamps on shop floor

Expenditure for community initiative (in Crores)

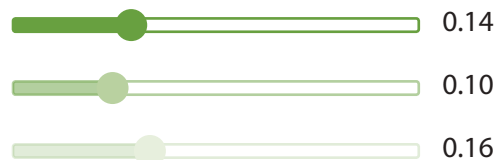
Education



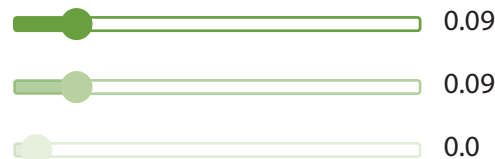
Environment



Health



Rural Development



● 2018-19 ● 2017-18 ● 2016-17

We have not identified any significant actual and potential negative social impacts of operations.



Supplier engagement:

Suppliers are segmented for ease of engagement depending on the following factors:

Based On Importance/impact on KOEL Product	Based on the type of component /RM used	Based on supplier location	Type of component
a) Preferred Suppliers supply of proprietary / critical parts impacting Safety / performance of the product. b) Partner Suppliers Suppliers with KOEL involvement in their processes & procurement	a) Proprietary b) "5C" components c) Small castings d) Aluminium Parts e) Fabricated Parts f) Sheet metal g) Rubber and plastic h) Bar turn/ forged	a) Domestic b) Import	a) Class A b) Class B c) Class C

Supplier communication forum:

Supplier Communication	Periodicity	Information shared
BPR Report	Daily	Part wise dispatch priority status
Supplier Web Portal	Real-time	Information related to BPR reports, GRR status, Payment status, Debit notes, Terms and condition for delivery of goods, SCM policies and guidelines Etc.
Quality Alert mails	Real-Time	Quality hold issue communication
Supplier performance index	Monthly	Supplier performance with respect to quality and delivery
Quarterly Communique	Quarterly	Last quarter KOEL Business performance updates and upcoming quarter business major plans/Projections. New policies/initiatives of SCM
Quality Contest	Yearly	Best practices across the supply chain. KOEL expectations for the way ahead.
Supplier conference	Yearly	Vision, AOP, New products plans, Strategic initiatives & KOEL expectations for the way ahead.

As a practice, on a monthly basis, KOEL sends 'Supplier Performance Index' to suppliers which cover their performance on Quality & Delivery parameters of Line / Receipt stage rejections & Warranty failures while on Delivery parameters for Premium Freight & Delivery Performance. This enables suppliers to initiate improvement actions in their respective areas. KOEL ensures early involvement of suppliers through the deployment of "Supplier Integration" measures. This approach enables first-time-right development since suppliers are involved in the design stage. KOEL conducts Supplier satisfaction survey to identify the gaps in the current system, process, and communication. KOEL communicates to the suppliers on the gaps identified and the actions taken by KOEL to bridge the gaps. KOEL also takes regular feedback from suppliers for midcourse corrections.

Improvement actions & initiatives taken based on Supplier Satisfaction Survey

Area of Improvement	Initiatives taken by KOEL Supply Chain Team
Resolution of BPR related issues faced by suppliers	a) Organization of BPR day to provide complete clarity and resolution of open points b) Wherever required, Support for System Development at supplier end c) Implementation support by KOEL team
Supplier Development	d) Supplier development program "Samvardhan" e) KOEL Lean Cluster program
Rejection Communication to suppliers	f) Details are communicated through Auto Emails.

As a part of holistic supplier development, KOEL celebrates November as Quality Month, conducting 'Supplier Quality Improvement Contest' -8th year in a row. The objective is to 'Share, Learn & Apply'. SQIC enables all suppliers to learn & implement the Best Practices adopted by other suppliers. This is one of the Best Practices as identified in the industry.

Innovation – new product development:

The technology development and management team at KOEL works strongly to support the key strategic objective of sustainable growth in the areas of High Horsepower, End Product and Exports. KOEL has a clear identification of various technology driving factors based on key customer requirements, market drivers, legislative demands, external benchmarking and vast experience KOEL gathered over the past many years in new product development.

KOEL product portfolio:

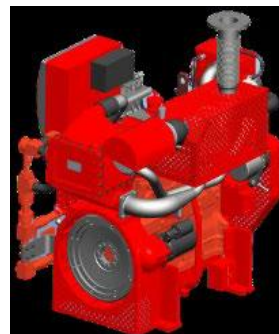


HHP Product Roadmap: After the successful launch of 750, 910 and 1,010 kVA product range KOEL plans to extend it further up to 2,400 kVA. A new engine platform (K4300) is being designed and developed to cater to this requirement. Product is

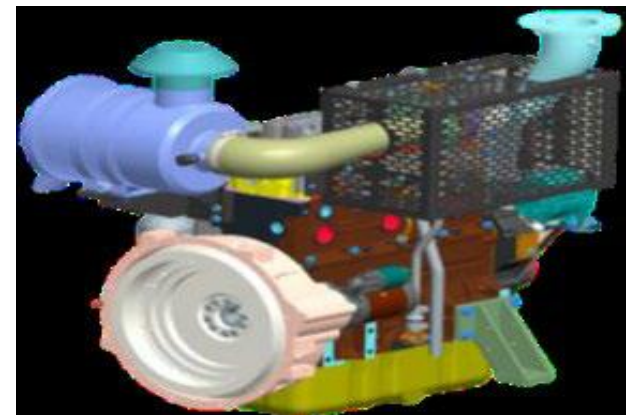
planned to be developed in two phases for the key specifications of K4300 product which is designed to be one of the most compact and fuel-efficient Gensets in its class.

Exports Product Roadmap: Three main engine projects in the area of exports are under design/development and launch phase covering a wide range of product and application requirement specific for exports.

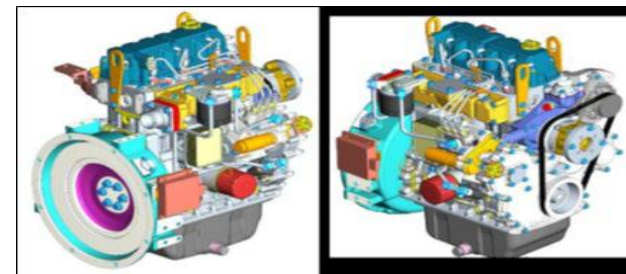
FMUL Listed High-Speed Firefighting Pump set Applications: More than 39 ratings are designed and developed with speed range of 1,760 to 3,000 rpm for supporting the exports requirement of FM & UL listed / non listed firefighting pump sets. The new product range meets the latest safety and performance regulations and is under production stage.



EPA approved emergency Gensets: KOEL is developing 30kWe to 100 kWe emergency backup Genset range for USA market. The engines meet the latest emission and safety regulations and are comparable to the global products in terms of performance.



Compact Engine Family R550: KOEL is developing a new product platform to cater the 10–50 hp compact engine market for exports. After a detailed market survey and benchmarking the product specifications were developed. The engine is currently in the design stage. The engine brings in next level of technologies in terms of NVH aspects for KOEL engines and is targeted to be at par or better than the benchmark products in the international market. The key target for this product is to be the most compact in the world in its class.



BS IV – CMVR emission norms for Indian Off-highway industry:

New emission norms for off-highway application diesel engines are scheduled to be enforced from October 2020 onwards. These norms are called Bharat (CEV) Stage-IV or BS-IV (CEV) and will replace currently applicable Bharat (CEV) Stage-III norms. New norms will be applicable for engines with power output exceeding 37 kW and are equivalent to EU Stage-IV norms in Europe. BS-IV (CEV) norms call for an extreme reduction in allowable limits of engine-out emissions namely Oxides of Nitrogen (NOx), Hydrocarbons (HC) and Particulate Matter (PM). BS-IV (CEV) development program is underway at KOEL for its complete range of industrial application diesel engines from 74.5 hp to 170 hp.

KOEL R&D has been adopting innovative approaches for designing & development of BS-IV

(CEV) engines which includes:

- Use of computer-aided simulation and analysis tools for all newly designed components
- Extensive use of soft stage validations
- Design of experiment methodology for performance and emission calibrations
- 3-Stage validation methodology comprising of Component level, sub-system level, and engine-level validations

Discussions and interactions with customers result in clearly identified projects which are executed through CCPM or ECR – ECN process. CRE and AE team also interacts with the customer in the form of direct visits, exhibitions, product strategy meetings. Improvements are done in the products to resolve the customer complaints on a continuous basis. Feedback is also used to improve the internal design / development processes to capture all the possible failure modes during the early part of the product lifecycle.



New Product Development		
Strategic Objective	New Products launched	
HHP	DV750 kVA	250–625kVA Cold Start ability Range
DV 910 kVA	250–1010 kVA Stone Crusher Range	
DV 1010 kVA	DVHE Cooled Range	
DV Fire Fighting	Gensets for Data Centres	
Railway – a) On-board, b) On-board silent & c) Under slung Gensets		
Exports	Enhanced features Genset	Genset range for LatAm market
Super Silent Genset	FMUL listed / non listed firefighting Engines	
Compact Gensets range of 4K and 6K series launched in Exports		
EPA certified range	Telecom Gensets for Vietnam	
End Products	Power tiller Mega T12, Power Weeder MINT8, MINT5, Electric Pumpsets	
Go Digital	Remote Monitoring of Gensets	Drawing and Canopy BOM automation

Strategy for New Markets

Revenue from International Business in FY 2018-19 was ₹ 206 crores as against ₹ 182 crores in 2017-18. KOEL's efforts towards improving geographical spread and expanding business to new market segments as well as adding new OEMs to our portfolio enabled a growth of 13.18% over the previous fiscal year. New markets and new segments contributed about 20% of the overall export revenues. Growth came largely in the Power Generation segment.

The Company achieved double digit growth in South East Asia as well as key markets in Africa and the Middle East. Business in the Americas region

remained steady. The Gulf countries and Southern Africa contributed significantly to export revenues. Competition from multinational companies has intensified in power generation export segment while the company faces severe price competition from Chinese and domestic players in the agriculture export segment.

Some of the highlights in the International Business for the Financial Year 2018-19 include:

- Intensified efforts to develop business in the Middle East and Africa which accounted for close to 80% of exports business. UAE, South Africa and Nigeria have been identified as Focus Markets to achieve double digit market

share.

- FMUL fire-fighting engines business was about 11% of the overall export business. We introduced 3,000 rpm FMUL engines which have been developed for international markets.
- We obtained EPA certification for diesel engines suitable for up to 60 kWe Stand by Generating sets. These engines will be the growth drivers in Financial Year 2019-20.
- Breakthrough orders received in Telecom sector, especially in South East Asia, and the company intends to build on this in the next financial year.



At
**NO Extra
Price**

#iForTomorrow

Best Genset of India with Complete Power Back-up Solution



What KOEL iGreen brings to you

<p>Unmatched Convenience</p> <p>AMF as standard offering</p>	<p>Ease of Information</p> <p>QR code enable genset</p>	<p>Genset At Your Fingertips</p> <p>Remote monitoring as standard</p>	<p>Superior Looks</p> <p>New attractive colour scheme</p>
<p>Improved Product Life</p> <p>Bolt-less designed canopy</p>	<p>Single Point Of Ownership</p> <p>Comprehensive warranty from KOEL</p>	<p>Remote Status Indicator</p> <p>Multicolour genset status indicator</p>	<p>Space Saver</p> <p>Silencer inside canopy with compact design</p>

Sustainable Supply Chain: (GRI 308: 1, GRI 102: 9)

SCM is involved in creating AAA (Agility, Adaptability and Alignment) supply chain through its comprehensive processes aimed at obtaining maximum advantage on cost, technology, process, quality and delivery. As a major contributor in Organization's goal achievement, SCM leverages sourcing power of organization through 280+ suppliers for about 7,000+ parts.

Demand driven supply chain based on the concept of Theory of Constraints (TOC) is a way of life at KOEL which has ultimately resulted in significant improvement in availability of products at customer end year on year. Capability Building for future ready supply chain is ensured through well-structured approaches like Project Lakshya, Lean Cluster, Samvardhan, Project Unlock, CCPM Way and Green Sourcing Initiatives. KOEL is setting Industry BENCHMARK for organizing its annual supplier quality improvement contests where the central theme is share-learn-apply. The year 2018 was the 10th Edition of SQIC (Supplier Quality Improvement Contest). This program has emerged as a pioneering effort in supplier engagement as it serves as a platform to showcase innovative and

successful methods. KOEL further embarked on a ZERO Defect Journey with selected suppliers.

As a part of supplier development KOEL organizes 'Supplier Quality Improvement Contest' The objective of the contest is to 'Share, Learn & Apply'. Focus is on "Quality Processes" in different areas of business besides Parts Quality. Areas covered are manufacturing process improvements, Innovation, automation, Poka Yoke, Kaizens. Best Business Practices like Lean, Six Sigma, TPM, TQM, Heijunka Way, Environment Health and Safety. The 'Share, Learn & Apply' objective helps all participants understand the best practices adopted by other suppliers. This is one of the Best Practices in the industry evolved by KOEL. To foster the culture Excellence, the central theme of the Supplier



Conference was 'Strengthen Supplier Partnership for Business Excellence'.

Percentage of new suppliers screened:
(GRI 308-1, 414-1)

100% critical suppliers (in production parts)
Zero Defect Project for supplier improvement, with six monthly reviews, incl. EHS score. (GRI 204-1)

Proportion of spending on local suppliers > 59% (within 300 km, as per Supply Chain Policy) and only 4% suppliers are overseas based. (GRI 308-2)

There were no negative environmental, social and human rights impacts observed for all the suppliers assessed in the reporting period.

Regulatory and compliance framework:

Initiative / Program	Objective	Achievement
ENCON –Energy Conservation	To reduce the specific energy consumption.	Achieved a reduction in sp. Energy consumption FY18-19 by 4.4% over the previous year
Environmental Compliance	To comply with applicable environmental laws	100% compliance achieved as per MPCB [Maharashtra State Pollution Control Board norms]
Carbon Foot Print Study	To determine the carbon emission from all processes	The study initiated & Long term goal for reducing Carbon footprint taken
Renewable Energy Initiatives	To increase the consumption of Green Energy resulting in a reduction in CO ₂ emission	The share of renewable energy in total electrical consumption for FY18-19 is 37% with respect to Total Electrical Consumption for Kagal which has resulted in an offset of carbon emitted by 5,500 tCO ₂ . Khadki replaced about 3% of its total electrical consumption by renewable energy through open access FY18-19.
Hazardous waste management	Reduce the generation of hazardous waste from MFG plants	Within in State Pollution Control Board
Operational Safety	To ensure Machine Operator Safety To improve workplace safety	100% Machine Guarding done. Replacement of wooden platform with MS platform
Occupational Health Improvement	Reduce exposure to high noise zone [in engine testing area]	Provide Acoustic enclosure for engine testbed across all MFG plants

GHG emissions and emission intensity: (GRI 305 – 1, 2, 3, 4, 5)

Carbon Neutrality:

KOEL embarks on a remarkable journey towards environmental conservation. On the occasion of World Environment Day, 2019 KOEL Kagal Plant has achieved Carbon Neutrality under the guidelines of PAS 2060:2014. The boundary for the study considered - KOEL Kagal plant Scope1, 2 and 3 emissions for the period considered from April 2018 to March 2019. At Kagal, KOEL has initiated the sound process of studying, analysing, calculating, gap-finding and offsetting. This entire process and its mapping are being audited through an international agency expert in this field.

Total emissions:			
Plant	Total GHG emissions (tons of CO ₂)		
Kagal	12,779	13,977	13,739
Khadki	4,624	5,875	8,270
Nashik	705	615	532
Total	19,508#	0	0
	2016-17	2017-18	2018-19

Scope 1 emissions:			
Plant	Total GHG emissions (tons of CO ₂)		
Kagal	3,508	4,159	4,455
Khadki	2,216	2,467	2,898
Nashik	297	213	170
	2016-17	2017-18	2018-19

Scope 2 emissions:			
Plant	Total GHG emissions (tons of CO ₂)		
Kagal	9,271	9,818	9,284
Khadki	2,407	3,408	5,371
Nashik	408	402	361
	2016-17	2017-18	2018-19

GHG emission intensity:			
Units	GHG Intensity (kgCO ₂ /BHP)		
Kagal	2.65	2.12	2.07
Khadki	#	-	NA
Nashik	\$	16.23	17.29
	2016-17	2017-18	2018-19

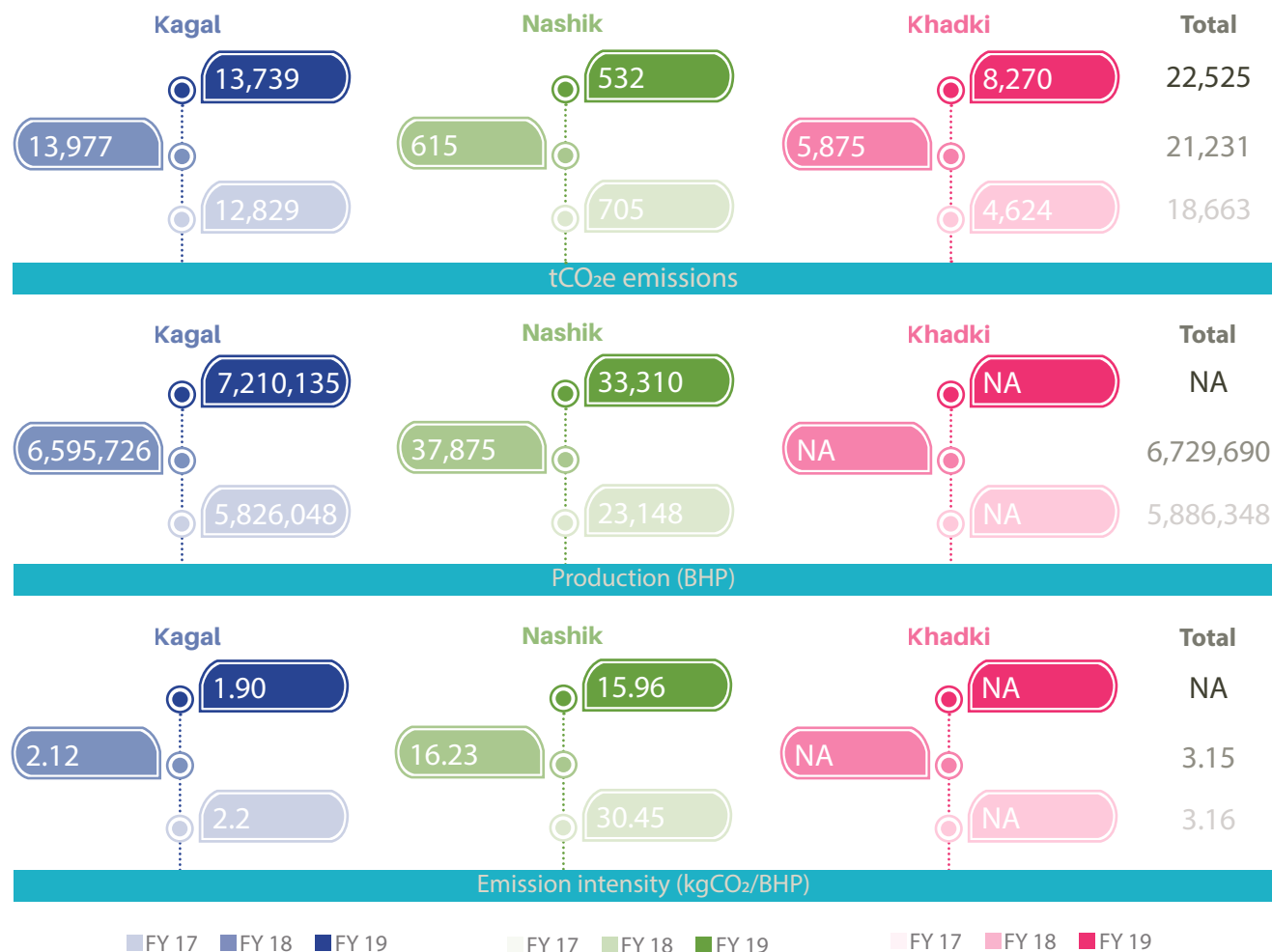
GHG emission reductions:		
Units	Reduction of GHG emissions (tco ₂)	
Kagal	5,576	5,367
Khadki	#	157
Nashik	-	-
	2017-18	2018-19

To reduce carbon footprint, following initiatives were undertaken:

- Installation of 5.5 MWp Solar captive power plant
- Installation of 10 kWp solar PV plant for Fountain at Khadki
- Installation of 2.5 kWp Windball
- Installation of Biogas operated Genset for powering street lights

To achieve carbon sequestration, More than 6,000 trees of various species are contributing to the greenery in Pune plant only. On the eve of The World Environment Day 2018, on a single day, 1,300 trees of various species are planted at Kagal and the total number of trees at Kagal reached to a level of 10,000. Hazardous wastes are monitored as per SPCB consent for all plant locations. Also, KOEL has implemented various low carbon solutions for a variety of products and operations to achieve emission reductions.

Carbon Intensity:



NA – not applicable, as production is stopped and intensity cannot be calculated

Operational Eco-Efficiency

KOEL's management is environmentally conscious and it makes best possible efforts to minimize its environmental footprint. KOEL follows ISO 14001 guidelines which have helped KOEL implement a robust Environmental Management System with its view on protection and restoration of the environment. KOEL makes utmost efforts to minimize environmental damage even in the neighbourhood of its plants. KOEL's commitment to sustainable operations is extended even to its suppliers and contractors.

Energy conservation initiatives in Nashik Plant:

- Replacement of High bay metal halide lamps by LED lamps
- Replacement of old inefficient motors with energy efficient motors
- Installation of VFD for cranes
- Installation of level switch for cooling tower transfer pump
- Installation of FRP fan for cooling tower Fan motor

Environmental initiatives in Kagal Plant:

- The share of renewable energy in total electrical consumption for FY 18-19 - 37% wrt Total Electrical Consumption for Kagal which has resulted in to offset of carbon emitted by 5,500 tons.

- Commissioning of 5.5 MWp Solar Power Plant and started credits of generated units into monthly MSEDCL bills.
- Installation of wind ball for powering streetlights.
- Replacement of high bay Metal halide lamps with LED lamps at Genset
- Celebrated ENCON day & ENCON week by arranging various competitions, display and discounted rate sale of solar products and BLDC fans.
- Conversion of Diesel operated forklift to battery operated forklift
- Installation of HT capacitor for HT compressor motor to improve Power factor

Environmental initiatives in Pune Plant:

- Adoption of LED lights -430 fittings (20.4 kW) replaced by 395 LEDs(10.8 kW)
- Installation of occupancy sensors for toilets.
- Celebrated ENCON day & ENCON week by arranging various competitions, display and discounted rate sale of solar products and BLDC fans.
- Installed 3kWp solar system with available solar panels. (1455 units generated since installation in Sept 18)
- AppScape make Energy Management System is installed for effective monitoring of energy consumption & related parameters and achieving optimum utilization through

implementation of ENCON projects based on data.

Energy Consumption:

Our concentrated efforts in energy management have fetched CII National Award for Excellence in Energy Management, "Certificate of Merit" award at State level by MEDA during FY 17-18 for Kagal & "Certificate of Excellence" award for Nashik plant. Energy Conservation cell (ENCON) has representation from all functions and levels & has been anchored by the four pillars of the centralized energy monitoring system, knowledge building, technology Up-gradation, green energy, and products.

Optimization of energy usage in the manufacturing facilities and employing low carbon solutions for the various products and operations is the primary focus. Utilities have already adopted a systematic and structured approach to reduce environmental impacts through various energy-efficient process models and meticulous resource optimization. KOEL has implemented the use of alternate energy methods which serve a dual purpose of resource conservation as well as savings. KOEL has installed and commissioned 5.5 MWp Solar Captive Power plant to replace the conventional energy. For FY 18-19, 37% share of electrical energy was substituted by renewable energy through 5.5 MWp Solar Power plant at Kagal and for Khadki location, through third

party open access energy purchase. The share was around 8%. With respect to the planned production, every year plant team set the targets for the Power, HSD, water & Compressed air consumption and they are regularly monitored and controlled by respective Utilities.

These targets are reviewed monthly by respective ENCON Cell & refined by external experts in K-Group ENCON Competitions and share best practices & various ENCON initiatives at Bi-Monthly K-Group Utilities meetings held at various locations of K-group plants.

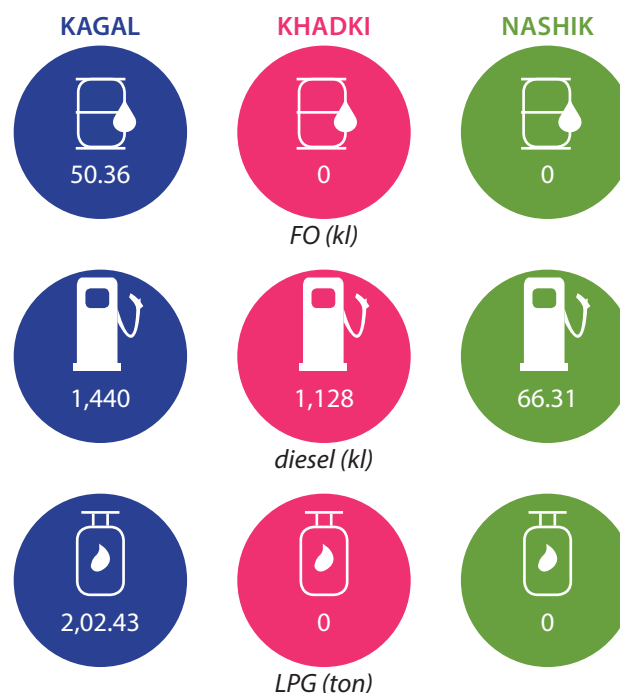
Apart from the CII code, KOEL has corporate Energy policy which guides them in utilizing our energy resources. Our set targets for specific energy consumption are monitored through our advanced Centralized Energy Management System (CEMS). This CEMS is also helping us to identify the energy losses and undertake the ENCON projects. The targets are given to individual production lines and monitored and measured regularly by respective production managers. With respect to energy policy, KOEL has developed the strategy for Energy Audits at all plants. On the basis of internal & external audits, we develop the ENCON Action plan for each financial year and resources are allocated. Also, KOEL's internal team of energy auditors completed a walk through energy audits at Kagal, KMW, Khadki, and Nashik. Based on

the recommendations various ENCON projects identified and planned for implementation.

(GRI 302-1, GRI 302-3, GRI 302-4)

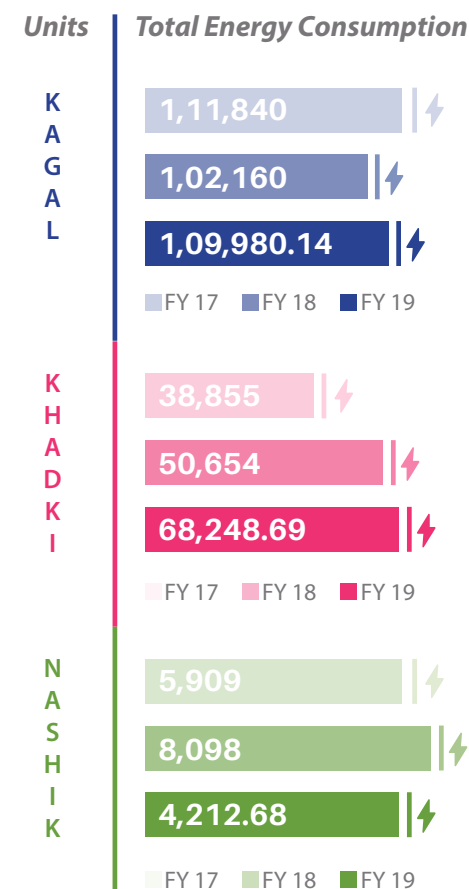
KOEL is committed to optimizing the use of energy in operations and to also bring about continuous improvement in processes and products through the use of energy efficiency interventions and renewable energy technologies.

Plant wise non-renewable fuels consumed

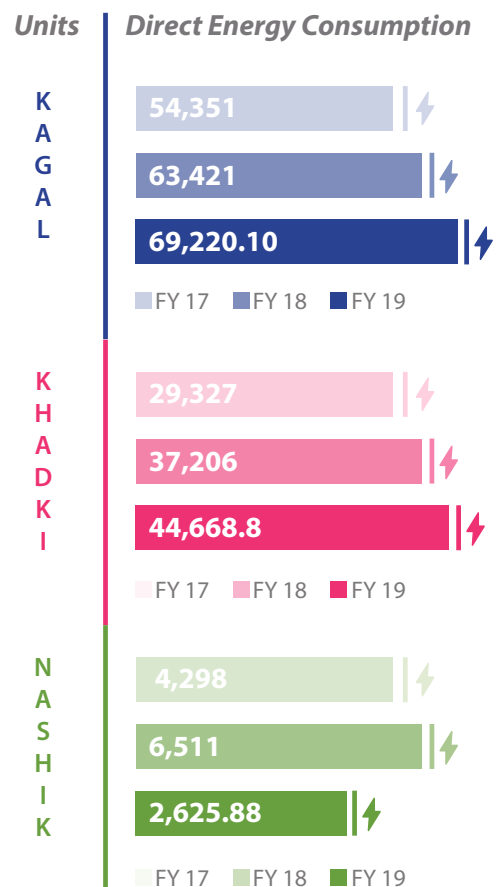


The fuel consumption is taken from the daily stock changes, issuance logs from stores and matched with purchase records for the year.

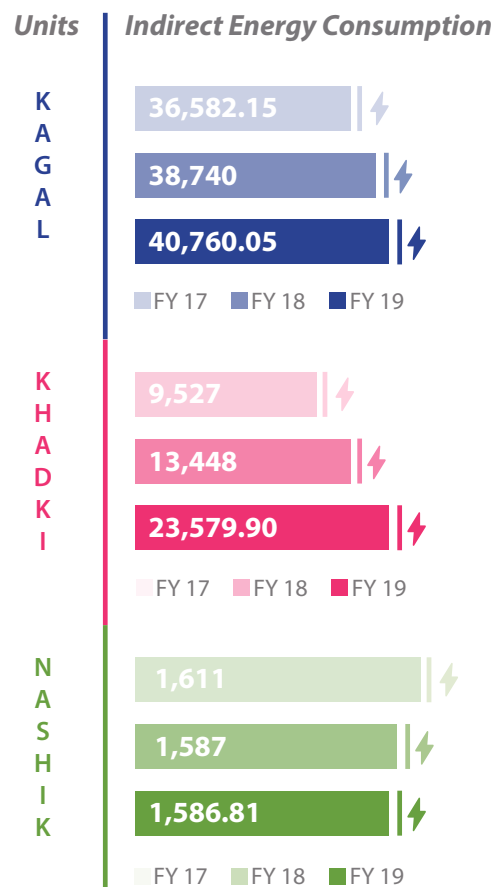
Total Energy Consumption (GJ)



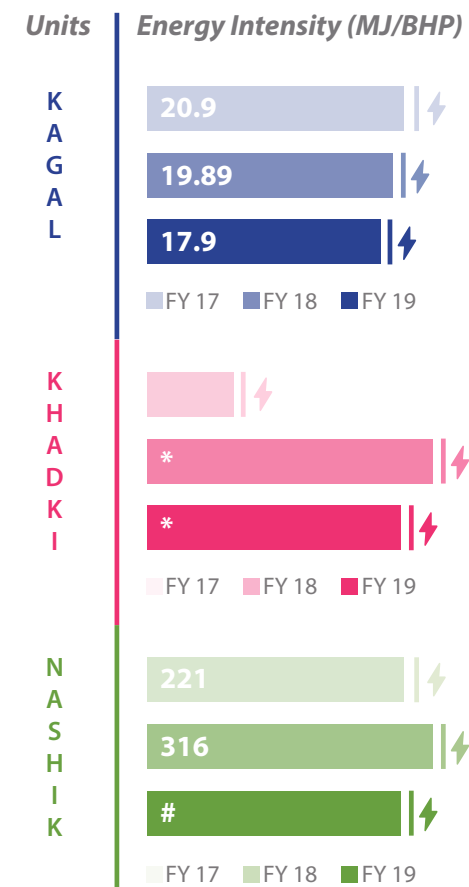
Direct Energy Consumption (GJ)



Indirect Energy Consumption (GJ)



Energy Intensity



*As production is stopped at Khadki, the intensity is not calculated
 # The production is significantly lower at Nashik, hence the intensity not comparable

Renewable Energy:

KOEL has been using renewable energy from own windmills till 2016 and solar and wind energy brought via open access now. In the reporting period, budget allocation and project initiation are completed for a 5.5 MWp solar power plant in Kagal unit premises. It includes rooftop, ground-mounted, fixed axis and moving axis solar panels.

Type of renewable energy	Kagal	Khadki
Electricity from open access and captive solar power plant (MWh)	6,545	191
Biogas (m3)	5,685	-
Solar heaters (ton steam)	19.56	-

Units	Energy Savings	
	kWh	GJ
Kagal	2,79,000	1,004
Khadki	1,20,094	432
Nashik	23,523	85

Material: (GRI 301-1, 2)

KOEL's raw materials and components (spares required in company products, which are manufactured by other OEMs) include – components, non-ferrous metals, steel and steel strips, and others.

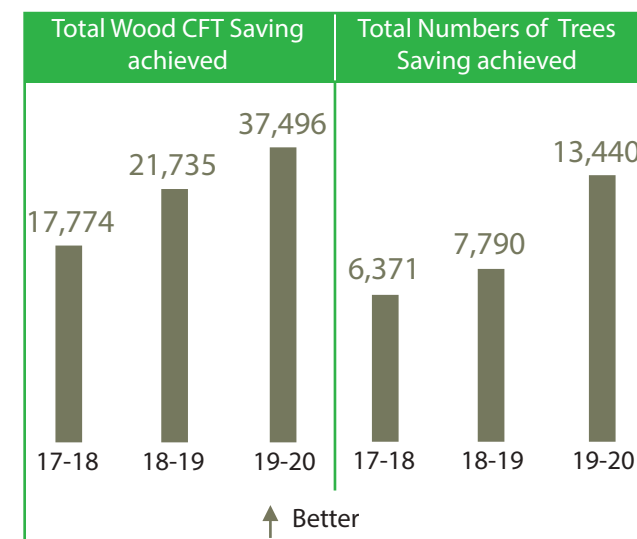
Material	Unit	Quantity
HSD	lit	26,47,200
Oil	lit	68,610
Paint	lit	33,871
Primer	lit	-
Thinner	lit	35,033
Coolant	lit	21,320
Cotton Cloth	kg	18,180
Wood	Tonne	43.84
Aluminium castings	MT	22,953
Steel forgings	MT	1,450
Cast iron castings	MT	1,16,937

All of these materials were purchased from OEM and other suppliers/dealers. There is no renewable material used in production and packaging so far.

Further, the lube oil used in all our manufacturing facilities is recycled via certified oil recyclers. In

financial year 2018-19, we recycled 2.44 lakh liters of lube oil.

The Company also recycles plastic bags and covers used in packaging. In financial year 2018-19, the Company recycled packaging materials worth approximately ₹ 12 Crores.



KOEL also recycles plastic bags and covers used in packaging.

Waste and Effluents: (GRI 306 – 1, 5)

KOEL has at all its locations certified for ISO 14001 under Integrated Management System. The sound implementation enables to ensure going beyond compliance levels as prescribed by state authority for all related equipment, systems and processes proactively and thus KOEL is setting an Industry Benchmark in Engineering Industry. Besides this, wholehearted employee involvement in energy conservations, Green initiatives, and effective resource management and policy enables to sustain the results consistently. Ultimately this has enabled to create and sustain GREEN FACTORY.

Hazardous waste monitoring for *Kagal Plant*:



Waste Name	Consented quantity	Quantity	UOM
Used oil	2,100	203.7	KL/Annum
Waste oils	2,100	89.65	KL/Annum
Filter paper, oil filter	19.2	7.38	MTA
Oil soaked cotton waste	60	25.91	MTA
Phosphate sludge from pretreatment	91.2	8.17	MTA
Paint sludge	248.4	67.8	MTA
ETP sludge	552	109.12	MTA
Empty barrel, containers, spray bottles	29,400	12,071	Numbers/Annum
Waste epoxy powder	24.36	5.53	MTA
Waste rockwool, glass tissue paper	12.36	3.61	MTA
Discarder liners eg. Hangers	18	0	KL/Annum
Used grinding wheels	2	1.16	MTA
Used cleaning solvent	2.4	0.058	MTA
Lead acid batteries	9.6	1.57	MTA
Waste softner resin	8.4	0	MTA

Khadki: Dispatched category waste

Type of waste	Quantity of waste	UOM
5.1 Used or spent oil 13.8 KL/ Annum	13.8	KL/Annum
5.2 Wastes or residues containing oil 7.33 KL/Annum	7.33	KL/Annum
5.2 Wastes or residues containing oil 3.16 MTA	3.16	MTA
12.4 Sludge from bath containing organic solvents	1.46	KL/Annum
21.1 Process wastes, residues and sludges 2.86 MTA	2.86	MTA
33.1 Empty barrels/containers/ liners Contaminated with hazardous chemicals/wastes	524	Numbers/ Annum
35.3 Chemical sludge from waste water treatment	2.16	MTA
Other Hazardous Waste	1.71	MTA
Other Hazardous Waste	10	Numbers/ Annum

* returned to the OEM for recycling

Non-Hazardous Waste Monitoring For **Kagal** Plant:

Type of waste	MPCB limit	UOM	FY 18	FY 19
Ferrous Metal Scrap	5,160	MT	3,019	3,218
Wooden Scrap	937	MT	491	512
Rubber Plastic and garbage	1,404	MT	800	16.27+908
Grinding Dust	252	MT	83	123

Hazardous Chemical material/Non Bio-degradable **Kagal** Plant

Chemical / Non Bio-degradable	MPCB limit	UOM	FY 18	FY 19
HSD	16,020	KL/Y	1,295	1,440
FO	3,000	KL/Y	58	50
LPG	10,800	Ton/Y	195	202

Ambient Air Monitoring for **Kagal** Plant

Category	MPCB limit	UOM	FY 18	FY 19
PM 10	100	µg/ M3	28	56
SO ₂	0	µg/ M3	10	17
NO ₂	80	µg/ M3	13	18
Pm 2.5	60	µg/ M3	8	22
CO	2	µg/ M3	<0.5	<0.5

Quality of Effluent for **Nashik** Plant (FY 18-19)

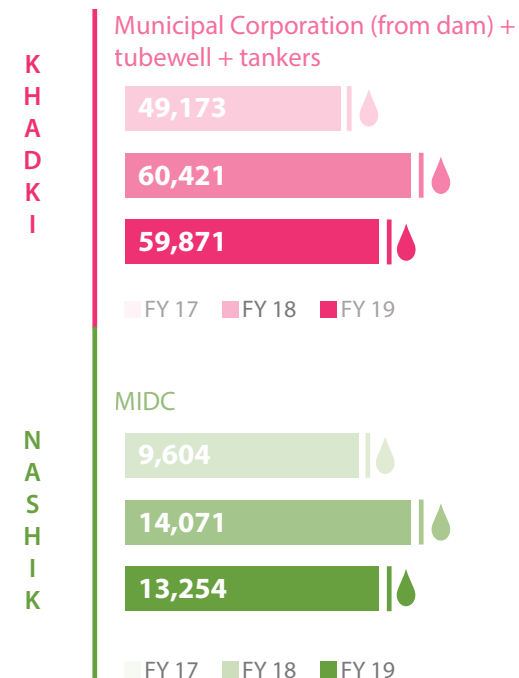
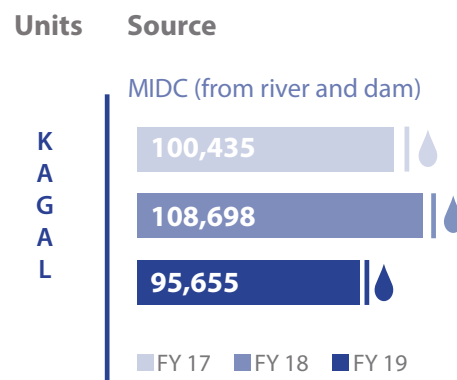
Type of waste	UOM	MPCB limit
pH	NA 6.97	9.0
BOD3 at 23 C	mg/L 5.99	<30
COD	mg/L 29.33	<250
Total Oil & Grease	mg/L 5	<10
Total Dissolved Solids	mg/L 221.42	<2,100
Chlorides (as Cl)	mg/L 30.59	<800
Sulphates (as So4)	mg/L 7.89	<1,000

■ FY 19

In all three plants, the emissions of SO₂ are required to be monitored, with given allowable limit. The test results from third party show the emissions are insignificant compared to the limits.

In the reporting period, there has been no significant environmental impacts due to transportation of goods for organization's operation and transporting members of workforce. There were no incidents of significant spills in the reporting period.

Water withdrawal (GRI 303-1, GRI 303-3)



The water consumption is taken directly from the meter readings noted and water bills received from suppliers. The water withdrawal does not have a significant impact on sources and water bodies as water consumption by KOEL is insignificant compared to the total source reservoir. This is verified by a third party hydro-geology study from an independent company for Khadki and Kagal.

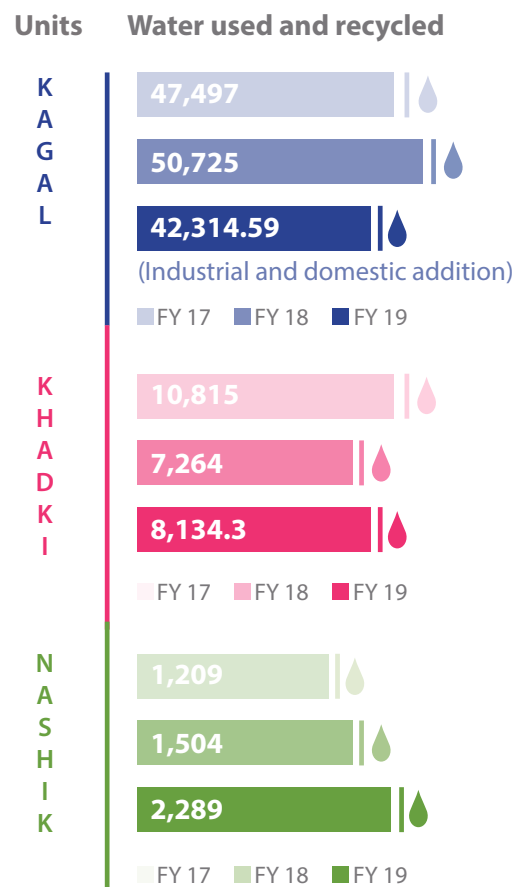
Further, various water-saving projects are implemented including major rainwater harvesting initiatives at Kagal. This has resulted in significant specific water conservation savings.

Reduce, Reuse and Recycle:

Initiatives:

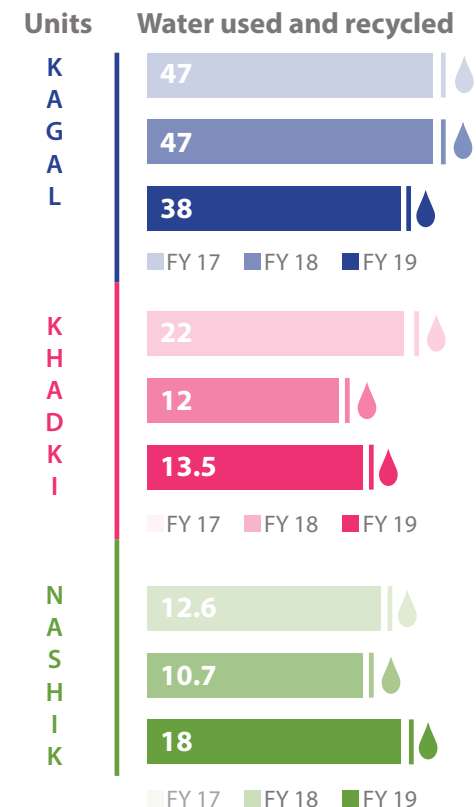
- Zero discharge – Modern Effluent Treatment plants
- Treated water for gardening & construction
- ETP facility up-gradation to enhance the quality and usage of recycled water at Kagal
- Biogas from canteen waste - used for street lights & cooking
- Engine packaging skids, lube oil & wooden boxes are reused. WOOD-FREE PACKAGING except for every parts, use of corrugated recycled paper boxes specially designed.
- CSBG remanufactures the engines received against failure. Recycling of major casting and steel components to reduce waste & minimizing the need for raw material.

Reduce, Reuse and Recycle:



The water treated in ETP is used for gardening and flushing toilets etc. and all plants maintain compliance to zero discharge.

Reduce, Reuse and Recycle:



All three plants are zero effluent discharge compliant. So, the treated effluent is used within premises, for gardening. Thus, KOEL's water discharge and runoff had no adverse impacts on protected or water bodies and habitats having biodiversity value.

(GRI 416: 1, 2, GRI 417: 1, 2, GRI 418: 1)

KOEL – CSBG has deployed structured approach of conducting annual training programs for its All India service dealers and their technicians on a periodical basis to promote and ensure responsible use of KOEL Products and enhance the competency of the service dealer personnel by demonstrating right maintenance practices. In addition to this KOEL CSBG had commenced exclusive regional training centers at Kolkata & Delhi to enhance & moderate the skills of engineers with dealerships at the local level.

Following tailor-made training programs are arranged for customers and service dealers:

- Engine assembly & dismantling practices
- Recommended maintenance practices
- Electrical training program on Main alternators & others.
- Customer training program on Operation & maintenance practice on engine / DG Sets
- Customer sensitization & Presentation skills.

Apart from above, the following initiatives are taken by KOEL for training its customers:

- Product demonstrations in PG/Agri/LEBG
- Training at Customer's premises in IND
- Product literature
- Use of skids instead of wooden packaging to maximize Green effect

- Field demonstrations of product usage in Agri (CUE)
- Customer communication during site visits in all BU

All (100%) of significant product and service categories are assessed for improvement for which health and safety impacts may be expected. This is done as part of the design criteria, routine O&M as well as the specific servicing requests received. There were no cases of non-compliance concerning the health and safety impacts of products and services as well as product and service labelling. KOEL has a publicly available privacy policy and had mad elaborate internal data management protocols. Further, there were no complaints concerning breaches of customer privacy and losses of customer data. There were also no incidents of non-compliance concerning marketing communications.

KOEL uses various display labels on the products & spare parts to inform customers about these products. We also provide Operations & Maintenance (O&M) manuals of the respective products in conformity with relevant labeling requirements. Other than this, all products are given certain Do's & Dont's guidelines, regulatory approval certificate reference along with user manual and spares code numbers.

Customer Engagement Initiative:

Project Velocity: To nurture collaborative & customer focus culture, HR has launched 'Project Velocity', a Customer Engagement Initiative for PG. This was a certification program for Area Sales Managers and Zonal Sales Managers of Power Generation business. There were 3 levels of this program. In Wave-1, the sales team of LMHP was covered. Wave-2 covered the sales teams of HHP and C&I. In Wave-3 of Project Velocity, trainers were trained who then imparted the knowledge to the Channel Partners of KOEL, thereby strengthening the bond between the two.

Phases:

Wave 1

Developing the team for effective channel management aligning to customer at the core.

Wave 2

Enabling the team for strategic account management to bring focus on large customers.

Wave 3

Setting up processes for scalability and growth by enabling channel team to drive acceleration.

Extensive van campaign conducted by TPO in Tamil Nadu:

Dynamic Engineers and Traders, Chennai, organised a 2-day van campaign on the 12th and 13th of June, 2018. The purpose of the campaign was three-fold. The first was to extensively cover the rural areas in Tamil Nadu. The second aim was to build awareness among retailers. Retailers were also introduced to the newly launched product coolant. The campaign covered the regions of Vellore, Polur, Tiruvannamalai, Sankarapuram, Kallakurichi, Virudhachalam and Villupuram.

Besides meeting all objectives, the campaign also recorded impressive orders worth Rs. 1,10,000!

Agri BU performance makes headlines in the first quarter of the year:

Farm mechanisation as a sustainable way to boost productivity is a hot topic of discussion across India today. It has been shaping Government policies, socially responsible groups, farming methods, and of course, headlines across print and digital media. And when farm mechanisation for small and marginal farmers is discussed, KOEL can't be far behind. In an exclusive interview with the Marathi publication, Sakal Agrowon, Antony Cherukara, VP-Strategy & Head - Agri Business, spoke of Kirloskar's legacy of helping and supporting farmers. He also expanded on the role of Mega T in transforming the lives of farmers, especially small and marginal farmers.



HUMAN CAPITAL DEVELOPMENT

12

(GRI 401-1, GRI 414-1)

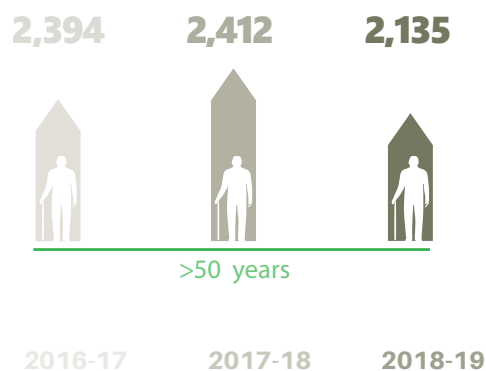
Recently KOEL has revamped its HR strategy and came up with Darwinbox – Performance Management System which enables half yearly performance review system.

The ratio of basic salary and remuneration of women to men is 1.

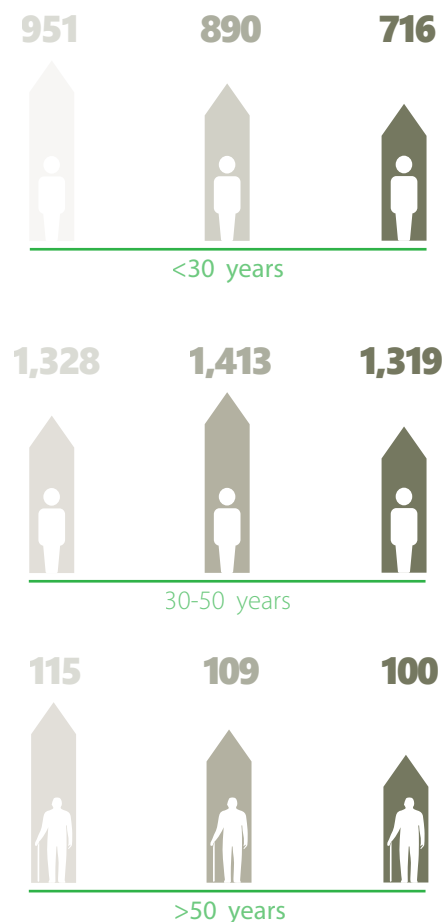
KOEL has a policy of equal opportunity for all its employees in all aspects. It provides equal remuneration to both male and female employees and equal opportunities to grow in the organization irrespective of gender, caste or religion. (GRI 405-2)

Employment:

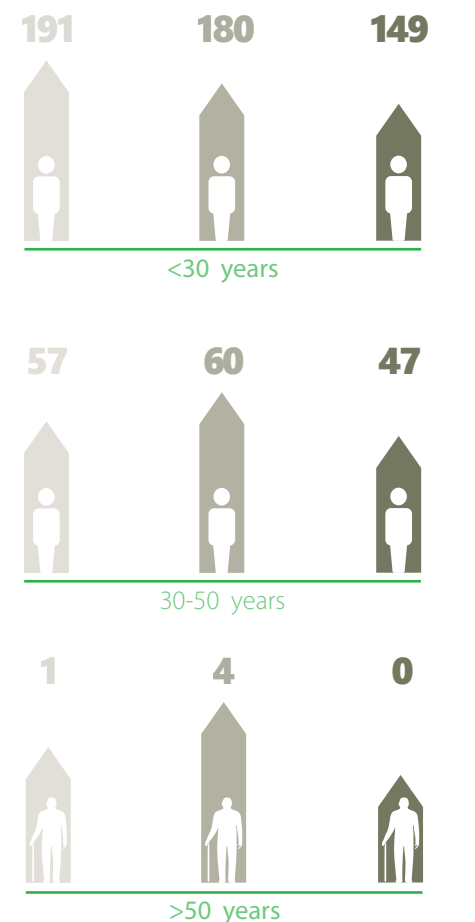
Total Workforce



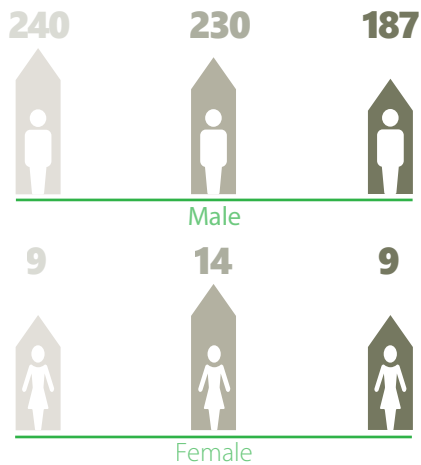
Employee Diversity (by age group)



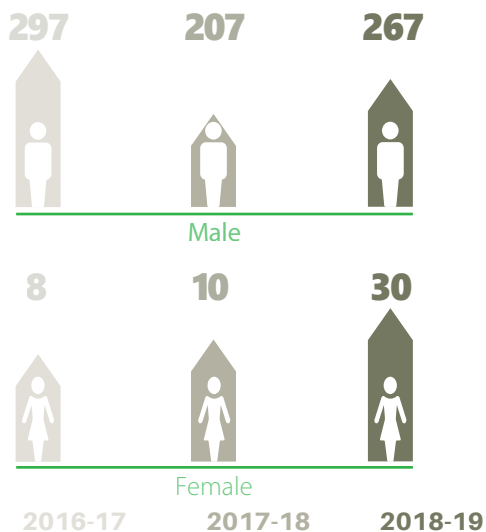
New employees hired by age group



New employees hired by gender



Employees turnover by gender



Diversity:

To promote gender diversity and further to enactment of 'Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013', a series of sessions have been conducted by an external agency to cover all employees. Hospitalization Policy of Team Associates reviewed and concluded.



Training and Education

(GRI 404-1, GRI 404-2, GRI 102-8)

At KOEL, training and development opportunities are provided to employees under two domains: Technical or functional trainings and Behavioural trainings. Training requirements are mapped on periodic basis. Also for M2 and M5 category employees, leadership competency trainings are conducted. To further enhance enable employees

perform better, KOEL exercises Competencies Identification which is a competency based assessment taken for employees. Depending on these assessments further training needs are assessed separately for each department. KOEL is in the process of preparation of talent development framework in order to ensure employee capacity building and better management. Also training calendar was developed and circulated.

Attract, develop & retain the talents



The strategic objective of Learning and Development Framework is to develop and retain the right talent. Learning organisation focus on building a sustainable growth and an edge over competition. This phenomenon is imbibed in us, making KOEL a place where Learning and Development is not just encouraged but is linked to the vision and values of the organization.




HUMAN CAPITAL DEVELOPMENT

12



Kagal				
Training and Education				
Average training hours:				
 Manager	Total no. of training hours- by employee category			
	10,866	7,221	6,112	
 Associate	11,852	9,456	9,715	
	2016-17	2017-18	2018-19	

 Manager	No. of employees received training - by employee category			
	284	264	244	
 Associate	982	954	1,071	
	2016-17	2017-18	2018-19	

No. of employees received training				
 Male	1,233	1,182	1,277	
	2016-17	2017-18	2018-19	
 Female	33	36	38	
	2016-17	2017-18	2018-19	

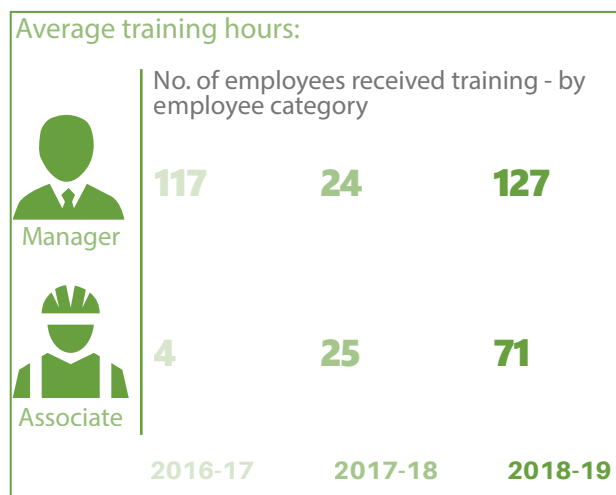
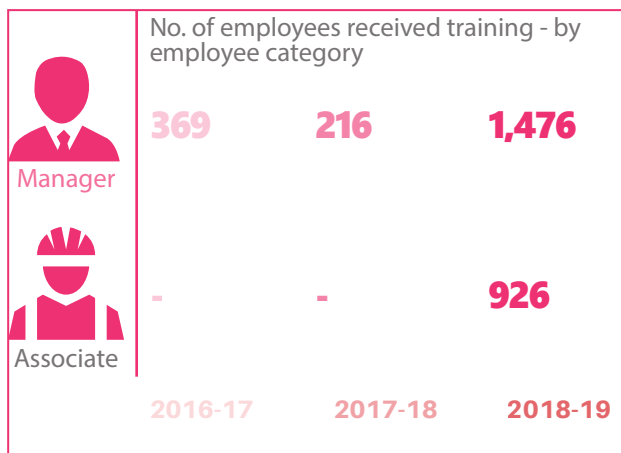
All (100%) of KOEL's employees receive regular performance and career development reviews. These reviews are online done quarterly and annual (GRI 404-3).



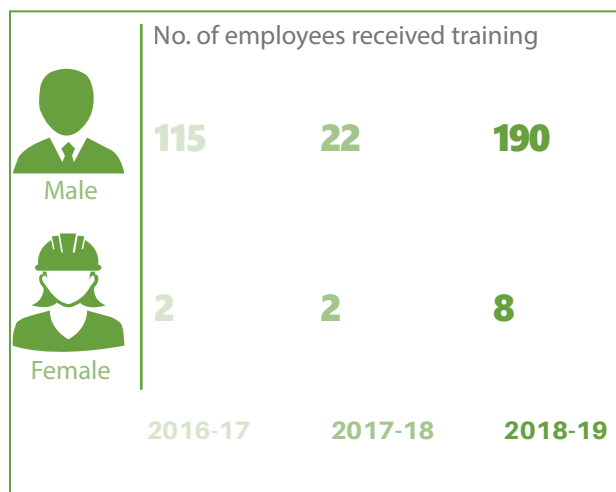
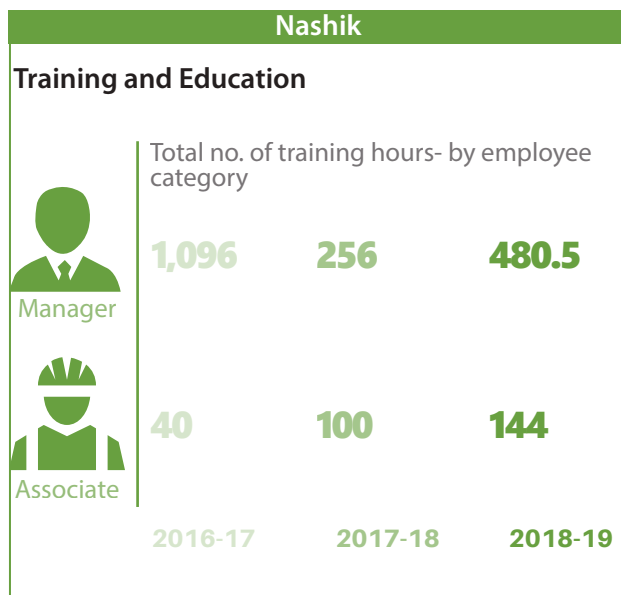
Khadki				
Training and Education				
 Manager	Total no. of training hours- by employee category			
	4,832	1,768	12,000	
 Associate	-	-	8,703	
	2016-17	2017-18	2018-19	

HUMAN CAPITAL DEVELOPMENT

12



Employee category	Number of Employees	% Trained on Safety	% Trained for Skill upgradation
Permanent	2,443	24.23	24.3
Permanent Female	73	4.11	-
Temporary/ Contractual	1,602	58.99	8.6



Platform for People Involvement in improvement initiatives

Project Unlock	Mr Customer	Lakshaya 100
Six Sigma BB	ENCON	Engine Leak-free
Six Sigma GB	TPS	WASH
VA/VE	Supplier Quality Task Force	5S and Kaizen
Quality Circle	Process Audit	Supplier Six Sigma
SAMMAN	AOP Sign-off Offsite Meetings	Coffee with RR

Benefits provided to full-time employees

(GRI 401-2, GRI 401-3)

Employee benefits – Permanent and contract

Parental Leave

Retirement

Life Insurance

Health Care

Disability and invalidity coverage

Defined Benefit Plans: (GRI 201-3)

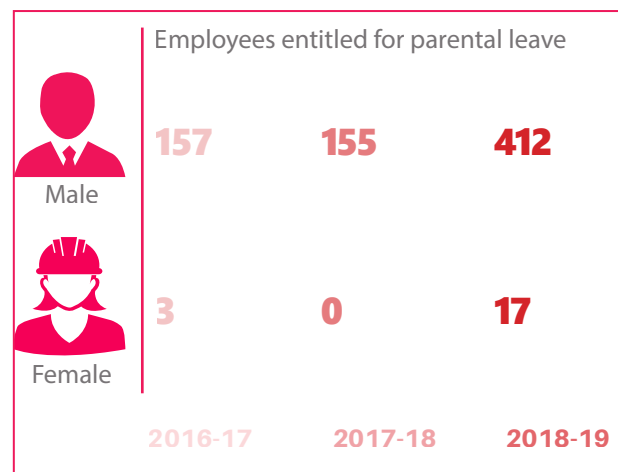
The employee's gratuity fund scheme, pension, post-retirement medical and long term service award benefit schemes are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on the net basis.

Other Long-Term Employment Benefits:

The company has Compensated Absences Plan which is covered by other Long-term Employment Benefits.

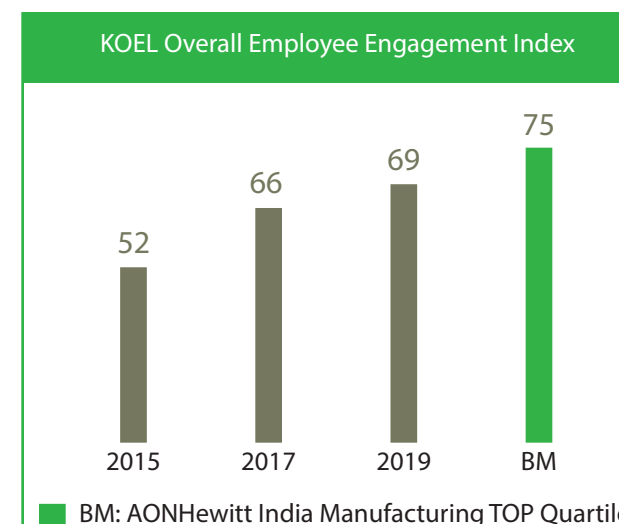
These funds are maintained under a registered Trust and there is no other liability to the company. The notice period for operational changes is four weeks in line with the applicable regulations.

(GRI 402-1).

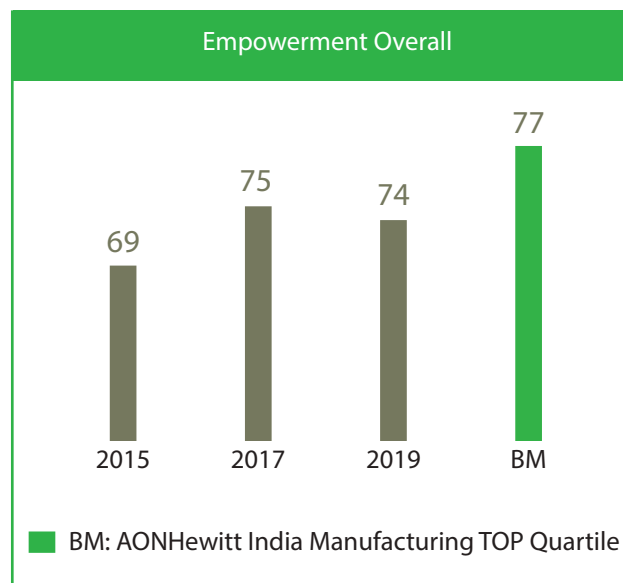


FY 2018-19	
Employees who availed parental leave	
Male	148
Female	4
Employees who returned after parental leave	
Male	148
Female	4
Employees who are still employed for 12 months after joining back	
Male	148
Female	3

Employee engagement



Motivation and Empowerment: Various Initiatives taken such as **a)** completely reformed KOEL Reward & Recognition program known as 'SAMMAN' which has been implemented across the organization covering all employees as per predefined periodic forum. **b)** Empowered M5 to M3 – Junior Management Cadre to recognize and appreciate their peers for 'on the spot award'.



Leadership:

Conscious efforts are taken to develop and nurture a leadership culture wherein people can speak with 'authenticity' without fear. Leaders are encouraged to voice 'dissent' in a constructive manner. Through uninhibited / free communication and collaborative efforts, focus is brought towards achieving 'companywide' goals rather than functional priorities.

Effectiveness of leadership is reviewed through various means. Key performance results, feedback from employee engagement survey, customer satisfaction survey are few triggers in this regard.

Employee engagement:

KOEL deals with huge amount of talent on daily basis in the form of recruiting, screening, interviewing and placing professionals while also handling employee relations, payroll, benefits and training. It engages in recruitment drives, contractual and third party manpower hiring.

360 Feedback Process

Employees of certain BU/functions were selected

to go through 360 degree feedback. The 360 degree feedback process helps the organization to understand the impact of employee's performance through the perspective of each of the stakeholder and internal and external customers. The results of the 360 feedback process helped the business to develop focused development plans which are then monitored at regular intervals. Such initiatives are taken to build on overall capabilities of the organization in order to achieve our vision of building a leadership factory.

Various surveys are taken as part of employee engagement. Ethics committee is in place to look after employee behaviour at the workplace. KOEL engages in various activities to ensure employee wellbeing at the workplace. It engages in formal on-boarding for recently joined employees. Also initiatives like Team Tarang are organized on yearly basis. Employee engagement calendar is circulated to ensure inclusion.

Various organisational initiatives for enhancing employee engagement:

- i) Six Sigma, ii) QC Circle, iii) 5S, iv) Kaizens, v) Project Unlock, vi) Mr Customer, vii) Process Audit, viii)

ENCON, ix) Supplier Quality Task Force, x) Project Pulse, xi) Project CARE, xii) WASH, xiii) IMS, xix) Project Lakshya 100, xx) Business Excellence

Customer Engagement Initiative:

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Modes of employee engagement:

Town Hall meetings, Coffee with MD & CEO, Quarterly appraisal, Performance Review forums, Employee Engagement Survey, R&R forums, External consultants interactions, AOP/LRP deployment meets, Feedback from unions, Apex Committees, IR Committee / Grievance handling committee / Dept. Safety Committee.

Coffee with RR:

While mass communication was taking new shape, two-way communication that helps in understanding the pulse of the employees, was taken to a new level. 'Coffee with RR' was introduced where the managerial employees get an opportunity to interact with the MD & CEO over a cup of coffee. Various other forums for two ways communication are provided. BU HR managers' concept is a key to ensure that all the groups are addressed regularly.

Recognizing innovation can apply to process:

Use of Digital Platform: To align closer to the strategic focus of 'Go Digital', many of the HR initiatives have been transformed on the digital platform which also helps in strengthening the transparency and speed efficiency of these processes.

Spot Awards:

KOEL already had in place On-The-Spot-Awards and monthly awards for those who exhibited significant performances. Earlier for the Spot awards, only Managers from M2 and above grades could give gift coupons as recognition. Now, Spot awards can be raised for employees who are at the same grade or a grade below. It was assessed that the spread and depth of the Spot Awards had to increase. To achieve this, in line with our Value of Empowerment, the eligibility was extended up to M5 grade which is the start of the managerial hierarchy. As a result, the consumption of Spot Awards rose by 125% over previous year and employees even at the grass-root levels started getting appreciated on-the-spot. The programs cater to different needs of managers and leaders to reward individuals and groups of individuals depending on the results achieved.

Testimonial from Ms. Sarita Patil (Team Associate – Quality Assurance)

“In my tenure of more than 12 years of working at KOEL Kagal, I got many opportunities to grow, improve myself. I got international chance to go at Malaysia through quality circle forum.

POSH is internal committee for all our employees, everyone has rights to register their complaints related to POSH. Fortunately our culture is very safe and good here so everyone working here is at comfort zone. We got many personal as well technical training here to improve our abilities. I am extremely proud of being part of this company.”

Testimonial from Ms. Priyanka Patil (Deputy Manager – Supply chain management)

“For the past 8 years, I’ve been working in KOEL, one of the oldest manufacturing companies in INDIA. Here I got numerous and equal opportunities to involve in various prime activities carried in company which helped me to climb the success ladder of my professional carrier. POSH initiative is one of the prime attribute wherein we can register any related issue to the committee and we get

robust actions against it without any bias. Also many trainings provided by company on health, safety, and mindfulness helped me to maintain equal sense of balance in my personal and professional life.”



Human Rights (GRI 412 – 2, 3)

KOEL considers employees as its most valuable resource and constantly strives for their wellbeing and satisfaction. It in line with this that we follow a strong policy of providing equal opportunity to all our employees irrespective of their caste, gender or religion.

The company is in conformity with all the labour laws, human rights directives and other legislations as promulgated from time to time. Company’s policies and senior management has been able to

create an environment free of bias and progress for all based on their work and capabilities. KOEL administration condemns all forms of child labor and does not practice it in any form.

Equal Opportunity and diversity are promoted & encouraged by KOEL leadership. It makes opportunities equally available to all concerned. For example job rotation opportunities at KOEL are communicated online so that all eligible personnel get equally attempt at available opportunities.

Female employees are treated on par with male employees at KOEL. They receive the same wage as their male counterparts. The ratio of entry level salary is 1:1 after which all are given a fair chance to grow in the company. Also, all employee are paid more than the minimum wage requirement.

(GRI 202-1)



Ratio of basic salary and remuneration of women to men

KOEL has a policy of equal opportunity for all its employees in all aspects. It provides equal remuneration to both male and female employees and equal opportunities to grow in the organization irrespective of gender, caste or religion.

(GRI 405-2)

Basic Salary (ratio of women to men) - 1

In February 2014, KOEL 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.

There were no complaints relating to child labour, forced labor, involuntary labour or sexual harassment in the reporting period in operations and primary supply chain. Based on the internal

audits, there were no significant risk for incidents of forced or compulsory labor. Also, there were no incidents of violations involving rights of indigenous peoples. (GRI 411-1)

KOEL does not have a standalone human rights policy but various other programs like prevention of sexual harassment, child labour, forced labour; occupational health & safety, non-discrimination cover different aspects of human rights. These policies are strictly enforced in our organization because of which there have been no cases of reported human rights violation in our company. This is in recognition of our duty towards the constitution of India which has human rights as an integral principle. Currently human rights aspects are a part of employee induction training. We have proper forums & mechanisms like that for Whistle Blower, Values Ombudsman and Grievance Redressal are in place to report and take effective remedial steps for any human right violation in the company. There were no incidents of discrimination and no complaints relating to child labour, forced labour, involuntary labour or sexual harassment.

KOEL has not come across any instance where in its operations or in its suppliers' domain employee

rights to exercise freedom of association or collective bargaining and child labour requirements has been violated or is at significant risk. However, KOEL is not complicit in any violation of human rights in the contractor or supplier premises. The contracts with employees (Long Term Wage Agreement), Supplier contracts contain human right clauses such as no use of child labour and use of PPE (safety) etc.

All (100%) of our security personnel, including those supplied by third party, are trained in the human rights policies and identification, prevention of child labour. To promote gender diversity and further to enactment of 'Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013', a series of sessions has been conducted by an external agency to cover all employees.

(GRI 410-1)

Employee Care & Work-life balance initiatives

Various facilities such as hospitalization and medical, scholarship for employees' children, annual gifts, and Parivar Suraksha Yojna continue to be examples of the employees being cared for. From 2016-17, grades of local employees and DETs got covered under group mediclaim just like all

managers. This reinforced KOEL's commitment to inclusive welfare and showed in the EES too. KOEL has also launched a Term Insurance Policy for all employees. KOEL believes that employees can excel at work only when they are able to strike the right balance between Professional and Personal life. An array of benefits is provided through policies on Flexi time, Birthday Special Leave, Paternity Leave, Bereavement Leave, Relocation leave.

Occupational Health and Safety

(GRI 408-1, GRI 409-1, GRI 403 – 1, 2)

The Company provides a safe workplace environment and imparts training to all its employees on regular basis as required. There are also formal agreements with the trade union covering Health & Safety topics such as responsibility of the workers for using Personal Protective Equipment, compliance with provisions of the Factories Act etc. All (100%) employees are covered under joint management – worker health and safety committees provisions. The Company has adopted a range of top-down, bottom-up and horizontal communication channels to effectively communicate with its employees. Kaizens, ENCON, Quality Management, Safety

Management and WASH Pledge are some of the forums and methods where initiatives to improve occupational health and safety are conceptualized, planned and deployed. The on-going tool box talks to the employees, explaining the existing manuals, covering safety and machine handling aspects is another mode to address safety.

KOEL administration condemns all forms of child labor and does not practice it in any form. There were no complaints relating to child labour, forced labor, involuntary labour or sexual harassment in the reporting period in operations and primary supply chain. Based on the internal audits, there were no significant risk for incidents of forced or compulsory labor.

Employee category	Number of Employees	% Trained on Safety	% Trained for Skill Up-gradation
Permanent	2,443	24.23	24.3
Permanent Female	73	4.11	-
Temporary/ Contractual	1,602	59	8.6

During the year, numbers of initiatives were undertaken in your Company's plants and offices in the areas of Environment, Occupational Health and Safety (EHS). Some of the key initiatives are listed below

Kagal Plant

Environment initiatives

- Utilization of filtered rain water for cooling towers, paint booth & kitchen utensil washing.
- Use of Bio-pesticides for pest control.
- Celebration of World Environment Day for awareness creation amongst employees & nearby villages
- Celebration of Kirloskar Vasundhara International Film Festival for society environmental awareness creation
- Plantation of 1,300 number of trees at plant on World Environment Day.

Occupational Health initiatives

- No Tobacco and DE addiction drive.
- E bulletin on Health on IMS Portal
- Organized Blood donation camp
- Organized program on stress management and HIV/AIDS awareness
- Annual medical check-up for all employees

Safety Initiatives

- Annual Safety Audit
- Safety Awareness for employees
- Conducted road safety awareness campaign
- Implementation of 7 phases of Behavioral Based Safety

Khadki Plant

Environment initiatives

- Use of fly ash bricks for civil work.
- Celebrated World Environment Day. Planted trees in factory premises.
- Use of treated effluent for toilet flushing in addition to gardening.

Occupational Health initiatives

- No Tobacco and DE addiction drive.
- E bulletin on Health on IMS Portal
- Blood donation camp
- Periodical Medical examination of all employees
- Organized International Yoga Day
- Lectures on various health topics by eminent personalities from related field.

Safety Initiatives

- Celebrated Safety Week. Organised various competitions.
- Organized lecture on fire fighting.
- Addressed near-misses in communication to employees.
- Mock drills conducted as a part of OEP.
- Trainings arranged for forklift drivers and crane operators.
- Road repairs carried out in factory.

Nashik Plant

Environment initiatives

- Celebration of World Environment Day
- Celebration of Kirloskar Vasundhara International Film Festival for society environmental awareness creation
- Tree Plantation

Occupational Health initiatives

- No Tobacco and DE addiction drive.
- E bulletin on Health on IMS Portal
- Yoga awareness session on International Yoga Day
- Annual Medical Checkup

- Lecture on health topic - Diabetes, Ergonomics and Heart Disease
- Blood donation Camp
- Tetanus Immunization

Safety Initiatives

- Display of safety instruction at Main gate for visitors to create awareness
- Training and authorization of operators for material handling equipment
- EHS and Firefighting training



Safety training hours, no. of accidents, Frequency rate, severity rate

Safety training person-hours

157	155	412
-----	-----	-----

No. of accidents (reportable as per Factories Act i.e. > 48 hrs lost time)

157	155	412
-----	-----	-----

The frequency rate of accidents

(per million working person hours)

157	155	412
-----	-----	-----

Severity rate of accidents

157	155	412
-----	-----	-----

Total Safety Training man-days

157	155	412
-----	-----	-----

2016-17	2017-18	2018-19
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All (100%) of the employees are tested annually for audiometry, lung-function test and eye test, (including those with exposure to the noise and emissions at engine test beds and paint booth). The safety committee meets every two months to review progress and incidents.

The company intranet 'mykoel.com' provides all the IMS related documents accessible to the employees.

New initiatives

- OCPs and SPOs are translated to Marathi, with pictorial presentations for benefit of contractual workers.
- Behaviour Based Safety (BBS)
- Safety Tool Box Talk (TBT)

Collective Bargaining and Employee Engagement

(GRI 102-41, GRI 205-1, GRI 205-3, GRI 415-1, GRI 402-1)

KOEL respects and is committed to the right to freedom of association, participation and collective bargaining. At every manufacturing plant, a committee addresses the issues raised by employees through a grievance redressal

mechanism or otherwise.

KOEL has a SAY, STAY and STRIVE policy for its employees. This serves to enhance employee engagement. KOEL conducts employee engagement survey (EES) to measure employee perceptions. Trends and results emanating from the EES survey are carefully analyzed and worked upon for remedial and improvement action.

The notice period for operational changes to employees is four weeks and is in line with the applicable regulations. KOEL respects and values human rights. Currently, human rights aspects training is provided as a part of employee induction training. Enforcement of code of conduct is regularly reviewed across organization covering aspects on anti-corruption, bribery, and ethics. All (100%) of the operations are assessed for risks related to corruption and the significant risks related to corruption identified through the risk assessment. All new joiners sign code of conduct and critical suppliers-customers are mailed the respective codes along with the PO and annual communications.

The senior leadership team of KOEL interacts continuously with various professional bodies like IDEMA, CII, FICCI, ARAI, ACMA, FIFO, etc. This helps us understand the business environment & pre-empt changes in government regulations like emission norms & changes in policy affecting our sector. This helps us in various aspects like managing risks & new product development.

Apart from this, the company believes in providing the right inputs to various regulatory bodies which would be beneficial for the overall sector. With a view to this, the company has been an active member of various industry & trade bodies and participates in various industry events & stakeholder consultation/dialogue.



*Coverage in
report, pg. no.*



3, 22, 27, 44



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INDEPENDENT ASSURANCE STATEMENT

To: The Stakeholders of Kirloskar Oil Engines Limited



Introduction and objectives of work

BUREAU VERITAS (India) Pvt Ltd. has been engaged by **Kirloskar Oil Engines Limited (KOEL)** to conduct an independent assurance of KOEL's **Corporate Sustainability Report 2018-19**. This Assurance Statement applies to the related information included within the scope of work described below.

This information and its presentation in the **Sustainability Report 2018-19** are the sole responsibility of the management of Kirloskar Oil Engines Limited. Bureau Veritas was not involved in the drafting of the Report. Our sole responsibility was to provide independent assurance on its content.

Scope of work

The scope of work for the assurance included:

- Data and information included in Sustainability Report 2018-19 for the **reporting period 1st April 2018 to 31st March 2019**;
- Appropriateness and robustness of underlying reporting systems and processes, used to collect, analyse and review the information reported;
- Evaluation of the Report against the principles of Accuracy, Accessibility, Balance, Clarity, Comparability, Reliability, Timeliness and Stakeholder Inclusiveness, as defined in the GRI Sustainability Reporting Guidelines Standard;

The level of assurance has been applied as **“Limited”** for all sections of the report.

Methodology

As part of its independent assurance, Bureau Veritas undertook the following activities:

1. Visit to the manufacturing location of Kirloskar Oil Engines from 11-10-2019 at Khadki plant and from 09-10-2019 to 10-10-2019 at Kagal Plant and interviews with relevant personnel of Kirloskar Oil Engines Limited including the plant in-charge and heads of various departments functions such as Production, Energy, Environment, Safety, Procurement, Human Relations, Marketing and Corporate Finance & Accounts;
2. Review of documentary evidence produced by Kirloskar Oil Engines Limited

3. Review of sustainability performance data on a sampling basis
4. Review of Kirloskar Oil Engines Limited data and information systems for collection, aggregation, analysis and review;
5. Review of stakeholder engagement activities carried out by Kirloskar Oil Engines Limited
6. Direct interviews with a few stakeholders (Labour union) during the site visit

Our work was conducted against Bureau Veritas' standard procedures and guidelines for external Assurance of Sustainability Reports, based on current best practice in independent assurance.

The work was planned and carried out to provide "**Limited**" level of assurance and we believe it provides an appropriate basis for our conclusions.

Our findings

On the basis of our methodology and the activities described above, it is our opinion that:

- Nothing has come to our attention to indicate that the reviewed statements within the scope of our verification are inaccurate and the information included therein is not fairly stated;
- It is our opinion that Kirloskar Oil Engines Limited has established appropriate systems for the collection, aggregation and analysis of quantitative data such as Environmental, Health & Safety, Human Resource, Labour, Social & Community welfare as well as Product and Customer related data.

Specified Sustainability Performance Data

Performance data within the report continues to be gathered through a variety of data systems and processes. We consider the data as presented in the report to be reliable but also highlight our recommendation that Kirloskar Oil Engines Limited utilise suitable processes for internal review of its data, gathering inputs against the key performance indicator stated in the report to ensure that performance against these metrics can be consistently and regularly reviewed and acted upon, wherever the performance does not meet expectations and continue to provide information that can be relied upon as accurate.

Evaluation against Global Reporting Initiative (GRI) Standard Sustainability Reporting Guidelines

Bureau Veritas undertook an evaluation of **Kirloskar Oil Engines Limited Sustainability Report 2018-19** against the GRI Standard This included cross checking the GRI index table against all the reference documents to provide an opinion on the self-declared GRI reporting option.

Based on our work, it is our opinion that the **Sustainability Report 2018-19** has been prepared in accordance with the GRI Reporting Framework including appropriate consideration of the Reporting Principles and necessary indicators to meet the requirements of **GRI Standard** Reporting Option “**In accordance- Core**”.

Positives and key observations

- Good awareness about sustainability amongst the employees
- No fines or any non monetary sanctions or cases of non compliance with environmental and social laws and regulations.
- Kagal plant and admin building Green Co Platinum rated Certified.
- Rain water harvesting is implemented at Kagal.
- Liquid Diesel from Plastic Waste unit is setup.

Opportunities for improvements:

- Data management - Evidences can be collected in soft copies and hyperlinked to the actual data entered in excel sheet
- Awards to the employees in sustainability initiatives
- Coverage of training in sustainability for the employees and dealers
- Review of actual operators’ exposure time to noise in inside test cell

Limitations and Exclusions

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined assurance period stated hereinabove;
- Positional statements (expressions of opinion, belief, aim or future intention) by Kirloskar Oil Engines Limited and statements of future commitment; Competitive claims such as “first in India”, “first in the industry”, “first of its kind” or such other claims, if appearing in the Sustainability Report 2018-19;
- Our assurance does not extend to the activities and operations of Kirloskar Oil Engines Limited outside of the scope and geographical boundaries as well as the operations undertaken by any subsidiaries or joint ventures of the Company.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the Report.

Statement of independence, impartiality and competence

Bureau Veritas India Private Limited is an independent professional services company that specialises in Quality, Health, Safety, Social and Environmental management with almost 180 years history in providing independent assurance services

Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest.

No member of the assurance team has a business relationship with KOEL, its Directors or Managers beyond that required of this assignment. We have conducted this verification independently, and there has been no conflict of interest.

The assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes and has over 5 years combined experience in this field and an excellent understanding of Bureau Veritas standard methodology for the Assurance of Sustainability Reports.

Bureau Veritas India Pvt. Ltd.



Sudarshan Godbole
Lead Assurer
Lead Auditor - IMS



Sanjay Patankar
Technical Reviewer

Date: 29-November-2019
Pune, India